COVER SHEET

SEC Registration Number

							8	4	5

Company Name

S O L I D   G R O U P   I N C .   A N D

S U B S I D I A R I E S

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

2 2 8 5   D O N   C H I N O   R O C E S   A V E N U E

M A K A T I   C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
SEC FORM 17-A (WITH SUSTAINABILITY REPORT)	CGFD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N/A	8843-1511	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
4,221	Last Thursday of June (Per AOI)	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MELLINA T. CORPUZ	meline_c@solidgroup.com.ph	8843-1511	N/A

Contact Person's Address

2285 DON CHINO ROCES AVENUE MAKATI CITY

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

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2022

2. SEC Identification Number: 845

3. BIR Tax Identification No.: 000-508-536-000

4. Exact name of issuer as specified in its charter **SOLID GROUP INC.**

5. Province, Country or other jurisdiction of incorporation or organization: Philippines

6. _________ (SEC Use Only)
Industry Classification Code

7. Address of principal office: Solid House, 2285 Don Chino Roces Avenue, Makati City, Philippines — Postal Code: 1231

8. Telephone No: (632) 843-15-11

9. Former name, former address, and former fiscal year, if changed since last report: Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P1 par value	1,821,542,000 shares

11. Are any or all of these securities listed on the Philippine Stock Exchange

Yes [x]   No [ ]

If yes, state the name of such stock exchange and classes of securities listed therein:

Philippine Stock Exchange   Common

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

    Yes [x] No [ ]

    (b) has been subject to such filing requirements for the past 90 days.

    Yes [x] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant:

P435,972,565

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PART I. BUSINESS AND GENERAL INFORMATION

Item1. Business

(A) Description of Business

1. Business Development

The Company, formerly United Paracale Mining Company, was incorporated on October 9, 1933 as a mining company.

On May 31, 1996, the Company's new set of stockholders executed deeds of assignment transferring to the Company their investments in shares of stock of certain companies as full payment for their subscriptions to 1.5 billion shares of the Company's capital stock. On June 18, 1996, the Securities and Exchange Commission approved the assignment of shares and the following amendments to the Company's Articles of Incorporation: (a) change in the Company's corporate name to Solid Group Inc.; (b) change in its primary purpose to that of a holding company; (c) change of the par value of its shares from P.01 to P1.00; (d) the declassification of its class A and class B capital stock; and (e) the increase in its authorized capital stock from P20 million (divided into P1.2 billion Class A shares and 0.8 billion Class B shares at P0.01 par value) to P5 billion divided into 5 billion shares at P1.00 par value, all of one class.

On September 4, 1996, an additional 524,475,000 of Company's shares of stock were offered to the public and listed in the Philippine Stock Exchange.

The Company was engaged in the manufacture of color television for both domestic and export sales as well as the distribution and marketing of various consumer audio and video products involving two major brands Sony and Aiwa. Two other manufacturing operations involved plastic molding factories. Due to dramatic changes in the business environment including the 1997 Asian crisis, market liberalization (AFTA duty reduction) and severe competition from both overseas and local sources, the Company eventually phased out its manufacturing operations in television production in 2002 and in plastics molding in 2009.

On the November 21, 2002 special stockholders' meeting, the stockholders approved the acquisition of the shares and/or economic interests in the Destiny Group (consisting of Destiny, Inc. and subsidiaries (DI) and Destiny Cable, Inc. and subsidiaries) from the Elena Lim family in exchange for 1.026 billion shares of the Company with par value of P1.00 per share.

In May 2003, the Company completed the acquisition of the entire issued and outstanding shares of DI, which is in the business of broadband multimedia services. The acquisition was approved by the Bureau of Internal Revenue (BIR) on May 15, 2003. A notice of exemption for the issuance of shares under the Revised Securities Act was filed with the Securities and Exchange Commission on November 6, 2003. Company shares totaling 224,461,752 was proposed to be issued in payment for the DI acquisition upon approval of the listing of these shares with the Philippine Stock Exchange. However, in 2004, upon further review of the assets and liabilities of DI, certain receivables from and payables to related parties were removed from the valuation of DI's net assets. The re-valuation resulted in a change in its financial position from a net asset to a net liability of P23,201,010. The Company and DCI agreed that the Company would no longer issue shares of stock to DCI as payment for its acquisition of DI, but instead assume the DI's net liability which represents fair value of the ongoing business of DI including its existing cable internet subscriber base which, in accordance with the pooling of interest accounting applied to this transaction, was charged to additional paid-in capital. In 2012, Solid Broadband Corporation (SBC), the surviving company after the merger with DI, sold its broadband cable infrastructure and broadband internet subscriber base to Skycable Corporation.

The Company ventured into a 26-storey high rise condominium project Zen Towers located in the heart of Manila in 2007. This project was expanded in 2010 with the completion of a 11-storey building composed of offices for sale and lease in the same premise. Also part of the real estate business is a 75-room budget hotel Casa Bocobo in Manila which started in 2008 and a 144-room business hotel and three fully equipped event venues in Makati launched as Green Sun in 2014.

The Company reinvented itself by realigning its resources to market its own Filipino brand of mobile phone, 'myIphone', which was launched as the country's first dual SIM phone in 2007.

In November 2022, the Company acquired Avid Sales Corporation from the Lim Family for P100.2 million after the board approval on November 9, 2022. The acquisition price is less than 10% of the Company's total consolidated assets and less than the threshold amount for material related party transaction. The acquisition will be submitted to the stockholders for ratification at the next Stockholders' Meeting in June 2023.

The Company has fourteen (15) wholly-owned subsidiaries as of December 31, 2022, as follows:

My Solid Technologies & Devices Corporation (MySolid) was incorporated on April 21, 2009 to engage in the manufacture, sale, distribution, importation of any type of digital communication devices, communication technology, broadband and audio-video equipment, gadgets and accessories as well as undertake product research and development. MySolid merged with MyTel Mobility Solutions Inc. (MyTel), another wholly subsidiary of the Company with similar business, with MySolid as the surviving company effective June 1, 2012.

SolidGroup Technologies Corporation (SGTC) was incorporated on November 17, 1989 to engage in the development and implementation of information technology systems and applications. On February 22, 2011, the Board of Directors and stockholders approved the amendment of the SGTC's articles of incorporation to change its primary purpose. This was approved by the Securities and Exchange Commission on March 22, 2011 and starting that date, SGTC's primary purpose is to engage in, operate, conduct and maintain business of designing, manufacturing, installing, importing, exporting, marketing, distributing or otherwise dealing in at wholesale and retail prefabricated modular house and office units. SGTC was formerly a wholly-owned subsidiary of SC. In 2007, SGTC became a wholly-owned subsidiary of the Company when SC declared property dividend to the Company in the form of its investment in SGTC.

Solid Video Corporation (SVC) was incorporated on October 12, 1984. SVC distributes professional video equipment, accessories and supplies to broadcast networks and other companies.

Solid Manila Corporation (SMC) was incorporated on June 13, 1983. SMC is engaged in the lease and development of the Company's real estate properties. SMC merged with Solid Distributors, Inc. (SDI), another wholly-owned subsidiary of the Company, on December 23, 2003, with SMC as the surviving company. SMC merged with Solid Corporation (SC), another wholly owned subsidiary of the Company engaged in the same business of leasing real estate properties, with

SMC as the surviving company effective January 1, 2012. In 2014, SMC renovated the Solid House Building and repurposed it to hotel and events place and operated the Green Sun Hotel. In December 2016, Green Sun Hotel Management, Inc. was incorporated and took over the management and operation of the hotel in 2017.

Zen Towers Corporation (Zen) was incorporated on July 6, 2005. Zen is engaged in the development and sale of real estate properties. It developed the Zen Tri-Tower condominium located in Ermita, Manila.

Precos Corporation (Precos) was incorporated on October 31, 1989 to engage in real estate and related businesses. Prior to 2004, Precos was 60% owned by Solid Corporation (SC) and 40% owned by Sony International (Singapore) Ltd. (SONIS). In 2004, Precos reacquired as treasury stock the shares held by SONIS, thereby making the Company a wholly owned subsidiary of SC. In 2007, Precos became a wholly-owned subsidiary of the Company when SC declared property dividend to the Company in the form of its investment in Precos. In February 2008, Precos acquired Phil-Nanning Consortium, Inc. (PNCI), a domestic company engaged in real estate business. PNCI has a subsidiary organized and operating in Guangxi, China engaged in property development. In August 2016, Precos sold its 100% ownership in PNCI to Solid Company Limited.

Kita Corporation (Kita) was incorporated on October 1, 1994. Kita produced color TV sets under the AIWA brand at its factory located inside the Clark Special Economic Zone. Kita ceased its manufacturing operations effective April 15, 2001 after its agreement with Aiwa expired in April 1, 2000 and was no longer renewed. Kita merged with Clark Plastics Manufacturing Corporation (CPMC), a wholly owned subsidiary of SC, on April 2004, with Kita as the surviving company. After its merger with CPMC, Kita resumed operations to continue the business of CPMC, which is injected plastics manufacturing as well as the lease of its property. In December 2010, Kita ceased the operations of its injected plastics manufacturing business. Henceforth, Kita's revenues principally come from the lease of its properties. In August 2019, Kita's 25-year contract of lease with Clark Development Corporation (CDC) covering parcels of land had expired and surrendered certain buildings to Clark International Airport Corporation since these locations are part of the site for the second Clark Airport runway. The lease was no longer renewed and it is currently securing clearance from CDC.

Omni Solid Services Inc. (OSSI) (formerly Solid Laguna Corporation SLC) was incorporated on May 15, 1995. SLC merged with Solid City Industrial and Commercial Corporation (SCICC), a wholly-owned subsidiary of Solid Corporation, on December 28, 2001 with SLC as the surviving company. SLC ceased its consumer electronics manufacturing operations in December 2002 after its manufacturing agreement with SPH expired in September 2002 and was not renewed. Subsequently, SLC's business is injected plastics manufacturing which was the business of SCICC prior to their merger. SLC ceased the operations of the plastic injection manufacturing business at the end of 2009 and operated as lessor of real estate. SLC merged with Omni Logistics Corporation (OLC), another wholly owned subsidiary of the Company, effective January 1, 2012, with SLC as the surviving company. After the merger, SLC resumed the business of OLC of providing warehousing and logistics services to third parties. On March 19, 2012, SLC changed its corporate name to Omni Solid Services, Inc.

SolidService Electronics Corporation (SEC) (formerly Solid Electronics Corporation SEC) was incorporated on August 9, 1982. SEC operates the repair and service centers for SONY brands of audio and video consumer electronics equipment and MyPhone digital devices. SEC merged with AA Electronics Corporation (AAEC), another wholly-owned subsidiary of the Company and Solid Electronics Services Inc. (SESI), a wholly owned subsidiary of SC on April 12, 2004 with SEC as the surviving company. On September 28, 2018, SEC changed its corporate name to SolidService Electronics Corporation.

Brilliant Reach Limited (BRL) was incorporated on March 12, 2003 in the British Virgin Islands and acquired by the Company on July 31, 2003. BRL handles and manages the placement of the Company's investible funds in foreign currency fixed income financial assets and other investments.

Solid Manila Finance Inc. (SMFI) was incorporated on September 9, 1999. SMFI is engaged in the financing and extension of business, appliance and other loans.

Solid Broadband Corporation (SBC) was incorporated on September 22, 2000 to offer broadband services. SBC obtained a congressional franchise to construct, install, establish, operate and maintain telecommunications systems throughout the Philippines under Republic Act No. 9116 which took effect on April 15, 2001. It has been granted provisional authority to use its franchise by the National Telecommunications Commission on April 15, 2002. SBC was merged with Destiny Inc. (DI) as approved by the Securities and Exchange Commission on August 26, 2005, with SBC as the surviving entity. Henceforth, SBC assumed the operations of DI of broadband cable infrastructure and provides transport services to an affiliate engaged in cable television operations. It also provides integrated multimedia services, among which are, VSAT, broadcast uplink and leased line services. In 2007, SBC started the marketing and distribution of mobile phones. In 2010, My Solid Technologies & Devices Corporation assumed the importation of the mobile phones from SBC while MyTel Mobility Solutions Inc. took over the distribution of mobile phones from SBC. On May 11, 2012, SBC entered into an agreement with Skycable Corporation for the sale/assignment and purchase of its wired and satellite assets and broadband/internet subscriber base. After the sale of its assets, SBC remaining business was acting as collecting agent of Sky Cable until the SBC's clients are transferred to the latter.

MyApp Corporation (MyApp) was incorporated on October 23, 2014 as a holding company. MyApp holds 50% ownership of Creative Hothouse Manila, Inc. which is engaged to design and develop mobile applications. In October 2016, MyApp sold its ownership in Creative Hothouse Manila, Inc. to Creative Hothouse Philippines PTE., LTD.

Green Sun Hotel Management Inc. was incorporated on December 19, 2016 to engage in the hotel and its related business.

Avid Sales Corporation (Avid) was incorporated on July 23, 1996. It is presently engaged in distribution, wholesale and retail of home appliances and electronic products through both online and offline networks and digital solutions for institutional clients.

Henceforth, the term "Company" would mean the Parent Company and/or any of its subsidiaries.

2. Business of Issuer

Principal Products and Services

The consumer electronics business of the Company as of December 31, 2022 are:

(1) sale of mobile phones which generated sales of P178 million (for 185,388 units) or 31% of sales in 2022, P270 million (for 292,176 units) or 45% of sales in 2021 and P115 million (for 83,424 units) or 41% of sales in 2020; and (2) after-sales service for principally SONY brands of consumer

electronic products and My|Phone with its 33 company-owned service centers throughout the Philippines as of end of 2022 which generated service income of P152 million or 21% of service revenues in 2022, P147 million or 22% of service revenues in 2021 and P121 million or 21% of service revenues in 2020; (3) warehousing, distribution and product testing of consumer electronic products with service revenue of P261 million or 4% of service revenues in 2022, P205 million or 30% of service revenues in 2021 and P191 million or 33% of service revenues in 2020; (4) subcontract or toll manufacturing of color TV sets for other brand owner (i.e. TCL, Skyworth) which generated tolling fee of P95 million (for 420,008 units) or 13% of service revenues in 2022, P53 million (for 293,866 units) or 8% of service revenues in 2021 and P43 million (for 206,108 units) or 8% of service revenues in 2020; (5) sale of refurbished appliances of P55 million or 10% of sales in 2022 and P25 million or 4% of sales in 2021; (6) Retail sale of consumer electronic appliances of P95 million (for 8,874 units) or 17% of sales in 2022, none in 2021 and 2020; (7) Service income from commission on sale of mobile products amounted to nil in 2022, P3 million or 0.4% of service revenues in 2021 and P59 million or 10% of service revenues in 2020.

As mentioned above, Solid Broadband Corporation (SBC) sold its wired and satellite assets and broadband/internet subscriber base on May 11, 2012. After the sale of its assets, SBC remaining business was acting as collecting agent of Sky Cable Corporation until the SBC's clients are transferred to the latter. Revenues arising from this activity amounted to P101 million or 14% of service revenues in 2022, P97 million or 14% of service revenues in 2021 and P89 million or 16% of service revenues in 2020.

The Company's other business activities are: the development and sale of industrial estates in joint venture with Samsung Corporation of Korea, the development of residential condominium for sale and the development and lease of other real estate properties and hotel operations, sale of prefabricated modular houses, sale of broadcast/professional equipment and accessories, services from project integration.

The Company's products and services are sold in the Philippines. Revenues for the last 3 years, are as follows: broadcast/professional equipment and accessories of P216 million or 38% of sales in 2022, P256 million or 43% of sales in 2021 and P108 million or 39% of sales in 2020; prefabricated modular houses and services of P25 million or 4% of sales in 2022, P44 million or 7% of sales in 2021 and P48 million or 17% of sales in 2020. Real estate sales amounted to nil in 2022, P893 thousand or 0.06% of revenues in 2021 and nil in 2020. Revenues from hotel operations amounted to P109 million or 15% of service revenues in 2022, P107 million or 16% of service revenues in 2021 and P59 million or 10% of service revenues in 2020. Service fee from project integration and repairs of P20 million or 3% of service revenues in 2022, P61 million or 9% of service revenues in 2021 and P9 million or 2% of service revenues in 2020.

<u>Distribution</u>

The broadcast/professional equipment and accessories is also sold directly to its corporate clients such as broadcast stations.

The Company distributes through its subsidiaries consumer electronic products and devices in the Philippines. The MyPhone brand is distributed by MySolid Technologies and Devices Corporation (MySolid) through 4 distributors. As of December 31, 2022, the distributors supplied approximately to 50 dealer accounts and 200 retail outlets.

Moreover, the Company also sells retail consumer electronic products through Avid Sales Corporation (Avid) under four concepts: Sony Centre (exclusive for Sony products), AV Surfer (for multi-brand products) and Avidpro or Avid Multi-media (for corporate clients and government institutions) and online store (from own online store, Lazada and Shoppee). As of December 31, 2022, it markets through 33 retail and online stores.

Status of any-publicly announced new product or service

None.

Competition

The MyPhone brand celphones distributed by MySolid and STL competes with other brands in the Philippine market mainly Samsung, Huawei, Xiaomi, Cherry Mobile, Oppo, Vivo, Realme and other grey market phones.

Avid competes with several retail consumer electronic stores: Abenson, Electroworld, SM Appliance, Anson, Western, Henry's Camera, Intellismart and other retailers.

The broadcast/professional equipment and accessories that the Company sells competes with other brands like Panasonic and Sharp. Other local competitors are MQ Lightings, WAM Pacific, Composite Technologies, BMH System Solutions, Inc, Media Convergence Inc. and Broadcom Asia.

The prefabricated modular houses that the Company markets are standardized in design, modular assembled, easy to assemble and disassemble and relocate and can also be stored easily. Its main products are designed and manufactured using light steel frames and sandwich wall panels that covers a wide range of applications such as temporary offices, dormitories for construction sites, municipal offices, residential settlements, school classrooms shops, temporary housing for disaster relief and military camps, temporary buildings for exhibitions. It competes with Indigo Prefab House and Smarthouse.

The Company provides warehousing, and logistics services mostly to electronics companies. It competes with Yusen, Seaquest, Lite Xpress, DB Schenker and CJ Logistics among others. It also offers testing services to electronics companies and competes with Rhineland and Duinus Smart Tech.

The Company operates a hotel through Casa Bocobo Hotel (CBH) and The Hotel at Green Sun. It competes with other budget hotels within the Manila area and Makati area, respectively.

Inventories and Service Parts

The Company through its subsidiaries procures inventories and service parts from a number of sources in the Philippines and foreign suppliers for the supply of consumer and professional products and prefabricated modular houses.

Dependency of the business upon a single or few customers

Due to the expiration of lease contract of Kita Corporation (Kita) with CDC in 2019, Kita sole revenue is from the lease of its residential property. The Company has no other major existing sales contracts.

Service

The Company provides through its subsidiaries, after-sales service for all the consumer electronic products it manufactures. As at December 31, 2022, it has 33 service centers throughout the Philippines and about 100 accredited service centers.

Related Party Transactions

The Company provides non-interest-bearing cash advances to its subsidiaries for their working capital requirements. Subsidiaries of the Company generally depend on one another for supply of services and lease of properties. (See Item 12- Certain Relationships and Related Transactions of form 17-A)

Principal Terms and Expiration Dates of all Licenses and Agreements

- Memorandum of Understanding with Sony Philippines, Inc. (Sony)

On July 1, 2003, Solid Electronics Corporation (SEC) entered into a Memorandum of Understanding (MOU) with Sony for network support for Sony products. Under the MOU, Sony authorized the Company to perform in-warranty and out-of warranty services to customers in the Philippines for a fee calculated as a percentage of Sony's annual sales.

In-warranty services shall be rendered free of charge to customers. The actual cost of replacement parts related to in-warranty services shall be shouldered by Sony. Network support fees shall be at a fixed rate per month. The Agreement is effective unless revoked by any of the parties.

- Distributorship Agreement with Sony Corporation

Solid Video Corporation has a non-exclusive Distributorship Agreement with Sony Corporation of Hong Kong Limited (Sony HK), a corporation organized and existing under the laws of Hong Kong. Under the agreement, SVC was designated by Sony HK as its non-exclusive distributor of Sony products in the Philippines. In addition, SVC shall provide the customers in the Philippines with repair and parts replacement services, including but not limited to repair and parts replacement services rendered by SVC which are covered under the 12-month warranty period at its own costs and expenses.

- Agreement with Sky Cable Corporation

In 2012, Solid Broadband Corporation (SBC) and Sky Cable Corporation (Sky) agreed that the management and administration of the sale, assignment and transfer of its assets, equipment, contracts, permits, licenses and subscriber base (the Assets) of SBC be entrusted to Sky. Sky, as the manager of the Assets, was given the overall power and responsibilities to handle all aspects necessary to carry out the administration and operations of the Assets and SBC, to accord the necessary additional authorizations, should the need arise. Sky assumes to pay SBC all cost and expenses in connection with use and operation of the assets.

Pursuant to the above agreement and pending the issuance of the National Telecommunications Commission (NTC) approval of the transfer of assets, SBC entered into an operating agreement with Sky on June 2, 2015 for the accommodation of the VSAT transactions of Sky wherein the said transactions will be sold and collected through SBC. Effective 2022, the service fee amounted to P3.36 million. The agreement is effective unless revoked by either parties.

- Franchise

Solid Broadband Corporation (SBC) obtained a congressional franchise for 25 years to construct, install, establish, operate and maintain telecommunications systems throughout the Philippines under Republic Act No. 9116 which took effect on April 14, 2001. On May 11, 2012, SBC entered into an agreement with Sky Cable Corporation for the sale/assignment and purchase of its wired and satellite assets and broadband/internet subscriber base. After the sale of its assets, SBC remaining business was acting as collecting agent of Sky Cable until the SBC's clients are transferred to the latter.

Need for any government approval

The transfer of the assets of SBC to Sky Cable Corporation pursuant to its Agreement on May 11, 2012 is still pending the approval of the National Telecommunications Commission.

Effect of existing and probable governmental regulations on the business

None.

Research and development activities

The Company has not spent any significant amount for research and development activities in the last three years.

Costs and effects of compliance with environmental laws

The Company has complied with environmental laws at minimal costs.

Employees

The Company and its subsidiaries have 398 regular employees as at December 31, 2022 as shown in the table below. It estimates to have 450 employees by the end of December 31, 2023. There is no existing union as of December 31, 2022. There are no employees who would be on strike nor have been on strike in the past three (3) years, nor are threatening to strike. The Company has no supplemental benefits and incentive arrangements with its employees other than the regular Christmas bonus, thirteenth month pay, performance incentives and leave conversions.

	Number of employees
Management	21
Sales and Distribution	115
Operation	92
Service	51
Administration	72
Finance	47
Total	398

Major Risks involved in the Businesses of the Company

The Company and its subsidiaries identify the major risks of the businesses by assessing the business environment in which they operate. Major risks and threats are addressed through the corporate planning process, which defines appropriate strategic directions and actions to be taken. These directions and actions are managed by regular audit and management review of the operations and financial results of the Company and its subsidiaries. Significant issues, which may arise as a result of the management review, are then presented to the appropriate committees and Board of Directors for resolution.

The Company's business is continuously subject to rapid technology changes which may cause inventory obsolescence. The Company monitors developments in technology advances that could affect its business.

Item 2. Properties

B. Description of Property

Certain properties owned by the Company through its subsidiaries are as follows:

Location	Land Area (in sq. m.)	Current and Intended Use
Laguna International Industrial Park, Binan, Laguna	73,532	Building and warehouse for lease
La Huerta, Bicutan, Paranaque	18,490	Office building & warehouses for lease
Valenzuela, Marulas, Bulacan	10,493	Factory and warehouses, building for lease
San Dionisio, Paranaque	6,690	Warehouses for lease
Laguna International Industrial Park, Binan, Laguna	5,141	Warehouse for lease
Don Chino Roces Ave, Makati City	5,000	Hotel and office building
San Antonio, Paranaque	4,702	Warehouse for lease
San Antonio, Paranaque	4,056	Warehouse for lease
Natividad St., Ermita, Manila	4,505	Condominium tower (for sale)
Osmena Blvd., Cebu City	3,859	Office building for lease
Brgy. Tabuco, Naga City	3,059	Commercial lot for lease
Tandang Sora, Quezon City	2,511	Modular residential building for dormitory type leasing
Barrio Pantal, Dagupan City	1,918	Building under construction
Barrio San Rafael, Iloilo City	1,750	Service Center and building for lease
J. Bocobo St., Ermita, Manila	1,724	Commercial building and Hotel
Brgy. San Roque, San Pablo City	1,714	Service center and building for lease
Bacoor, Cavite	1,334	Commercial building for lease
Cabanatuan City, Nueva Ecija	1,212	Service center and building for lease
Araneta, Quezon City	1,000	Office Building for lease
Calamba Premiere Industrial Park	4,176	Commercial lots for lease
Brgy. Parian, Prinza and Barandal, Calamba	132,929	Raw Land for development

Pililla, Rizal	257,083	Agricultural lot for lease

Solid Corporation also owns a parcel of land in Bgys. Talipapa and Pamaldan, Cabanatuan City, Nueva Ecija with an area of 1,914,180 square meters. This property is the subject of a case filed by Solid Corporation on October 17, 1995 with the Department of Agrarian Reform Regional Adjudication Board (RARAB) to declare the emancipation patents issued to several tenant farmers of the said property and any patents that may subsequently be issued covering the same, null and void on the ground that the requirements of Presidential Decree No. 27 have not been complied with. The portion of the property that may be subject to litigation consists of 47,211 square meters. On February 6, 1997, the case was submitted for resolution. On June 26, 1997, the RARAB ordered the processing of the Certificate of Land Transfer for issuance to the tenants. On July 31, 1997, Solid Corporation appealed the RARAB decision to the DAR's Central Adjudication Board (DARAB). The appeal was resolved adverse to Solid Corporation on January 31, 2002. Solid Corporation appealed the DARAB decision to the Court of Appeals on February 11, 2002. The Court of Appeals dismissed the petition of Solid Corp. on March 1, 2002. In November 2002, Solid Corporation withdrew its appeal at the Court of Appeals preparatory to negotiating with DAR and Landbank, which the Court of Appeals granted last June 28, 2004. No amicable settlement was however reached. Thus, Solid Corporation filed for a Petition for Higher Valuation of Land before the Provincial Agrarian Reform Adjudication Board of the Department of Agrarian Reform in Cabanatuan City on November 18, 2007. The Department of Agrarian Reform granted Solid Corporation's petition and ordered Land Bank to re-evaluate the land valuation based only on Republic Act No. 6657 (The Comprehensive Agrarian Reform Program) on September 28, 2012. Land Bank amended the valuation and tendered an Amended Offer of P14.97 million to Solid Corporation (or Solid Manila Corporation, the surviving company after the merger of Solid Manila Corporation and Solid Corporation). Solid Manila Corporation applied for an amended valuation for Php 16.4 million Pesos. Solid Manila Corporation is complying with the documentation requirements to recover compensation as of April 2023.

Franchise

A Company's subsidiary, Solid Broadband Corporation (SBC), obtained a congressional franchise to construct, install, establish, operate and maintain telecommunications systems throughout the Philippines under Republic Act No. 9116 which took effect on April 15, 2001. On May 11, 2012, SBC entered into an agreement with Skycable Corporation for the sale/assignment and purchase of its wired and satellite assets and broadband/internet subscriber base, (See Agreements). After the sale of its assets, SBC remaining business was acting as collecting agent of Sky Cable.

Mortgage, lien or encumbrance and limitation on ownership or usage on the properties

Except for the above third party claims filed against the Company's subsidiaries as disclosed above, there are no other mortgage, lien or encumbrance and limitation on the ownership or usage on the properties.

Lease agreements

The Company through its subsidiary, SolidService Electronics Corporation, has entered into third party lease contracts for the operation of its service centers.

Location	Annual Rent (In Thousand Pesos)	Expiration Date

Alabang	567	December 31, 2023
Bulacan	303	June 30, 2023
Dagupan	228	December 31, 2023
Dumaguete	290	December 31, 2023
Imus, Cavite	346	April 15, 2023
Kalibo	255	February 28, 2023
Olongapo	227	April 30, 2023
Ortigas	1,428	August 31, 2023
Pasay	269	October 31, 2022
Pasig-Cainta	806	December 31, 2023
Makati	546	Various up to July 31, 2023
Muntinlupa	229	April 30, 2023
Naga	300	December 31, 2023
San Fernando, Pampanga	486	June 30, 2023
Tacloban	332	December 31, 2023
Valenzuela	5,159	Various up to December 31, 2023
Zamboanga	287	December 31, 2023

The lease contract are renewable upon mutual agreement of the parties.

Also, the Company through its subsidiaries, primarily Solid Manila Corporation, Omni Solid Services Inc. and Zen Tower Corporation, leases out to tenants certain real estate properties as summarized below. These leases are renewable on terms mutually acceptable to the parties.

Location	Annual Rent (In Thousand Pesos)	Expiration Date
Araneta, Quezon City	3,684	Various up to January 31,2025
Bacoor, Cavite	4,740	July 31, 2029
Cagayan de Oro	2,464	Various up to December 14, 2023
Calamba, Laguna	1,669	October 31, 2030
Ermita, Manila	44,430	Various up to February 19, 2030
Ermita, Manila	7,975	Various up to June 30, 2026
Iloilo	3,374	Various up to May 31,2023
La Huerta, Bicutan, Paranaque	17,897	Various up to October 31, 2027
Laguna International Industrial Park, Binan, Laguna	85,303	Various up to June 30, 2027
Laguna International Industrial Park, Binan, Laguna	7,483	September 30, 2022
Magallanes, Makati	15,651	Various up to July 6, 2029
Naga, Camarines Sur	1,232	May 31, 2038
Osmena Boulevard, Cebu City	2,008	March 31, 2024 and June 30, 2025
Project 4, Quezon City	1,299	March 31, 2025
Quezon Ave, Quezon City	3,976	May 31, 2025 and September 30, 2027
San Antonio, Paranaque City	22,485	Various up to December 31, 2022
San Antonio, Paranaque City	17,297	Various up to December 31, 2022
Valenzuela, Bulacan	15,105	Various up to June 30,2024

Properties the Company intends to acquire in the next twelve months

The Company estimates capital expenditures for the year 2023 amounting to P2.5 billion for various real estate development, renovation and upgrade of facilities and transportation equipment. The purchase and/or construction of these capital expenditures will be financed primarily through the funds of the Company and partly through loans.

Item 3. Legal Proceedings

C. Legal Proceedings

As discussed in Item 2 (See Properties), Solid Manila Corporation is involved in litigation or other proceedings affecting its titles to real estate property and certain other litigation in relation to property, the outcome of which could individually or taken as a whole, not adversely affect the financial results, operations or prospects of the Company. The Company does not believe any such litigation will have a significant impact on the financial results, operations, or prospects of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of the security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

A. Market Price of and Dividends on Registrant's Common Equity and Related Stockholders Matters

(1) Market Information

(a) Principal Market

The principal market for the registrant's common equity is the Philippine Stock Exchange
(i) The registrant's common equity is listed and traded only at the Philippine Stock Exchange.
The high and low sales prices for each quarter within the last two years are as follows:
Stock Prices

	High (₱)	Low (₱)
2022		
First quarter	1.17	0.91
Second quarter	0.96	0.81
Third quarter	0.97	0.79
Fourth quarter	0.90	0.79
2021		
First quarter	1.50	1.12
Second quarter	1.36	1.13
Third quarter	1.30	1.10
Fourth quarter	1.21	1.05

(ii) Not applicable. The principal market is the Philippine Stock Exchange.

(b) The Company share was trading at P0.93 as of April 27, 2023 (the latest practicable trading date).

(c) Not applicable. This report is not filed in relation to registration of securities.

(2) Holders

The number of shareholders of record as of December 31, 2022 was 4,221. Common shares outstanding as of December 31, 2022 were 1,821,542,000 shares. Total issued shares as of December 31, 2022 were 2,030,975,000.

Top 20 stockholders of the Company's common stock as of December 31, 2022 are as follows:

	Name of Stockholder	No. of Shares Held	% to Total Outstanding
1.	AA Commercial, Inc.	583,377,817	32.03
2.	AV Value Holdings Corporation	499,999,999	27.45
3.	PCD Nominee Corporation (F)	342,113,524	18.78
4.	Lim, David S.	79,488,591	4.36
5.	Lim, Vincent S.	71,887,187	3.95
6.	Lim, Jason S.	65,176,160	3.58
7.	Marvin Jacob T. Lim	20,000,000	1.10
8.	PCD Nominee Corporation (NF)	12,021,301	0.66
9.	Christopher James Lim Tan	11,162,000	0.61
10.	Melissa May Chua Cham Lim	11,000,000	0.60
	Michael Jordan Lim	11,000,000	0.60
	Kevin Michael Lim Tan	11,000,000	0.60
	Jonathan Joseph Lim	11,000,000	0.60
11.	Philippines International Life Insurance Co., Inc	10,000,000	0.55
	Jeremiah Joseph Lim	10,000,000	0.55
	Jessica Megan Lim	10,000,000	0.55
	Isabel Joyce Lim Tan	10,000,000	0.55
	Michelle May Chua Cham Lim	10,000,000	0.55
12.	Chua, Willington Chua &/or Constantino	8,770,000	0.48
13.	Chia Tzu Chern	2,872,000	0.16
14.	Chua, Constantino &/or Willington &/or George	1,750,000	0.10
15.	Hottick Development Corporation	1,408,000	0.08
16.	Paz, Venson	1,065,000	0.06
17.	Columbian Motors Corporation	1,000,000	0.05
	Lucio W. Yan &/or Clara Yan	1,000,000	0.05
18.	Juan Go Yu &/or Grace Chu Yu	940,000	0.05
19.	Lim, Julia	590,000	0.03
20.	Juan G. Yu &/or John Philip Yu	580,000	0.03

b. Not applicable. This report is not filed in relation to registration of securities or any acquisition, business combination or other reorganization.

c. Not applicable. This report is not filed in relation to any acquisition, business combination or other reorganization.

d. Not applicable. This report is not filed in relation to registration of securities.

(3) Dividends

a. In 2022, cash dividend of P0.06 per share to stockholders of record as of July 29, 2022 and payable on August 24, 2022. No cash dividends were declared in 2021.

b. The Company's retained earnings as of December 31, 2022 included undistributed earnings of subsidiaries and unconsolidated investees, which are not currently available for dividend declaration until such time that the subsidiaries have distributed them. The Company's retained earnings is also restricted for the cost of 209,433,000 treasury shares amounting to P115.6 million as of December 31, 2022.

(4) Recent Sales of Unregistered or Exempt Securities

There was no sale of unregistered or exempt securities in 2020 to 2022.

a. Securities Sold.

No securities were sold by the Company from 2020 to 2022.

b. Underwriters and Other Purchases

Not applicable. There were no securities sold by the Company from 2020 to 2022.

c. Consideration

Not applicable. There were no securities sold by the Company from 2020 to 2022.

d. Exemption from Registration Claimed

Not applicable. There were no securities sold by the Company from 2020 to 2022.

Item 6. Management's Discussion and Analysis or Plan of Operation

A. Management's Discussion and Analysis or Plan of Operation

(1) Plan of Operation

Not applicable. The Company have revenues from operations in each of the last two fiscal years.

(2) Management's Discussion and Analysis

Full Fiscal Years

<u>Key Performance Indicators</u>

The following key performance indicators were identified by the Company: revenue growth, asset turnover, operating expense ratio, earnings before interest, taxes, depreciation and amortization (EBITDA), earnings per share, current ratio and debt to equity ratio.

Revenue growth was determined as follows: revenues for the current year less revenues for last year or change in revenues divided by the revenues of the previous year.

Asset turnover was computed based on the revenues earned during the year divided by the average total assets.

Operating expense ratio was calculated as follows: operating expenses for the period divided by revenues for period.

EBITDA was determined by adding back interest expense, depreciation and amortization charges to income before tax on continuing operations for the year.

Earnings per share was computed based on the net income or loss for the period divided by the weighted average shares outstanding during the year.

Current ratio was computed as follows: total current assets as of end of the year divided by total current liabilities as of end of the year.

Debt to equity ratio was computed by dividing the total liabilities (excluding amounts due to related parties) as of end of the year by the total equity as of end of the year.

Key performance indicators for 2022, 2021and 2020 are as follows:

	December 31, 2022	December 31, 2021	December 31, 2020
Revenue growth (decline)	6%	34%	(56%)
Asset turnover	12%	12%	9%
Operating expense ratio	24%	23%	33%
EBITDA	P676	P842 million	P452.6 million
Earnings (loss) / share	0.23	0.37	P0.12
Current ratio	10.13 : 1	11.81 : 1	13.10: 1
Debt to equity ratio	0.14 : 1	0.13 : 1	0.13: 1

2022

Revenues grew by 6% in 2022 reaching P1,634 million from P1,540 million in 2021 from improved revenues of all business segments aside from the distribution segment. Also, sale of goods was boosted by the acquisition of Avid Sales Corporation in November 2022 posting one-month sales of P94 million.

Asset turnover was flat at 12% for both 2022 and 2021. There was change for this ratio.

Operating expense ratio was minimally higher at 24% in 2022 from 23% of the previous year. There was no material change for this ratio.

EBITDA dipped to P676 million in 2022 coming from a high amount of P842 million of the previous year mostly from lower fair value gains in 2022 of the property and related segment.

Earnings per share was P0.23 in 2022 from P0.37 in 2021. EPS fell principally from lower reported net profit for the year.

Current ratio was lower at 10.13: 1 as at December 31, 2022 compared with 11.81 : 1 as of end of the previous year mainly from lower current assets.

Debt to equity ratio was 0.14: 1 as at December 31, 2022 from 0.13 : 1 as of December 31, 2021 chiefly
from greater total liabilities.

2021

Revenue expanded by 34% in 2021 vs. 56% decrease in 2020 principally due to improved revenues of the distribution, technical support and solutions and property and related segments.

Asset turnover stood at 12% in 2021 compared 9% in 2020 mostly due to better revenues for the year.

Operating expense ratio improved to 23% in 2021 from 33% in 2020 primarily due to higher revenues as mentioned above and reduced operating expenses of the distribution segment.

EBITDA grew to P842 million in 2021 from P452.6 million in 2020. This was mainly driven by improved performance of the technical support and solution, property and related services, investment and other segments despite losses of MySolid of the distribution segment.

Earnings per share rose to P0.37 in 2021 from P0.12 in 2020 mainly from higher net income for the year.

Current ratio was 11.81:1 as of December 31, 2021 and 13.10:1 as of December 31, 2020 primarily
due to in higher current liabilities.

Debt to equity ratio stood at 0.13:1 as of December 31, 2021 and 2020. There was no change for the period.

2020

Revenue fell by 56% in 2020 vs. 30% decrease in 2019 principally due to lower revenues of all business segments whose operations were disrupted by COVID-19 pandemic along with the shift in business model of the distribution segment effective in last quarter of 2019.

Asset turnover dropped to 9% in 2020 from 22% in 2019 as a result of lower revenues during the year.

Despite lower operating expenses, operating expense ratio went up to 33% in 2020 from 21% in 2019 principally due to lower revenues mentioned above.

EBITDA declined to P452.6 million in 2020 from P622 million in 2019 mainly a result of the weak revenues mentioned above.

EPS stood at P01.12 for both years. While property & related services and technical support & solutions segments delivered lower results in 2020, EPS remained flat due to lower reported net loss of the distribution segment.

Current ratio improved to 13.10:1 as of December 31, 2020 from 10.56:1 as of December 31, 2019 primarily due to higher working capital from decrease in current liabilities.

Debt to equity ratio stood at 0.13:1 as of December 31, 2020 and 0.14: 1 as of December 31, 2019 from lower liabilities and higher equity.

Results of Operations 2022

Revenues grew by 6% in 2022 reaching P1,634 million from P1,540 million in 2021 from improved revenues of all business segments aside from the distribution segment as explained below.

Service revenue improved by 10% to P742 million in 2022 compared with P676 million in 2021 primarily due to higher volume of integrated logistics services of the logistics & technical solutions segment.

Sale of goods went down by 4% to P569 million in 2022 from P595 million for the same period in 2021 mainly due to lower volume of sales of mobile phones of the distribution segment. At the same time, sale of goods was boosted by the acquisition of Avid Sales Corporation in November 2022 posting one-month sales of P94 million.

Rental income climbed by 10% to P265.7 million in 2022 from P240.8 million in 2021 mainly due to improved occupancy and higher rental rate of the property and related services segment.

Interest income rose to P56.6 million in 2022, up by 111% from P26.9 million in 2021 driven by rising interest rates in 2022.

Sale of real estate was nil in 2022 from P892 thousand from sale of one parking lot in 2021.

Cost of sales, services, real estate sold and rentals was slightly down to P1,058 million in 2022 from P1,069 million for the same period in 2021 as discussed below.

Cost of services amounted to P535 million in 2022 from P508 million in 2021, up by 5 % mainly associated to higher service revenue.

Cost of sales went down to P448 million in 2022, a decrease of 9% from P494 million of last year in relation to decrease in sales of the distribution segment.

Cost of rentals was recorded at P73.7 million in 2022, up by 11% against P66.5 million in 2021 linked to higher cost and occupancy of rental condominium units.

Cost of real estate sold was nil in 2022 compared to P434 thousand related to cost of parking slot sold in the same period of 2021.

Gross profit grew by 23% to P576 million in from P470 million in 2021 mostly contributed by logistics & technical support and property & related services and distribution segments.

Other operating expenses (income) amounted to P104 million expenses in 2022 from (P191 million) income in 2021 as explained below.

General and administrative expenses rose to P383 million in 2022, or 21% higher from P317 million in 2021 principally from higher personnel cost, utilities and representation. This was also increased by the acquisition of a distribution subsidiary.

Selling and distribution costs decreased by 68% to P13.9 million in 2022 from P44 million in 2021 mainly from reduction of commissions, warehousing and personnel related cost of the mobile distribution segment.

Other operating income – net was lower at P292.5 million, down by 47% in 2022 from P553.1 million in 2021 principally due to higher income from lesser fair value gains of the property and related services segment.

Operating profit (loss) declined to P471.6 million in 2022 from P661 million in 2021 mainly resulting from decrease in other operating income-net as explained above.

Other income (charges) rose to P120 million income in 2022 against P93.9 million income in 2021 mainly from the following:

Finance income to P83 million in 2022 as compared with P81.9 million last year. There was no material change for this account.

Gain on bargain purchase amounted to P14.55 million in 2022. In November 2022, the Company acquired 100% ownership of Avid Sales Corporation (Avid). The said gain represented the difference of the acquisition cost of investment over the fair value of net assets of Avid at acquisition date.

Finance costs amounted to P1.8 million in 2022 from P2.69 million in 2021 primarily due to lower foreign currency exchange loss.

Other gains - net amounted to P24 million income in 2022, increased by 66% compared with P14.7 million of the previous year mainly from gain on pre-termination of lease contract.

Similarly, profit before tax was behind by 22% at P592 million in 2022 from P755 million in 2021 mainly due to lower operating profit mentioned above.

Tax expense amounted to P163 million in 2022 or 110% bigger from P77.8 million in 2021 mainly from greater current tax expenses in 2022. Also in 2021, the Company recognized tax income of P4 million given that the CREATE Law was signed after the end of 2020 reporting period but with retroactive effect to July 1, 2020. Furthermore, the recognized net deferred tax assets and net deferred tax liabilities as of January 1, 2021 were remeasured to 25% resulting to additional deferred tax income –net amounting to P145 million in 2021.

Net profit stood lower by 37% to P428.9 million in 2022 against P677.5 million in 2021 principally due to lower other operating income from fair value gains in 2022. Excluding fair gains value, net of tax, and 2021 deferred tax income adjustment from CREATE law gain on bargain purchase, net income improved by 70% from all operating segments.

Net profit attributable to equity holders of the parent amounted to P427.6 million 2022 against P666 million in 2021 as discussed above.

Net profit attributable to non-controlling interest (NCI) amounted to P1.3 million in 2022 compared with P11 million in 2021 primarily due to lower net income of its investee for the period.

Financial Position 2022

Cash and cash equivalents rose by 39% to P3,832 million as of December 31, 2022 from P2,750 million as of December 31, 2021. Cash was principally provided from operating activities from decrease in short-term placements.

Short-term placements stood nil as of December 31, 2022 from P1,702 million as of December 31, 2021 from transfer to time deposits with maturities of less than three months.

Trade and other receivables amounted to P243 million as of December 31, 2022 from P327 million
as of December 31, 2021, lower by 26% mainly from collection of receivables of the distribution segment. Trade customers are generally established and stable companies with reasonable assurance of collectibility of their accounts. Nonetheless, trade accounts are periodically reviewed to assess the
possible losses from non-collection and allowance is provided for possible losses on accounts which are considered doubtful of collection.

Advances to related parties was maintained at P2.3 million as of December 31, 2022 and December 31, 2021. There was no material change for this account.

Merchandise inventories and supplies - net reached P324 million as of December 31, 2022, higher by 160% from P124 million as of December 31, 2021 mainly due to higher merchandise of the distribution segment related to the acquisition of distribution subsidiary in addition to stock-up of inventories of MySolid.

Real estate inventories stood at P428 million as of December 31, 2022 from P437 million as of December 31, 2021. There was no material change for this account.

Other current assets stood higher by 48% to P350 million as of December 31, 2022 compared with
P237 million as of December 31, 2021 primarily from higher input VAT of the property and related segment.

Total current assets reached P5,180 million as of December 31, 2022 from P5,581 million as of December 31, 2021 as discussed above.

Non-current trade and other receivables grew by 12% to P941 million as of December 31, 2022 from P838 million as of December 31, 2021 mainly attributable to higher conversion of USD denominated cash surrender value of investment in life insurance.

Financial assets at fair value through other comprehensive income amounted to P37 million as of December 31, 2022 vs. P27.4 million as of December 31, 2021 arising from fair value gains on club shares.

Investment in associate was P88 million as of December 31, 2022 from P76.5 million as of December 31, 2021 representing deposits to the planned increase in authorized capital stock of Fekon Solid Motorcycle Mfg Corp.

Investment in bonds stood at P20 million for both December 31, 2022 and 2021.

Property and equipment dropped to P1,586 million as of December 31, 2022 from P1,626 million as of December 31, 2021. There was no material change for this account.

Investment properties – net went up by 21% to P5,608 million as of December 31, 2022 from P4,638 as of December 31, 2021 attributable to construction in progress for the development of warehouse facility and fair value gains of the property & related service segment.

Rights-of-use (ROU) assets – net decreased to P2.9 million as of December 31, 2022, lower by 49% from P5.7 million as of December 31, 2021 from depreciation of ROU assets under PFRS 16, Leases.

Post-employment benefit asset grew to P152 million as of December 31, 2022 vs. P131.9 million as of December 31, 2021 principally due to greater fair value of plan assets from effect of acquisition of new subsidiary.

Deferred tax assets - net declined by 18% to P9.9 million as of December 31, 2022, from P12 million as of December 31, 2021 mainly from distribution segment's reversal of provisions for inventory obsolescence.

Other non-current assets increased by 44% to P38 million as of December 31, 2022 from P26.2 million as of December 31, 2021 resulting from payment of cash bond of the property and related segment.

Total non-current assets amounted to P8,484 million as of December 31, 2022 and P7,403 million as of December 31, 2021 mainly from increase in investment properties as discussed above.

Total assets reached P13,664 million as of December 31, 2022 from P12,985 million as of December 31, 2021 as discussed above.

Trade and other payables was up by 5% to P478 million as of December 31, 2022 against P455 million as of December 31, 2021 mainly from higher non-trade and other payables.

Customers' deposits went up by 41% to P14.59 million as of December 31, 2022 from P10.3 million as of December 31, 2021 primarily due to additional deposits received by distribution/retail segment.

Current lease liabilities decreased by 25% to P2.79 million as of December 31, 2022 from P3.7 million as of December 31, 2021 due to payments of lease liabilities.

Advances from related parties amounted to P1.88 million as of December 31, 2022 and as of December 31, 2021. There was no change for this account.

Income tax payable grew by 1198% to P13.9 million as of December 31, 2022 from P1 million as of December 31, 2021 mainly from greater tax expense of certain subsidiaries for the year.

Total current liabilities amounted to P511 million as of December 31, 2022 from P472 million as of December 31, 2021 due to higher trade & other payables and income tax payable.

Non-current refundable deposits climbed by 604% to P184.9 million as of December 31, 2022, from P26 million as of December 31, 2021 mainly from security deposit related to real estate development project of the property & related services segment.

Non-current lease liabilities stood at P748.6 thousand as of December 31, 2022 compared P2.88 million as of December 31, 2021 primarily from transfer of non-current lease liabilities to current portion.

Post-employment benefit obligation amounted to P15.8 as of December 31, 2022 and P19.79 million as of December 31, 2021. The decrease was mainly from benefits paid and actuarial gains during the year. This represents the unfunded retirement obligation of certain subsidiaries.

Deferred tax liabilities -net amounted to P1,011 million as of December 31, 2022 and P930 million as of December 31, 2021. It went up mainly in relation to the fair value gains of the property and related segment.

Total non-current liabilities amounted to P 1,212 million as of December 31, 2022 and P979 as of December 31, 2021 from higher non-current refundable deposits and deferred tax liabilities of the property and related segment as mentioned above.

Total liabilities amounted to P1,723 million as of December 31, 2022 from P1,452 million as of December 31, 2021 as discussed above.

Capital stock stood at P2,030 million as of December 31, 2022 and December 31, 2021.

Additional paid-in capital was maintained at P4,641 million as of December 31, 2022 and as of December 31, 2021.

Treasury shares amounted to P115 million as of December 31, 2022 and as of December 31, 2021.

Revaluation reserves rose by 197% to P149 million as of December 31, 2022 from P50 million as of December 31, 2021 due to exchange gains on currency differences in translating financial statements of foreign operation.

Retained earnings increased to P4,906 million as of December 31, 2022 from P4,587.9 million as of December 31, 2021 as a result of net profit attributable to parent during the period.

Total equity attributable to Equity holders of Parent amounted to P11,612 million as of December 31, 2022 and P11,195 million as of December 31, 2021.

Non-controlling interests fell to P328 million as of December 31, 2022 from P337 million as of December 31, 2021 from minority share in dividends for the period.

Total equity amounted to P11,941 million as of December 31, 2022 from P11,533 million as of December 31, 2021.

Results of Operations 2021

Revenue rose by 34% to P1,540 million in 2021 from P1,152 million million in 2020 from improved revenues of the distribution, technical support and solutions and property and related segments as explained below.

Service revenue went up by 18% to P676 million in 2021 from P572 million in 2020 primarily due to better revenues of technical support and solutions segment and hotel operations of property and related segment offset by lower service income of MySolid of the distribution segment. Higher service revenue of technical support and solutions segment was mainly from service integration project, higher demand for logistics services and greater volume of in-warranty repairs. Moreover, service revenue from hotel operation of property and related segment almost doubled from higher occupancy and resumption of operation at Green Sun while there was significant decline of 95% in service income of MySolid as explained below.

Sale of goods grew by 115% to P595 million in 2021 from P276 million in 2020 principally due to higher volume of sales of the distribution and technical support and solutions segments. MySolid Technologies and Devices Corporation (MySolid) of the distribution segment had to take over direct distribution upon the withdrawal of its distributor for a certain area, resulting to higher sales although lower service income. Moreover, the Company registered improved sale of equipment and tablet devices to government units of the technical support and solution segment.

Rental income was at P240.8 million in 2021 and P242.7 million in 2020. There was no material change for this account.

Interest income was down by 56% to P26.9 million in 2021from P60 million in 2020 mostly due to lower interest rates on time deposit placements.

Sale of real estate was P892 thousand from sale of one parking lot in 2021, nil in 2020.

Cost of sales, services, real estate sold and rentals grew to P1,069.8 million in 2021, up 42% from P753 million in 2020 as discussed below.

Cost of services amounted to P508 million in 2021 from P442 million in 2020, higher by 15% mainly in relation to greater service revenue.

Cost of sales surged to P494.5 million in 2021, an increase of 101% from P245 million in 2020 in associated to increase in sales.

Cost of rentals was at P66.5 million and P64.99 million in 2021 and 2020, respectively. There was no material change for this account.

Cost of real estate sold stood at P434 thousand related to cost of parking slot sold in 2021, nil in 2020.

Gross profit grew by 18% to P470 million in 2021 from P399 million in 2020 contributed by higher revenues of the technical support & solutions and property & related services segments. Despite higher revenues posted by MySolid, its combined gross profit on sales and service income declined by 47% from the previous year mostly due to lower specs products as compared to market.

Other operating expenses (income) amounted to P191 million in 2021 from P72.6 million in 2020 as explained below.

General and administrative expenses was recorded at P318 million in 2021from P327 million in 2020 or lower by 3%. There was no material change for this account.

Selling and distribution costs diminished by 18% to P44 million in 2021from P54 million for the same period of 2020 mainly from lower personnel costs, warranty, and warehousing expenses of the distribution segment.

Other operating income – net rose by 79% to P553 million in 2021 from P308 million in 2020 as fair value gains on investment properties reached record numbers of P500 million in 2021 versus P265 million of the previous year,

Operating profit (loss) improved by 103% to P661 million in 2021 from P326 million in 2020, associated with higher other operating income as explained above.

Other income (charges) went up to P94 million in 2021 against P37 million in 2020 mainly from the following:

Finance income grew by 15% to P82 million in 2021 as compared with P71 million of last year mainly from greater cash surrender value on investment in life insurance diminished by weakened interest income during the year.

Finance costs amounted to P2.7 million in 2021 from P41.9 million in 2020 chiefly due to lower foreign currency exchange loss in 2021.

Other gains - net amounted to P14.7 million income in 2021, or higher by 91% compared with P7.4 million of the previous year mainly from gain on reversal of provision and miscellaneous income.

Profit before tax was P755 million in 2021, a 108% improvement from P363 million in 2020 mainly due to other operating income on fair value gains mentioned above.

Tax expense went down to P78 million in 2021 from P140 million in 2020 attributable to decrease in corporate income tax rates to 25% from implementation of CREATE Law. The Company also recognized tax income of P4 million given that the CREATE Law was signed after the end of 2020 reporting period but with retroactive effect to July 1, 2020. The Company determined that this event was a non-adjusting subsequent event in the 2020 financial statements, hence, tax income relative to the retroactive effect was reported in 2021. Further, the recognized net deferred tax assets and net deferred tax liabilities as of January 1, 2021 were remeasured to 25%. This resulted in additional deferred tax income –net amounting to P145 million in 2021.

Net profit soared to P677 million in 2021 against P223 million in 2020 due to the better performance of the technical support and solutions, property and related services and investment and other segments diminished by losses of MySolid of the distribution segment. The recorded profit also included non-recurring gain of P145 million deferred tax income relative to the remeasurement of deferred tax liabilities explained above.

Net profit attributable to equity holders of the parent amounted to P666 million in 2021 against P220 million in 2020 as discussed above.

Net profit attributable to non-controlling interest (NCI) amounted to P11.4 million in 2021 compared with P2.9 million in 2020 chiefly due to minority share on dividends declared by Starworld of the property and related services segment.

Financial Position 2021

Cash and cash equivalents stood at P2,750 million as of December 31, 2021, higher by 199% from P918 million as of December 31, 2020. Cash was primarily provided from operating activities attributable to the decrease in short-term placements offset by higher trade and other receivables.

Short-term placements was lower by 49% to P1,702 million as of December 31, 2021 from P3,326 million as of December 31, 2020 from placements in time deposits with term of 90 days or less classified under cash equivalents above.

Trade and other receivables reached P327 million as of December 31, 2021 against P315 million as of December 31, 2020. There was no material change for this account. Trade customers are generally established and stable companies with reasonable assurance of collectibility of them accounts. Nonetheless, trade accounts are periodically reviewed to assess the possible losses from non-collection and allowance is provided for possible losses on accounts which are considered doubtful of collection.

Advances to related parties amounted to P2.4 million as of December 31, 2021 from P3.4 million as of December 31, 2020 due to impairment provision during the year.

Merchandise inventories and supplies - net amounted to P125 million as of December 31, 2021, a decrease by 37% compared with P198 million as of December 31, 2020 mainly from lower merchandise and finished goods of the distribution segment.

Real estate inventories stood at P438 million as of December 31, 2021 and P437 million as of December 31, 2020. There was no material change for this account.

Other current assets went down by 33% to P237 million as of December 31, 2021 compared with P351 million as of December 31, 2020 mainly due to lower deferred costs and input vat.

Total current assets reached P5,581 million as of December 31, 2021 from P5,550 million as of December 31, 2020 mainly from higher short-term placements offset by lower cash and cash equivalents and other current assets as discussed above.

Non-current trade and other receivables stood at P838.5 million as of December 31, 2021 from P750.9 million as of December 31, 2020 primarily due to higher cash surrender value of investment in life insurance.

Financial assets at fair value through other comprehensive income amounted to P27.4 million as of December 31, 2021 from P24.1 million as of December 31, 2020 attributable to fair value gains on investment in club shares.

Investment in an associate amounted to P76.5 million as of December 31, 2021 from P18.2 million as of December 31, 2020 from additional deposits to the planned increase in authorized capital stock of Fekon Solid Motorcycle Mfg Corp.

Investment in bonds was P20 million as of December 31, 2021 (none in 2020) for investment made during the year.

Property and equipment decreased to P1,626 million as of December 31, 2021 from P1,680 million as of December 31, 2020. There was no material change for this account.

Investment property increased to P4,638 million as of December 31, 2021 from P4,035 as of December 31, 2020 from fair value gains and additions during the year.

Rights-of-use (ROU) assets – net was P5,7 million as of December 31, 2021, lower by 41% from P9.5 million as of December 31, 2020 mostly from depreciation of ROU assets under PFRS 16, Leases.

Post-employment benefit assets was P 132 million as of December 31, 2021 and P138 million as of December 31, 2020 principally due to lower fair value of plan assets from benefits paid during the year.

Deferred tax assets – net stood at P12 million as of December 31, 2021 and P70.8 as of December 31, 2020 mainly due to derecognition of DTA on allowance of impairment of receivables, effect of change in tax rate and reversal of temporary difference of the distribution segment.

Other non-current assets amounted to P26.3 million as of December 31, 2021 from P26.5 million December 31, 2020. There was no material change for this account.

Total non-current assets amounted to P7,403 million as of December 31, 2021 and P6,753 million as of December 31, 2020 as discussed above.

Total assets reached P12,985 million as of December 31, 2021 from P12,304 million as of December 31, 2020 as discussed above.

Trade and other payables rose to P455 million as of December 31, 2021 against P397 million as of December 31, 2020, a 15% increase mainly from higher trade payables.

Customers' deposits went down by 34% to P10.4 million as of December 31, 2021 from P15.7 million as of December 31, 2020 principally due to recognition of sales of the distribution segment once the criteria for revenue recognition was satisfied.

Current lease liabilities fell by 11% to P3.7 million as of December 31, 2021 from P4.15 million as of December 31, 2020 due to payments of lease liabilities.

Advances from related parties was P1.88 million as of December 31, 2021 and December 31, 2020.

Income tax payable amounted to P1.1 million as of December 31,2021 from P4.6 million as of December 31, 2020 mainly from lower income tax rate and payments made during the year.

Total current liabilities increased to P473 million as of December 31, 2021 from P423.6 million as of December 31, 2020 from higher trade and other payables.

Non-current refundable deposits amounted to P26 million as of December 31, 2021 from P28.89 million as of December 31, 2020 mostly due to application of deposits to receivables of the property and related segment.

Non-current lease liabilities was P2.9 million as of December 31, 2021 from at P6.4 million as of December 31, 2021 and December 31, 2020 primarily from payments made.

Post-employment benefit obligation was P19.8 million as of December 31, 2021 from P27.6 million as of December 31, 2020 principally from benefits paid and reduction in past service cost of separated employees of the distribution segment.

Deferred tax liabilities-net amounted to P931 million as of December 31, 2021, weaker by 3% from P961 million as of December 31, 2020. There was no material change for this account.

Total non-current liabilities amounted to P 979 million as of December 31, 2021 from P1,024 million as of December 31, 2020 from lower deferred tax liabilities.

Total liabilities amounted to P1,452 million as of December 31, 2021 from P1,447 million as of December 31, 2020.

Capital stock stood at P2,030 million as of December 31, 2021 and December 31, 2020. Additional paid-in capital remained at P4,641 million as of December 31, 2021 and December 31, 2020.

Treasury shares amounted to P115 million as of December 31, 2021 and December 31, 2020.

Revaluation reserves climbed 360% to P50 million as of December 31, 2021 from P10.9 million as of December 31, 2020 chiefly due to other comprehensive income from gains on currency exchange differences in translating financial statements of foreign operation.

Retained earnings increased to P4,588 million as of December 31, 2021 from P3,922 million as of December 31, 2020 as a result of net profit attributable to parent during the period.

Total equity attributable to Equity holders of Parent amounted to P11,195 million as of December 30, 2021 and P10,490 million as of December 31, 2020.

Non-controlling interests amounted to P338 million as of December 31, 2021 and P366.6 million as of December 31, 2020 from minority interest share for the year.

Total equity amounted to P12,985 million as of December 31, 2021 from P12,303 million as of December 31, 2020.

Results of Operations 2020

Year-on-year revenues declined by 56% amounting to P1,152 million from P2,618 million in 2019 due to lower revenues of all business segments whose operations were disrupted by the COVID-19 pandemic along with the shift in business model of the distribution segment effective in last quarter of 2019. Most of our businesses were affected by pandemic, especially the hotel and events operations of the property and related services segment from booking cancellations and decline of tourist arrivals resulting from travel restrictions. Moreover, the ECQ and MECQ imposed from March 17 to May 31, 2020 in NCR and other regions led to temporary closure of almost all business operations. Starting June 1, 2020, all business segments resumed operation except the hotel and events business of Green Sun under the property & related services segment.

Sale of goods amounted to P276 million in 2020, down by 78% from P1,260 million in 2019 mainly due to lower volume of sales of the distribution and technical support and solutions segments. Alongside the sales decline in 2020 due to the pandemic, MySolid Technologies & Devices Corporation (MySolid), a wholly owned subsidiary of the Company also pursued a business model of earning service income equivalent to percentage of sales of MyPhone products when it assigned the distribution of MyPhone products to its local distributors/importers, resulting to better cashflow albeit reduced topline for the Company.

Service revenue dropped to P572 million in 2020, a decrease of 43% in 2019 from P1,002 million principally due to decline in revenues of the hotel and events operations of the property and related services segment and aftersales service and project integration revenues of the technical support and solutions segment brought about by business suspensions in this pandemic.

Rental income was slightly lower by 3% to P242 million in 2020 from P250 million in 2019 mainly due to decrease in leasable space and discounts granted during ECQ of the property and related services segment.

Interest income fell to P60 million in 2020, down by 37% from P96.7 million in 2019 due to lower interest rates.

Sale of real estate was nil in 2020 compared to P7 million from condominium sale in 2019.

Cost of sales, services, real estate sold and rentals amounted to P753 million in 2020, a 62% drop from P1,997 million in 2019 as discussed below.

Cost of sales was P245 million in 2020 down by 79% from P1,177 million in 2019 in relation to decrease in sales of the distribution segment.

Cost of services amounted to P442 million in 2020 from P717 million in 2019, down by 38 % mostly associated to lower service revenue.

Cost of rentals declined to P64 million in 2020, a decrease of 34% from P97 million for the same period of 2019 principally due to lower depreciation of the property and related services segment.

Cost of real estate sold was nil in 2020 from P3.8 million in 2019 as there was no sale of condominium unit during the year.

Gross profit weakened to P399 million in 2020 from P620.8 million in 2019. The decrease of 36% was mainly due to lower revenues of all business segments as discussed above.

Other operating expenses (income) amounted to P190 million in 2020 from P72.6 million in 2019 as explained below.

General and administrative expenses went down to P327 million in 2020 from P396 million for the same period of 2019. The decline of 14% was mainly due to lower taxes & licenses, personnel cost and utilities and communication.

Selling and distribution costs dropped to P54 million in 2020 from P172 million for the same period of 2019 mainly from lower commission, warranty, retail marketing and delivery expenses brought about by the change in distribution model of the distribution segment.

Other operating income – net decreased by 7% to P308 million in 2020 from P333 million in 2019 principally due to lower fair value gains on investment property and income from utilities charged to tenants of the property and related services segment.

Operating profit was P326 million in 2020 from P384 million for the same period in 2019 mainly associated with lower gross profit mentioned above.

Other income (charges) amounted to P37 million 8 in 2020 against P128 million charges in 2019 mainly from the following:

Finance costs increased to P41.9 million in 2020 from P28 million in 2019 primarily due to higher foreign currency exchange loss.

Finance income was down by 50% to P71 million in 2020 as compared with P143 million in 2019 mainly due to weaker interest income from lower yield of investible funds and lower cash surrender value of investment in life insurance of the investment and other segment

Other gains - net amounted to P7 million income in 2020 compared with P13 million of the previous year mainly from lower net interest income on retirement benefit asset offset by higher gain on sale of property and equipment.

Profit before tax declined to P363 million in 2020, down 29% from P512 million in 2019 as a result of lower operating profit and other income above.

Tax expense stood lower by 51% to P140 million in 2020 from P286 million in 2019 attributable to lower pre-tax income. Moreover, the distribution segment derecognized certain deferred tax assets related to NOLCO and MCIT in 2019, none in 2020.

Net profit reached to P223 million in 2020 against P226 million in 2019. Although the property & related services and technical support & solutions segments posted lower results of operations in 2020, net profit only slightly decreased by 2% due to lower reported net loss of the distribution segment.

Net profit attributable to equity holders of the parent amounted to P220 million in 2020 against P216 million in 2019 as discussed above.

Net profit attributable to non-controlling interest (NCI) amounted to P2.9 million in 2020 compared with P10.2 million in 2019 primarily due to lower net income of Starworld Corporation, a subsidiary

Financial Position 2020

Cash and cash equivalents fell to P918 million as of December 31, 2020 lower by 74% from P3,491 million as of December 31, 2019. Cash was primarily used for operating activities resulting from increase in short-term investments.

Short-term investments rose to P3,326 million as of December 31, 2020, up by 326% from P762 million as of end of the last year mostly from higher placements of time deposits with maturities of more than three months but less than one year.

Trade and other receivables declined by 48% to P315 million as of December 31, 2020 against P611 million as of December 31, 2019 from collection of receivables of the technical support solutions segment. Trade customers are generally established and stable companies with reasonable assurance of collectibility of their accounts. Nonetheless, trade accounts are periodically reviewed to assess the possible losses from non-collection and allowance is provided for possible losses on accounts which are considered doubtful of collection.

Advances to related parties amounted P3.4 million as of December 31, 2020 from P9 million as of December 31, 2019 principally due to impairment provision on advances.

Merchandise inventories and supplies - net amounted to P198 million as of December 31, 2020, compared with P159 million as of December 31, 2019 mainly from stock up of inventory of the distribution and technical support and solutions segments.

Real estate inventories stood at P437 million as of December 31, 2020 from P436 million as of December 31, 2019. There was no material change for this account.

Other current assets amounted to P351 million as of December 31, 2020 compared with P212 million as of December 31, 2019 mainly due to higher deferred costs pending project completion incurred during the year.

Total current assets amounted to P5,550 million as of December 31, 2020 from P5,682 million as of December 31, 2019 primarily from lower cash and cash equivalents and trade and other receivables offset by higher other current assets as discussed above.

Non-current trade and other receivables stood at P750 million as of December 31, 2020 from P751 million as of December 31, 2019. There was no material change for this account.

Financial assets at fair value through other comprehensive income amounted to P24 million as of December 31, 2020 from P26 million as of December 31, 2019 as a result of fair value loss for the year.

Investment in an associate amounted to P18 million as of December 31, 2020 representing deposits for future subscription in the motorcycle venture of the Company.

Property and equipment amounted to P1,680 million as of December 31, 2020 from P1,694 million as of December 31, 2019. There was no material change for this account.

Investment property increased to P4,035 million as of December 31, 2020 from P3,740 as of December 31, 2019. This was mainly from fair value gains on investment property of the property and related services segment.

Rights-of-use (ROU) assets – net stood at P9.5 million as of December 31, 2020 from P14 million as of December 31, 2019 from depreciation of ROU assets under PFRS 16, Leases.

Post-employment benefit assets was P138 million as of December 31, 2020 from P121 million as of December 31, 2019. The increase was contributed by higher fair value of plan assets offset by lower present value of obligation.

Deferred tax assets - net amounted to P70.8 million as of December 31, 2020 and P66 million as of December 31, 2019 primarily due to higher allowance for impairment of receivables and NOLCO.

Other non-current assets amounted to P26 million as of December 31, 2020 and P23 million as of December 31, 2019 mainly from charges related to software development project.

Total non-current assets amounted to P6,753 million as of December 31, 2020 from P6,437 million as of December 31, 2019 as discussed above.

Total assets reached P12,303 million as of December 31, 2020 from P12,120 million as of December 31, 2019 as discussed above.

Trade and other payables amounted to P397 million as of December 31, 2020 against P438 million as of December 31, 2019 mainly due to lower non-trade payable, accrued incentives and output VAT.

Customers' deposits amounted to P15.7 million as of December 31, 2020 from P12.7 million as of December 31, 2019 due to additional deposits received during the year.

Current lease liabilities was P4.15 million as of December 31, 2020 from P4.88 million as of December 31, 2019 due to payments during the period.

Advances from related parties stood at P1.88 million as of December 31, 2020 and 2019.

Interest-bearing loans was nil as of December 31, 2020 compared to P67 million as of December 31, 2019 as a result of the full payment of interest-bearing loan of investment and others segment.

Income tax payable fell to P4.6 million as of December 31, 2020 from P11.86 million as of December 31, 2019 mainly due to lower pre-tax income as compared to last year.

Total current liabilities decreased to P423 million as of December 31, 2020 from P538 million as of December 31, 2019 due to lower trade and other payables and full payment of interest-bearing loans.

Non-current refundable deposits amounted to P28.9 million as of December 31, 2020 from P23.5 million as of December 31, 2019 from additional deposits.

Non-current lease liabilities stood P6.37 million as of December 31, 2020 from P10.48 million as of December 31, 2019 due to transfer of the maturing lease within the year to current liability.

Post-employment benefit obligation was P27.6 million as of December 31, 2020 from P33.6 million as of December 31, 2019. The decrease was mainly due to benefits paid during the year and remeasurements from actuarial gains arising from differences in financial assumptions and experience adjustments.

Deferred tax liabilities -net amounted to P961 million as of December 31, 2020 and from P873 million as of December 31, 2019. The increase was principally attributable to fair value gains in 2020.

Total non-current liabilities amounted to P1,023 million as of December 31, 2020 from P941 million as of December 31, 2019 as discussed above.

Total liabilities amounted to P1,447 million as of December 31, 2020 from P1,479 million as of December 31, 2019.

Capital stock stood at P2,030 million as of December 31, 2020 and December 31, 2019.

Additional paid-in capital amounted to P4,641 million as of December 31, 2020 and December 31, 2019.

Treasury shares amounted to P115 million as of December 31, 2020 and December 31, 2019.

Revaluation reserves amounted to P10.9 million as of December 31, 2020 from P18.5 million as of December 31, 2019 due to losses on currency exchange differences in translating financial statements of foreign operation offsetted by actuarial gains from remeasurements of post-employment defined benefit obligation.

Retained earnings rose to P3,921 million as of December 31, 2020 from P3,701 million as of December 31, 2019 as a result of net profit attributable to parent during the period.

Total equity attributable to Equity holders of Parent amounted to P10,489 million as of December 31, 2020 from P10,277 as of December 31, 2019.

Non-controlling interests amounted to P366 million as of December 31, 2020 from P363 million as of December 31, 2019 primarily due to minority share in net income for the period.

Total equity amounted to P10,856 million as of December 31, 2020 from P10,640 million as of December 31, 2019.

Past and future financial condition and results of operations, with particular emphasis on the prospects for the future.

The Philippine economy is well on its way to full recovery. The strong rebound from the COVID-19 pandemic during 2022 pushed real economic growth to the highest pace recorded since 1976 at 7.6% GDP growth rate. This is expected to continue in 2023, with GDP growth converging towards its longer-term growth rate of about 6% as domestic consumption remained resilient despite soaring inflation.

As things swing back into full gear and previously idled industries are revived from easing of domestic COVID-19 restrictions, these allowed the rebound of household consumption spending which helped to drive strong economic growth in 2022. Measures to reopen the economy towards greater normalcy led to increased sales, earnings, and employment, overshadowing the risks of higher interest rates amid aggressive rate hikes delivered by the US Federal Reserve as well as the Bangko Sentral ng Pilipinas (BSP).

This positive trajectory led the Company to achieve a modest 6% growth in consolidated revenues to P1,634 million from P1,540 million in 2021 (from P1,152 million in 2020). While net profit stood lower in 2022, it was still solid with profitability year-on-year of P428.9 million compared to P677.6 million profit of the previous year (from P223 million in 2020) and steady property values with fair value gains of P216 million in 2022 (P161 million after tax), compared with P500 million in 2021 (P375 million after tax) and P265 million in 2020 (P186 million after tax). This translated to earnings per share of P0.23 in 2022, P0.37 in 2021 and P0.12 in 2020. Excluding fair value gains and 2021 deferred tax income adjustment from CREATE Law, net income improved by 70% from all operating segments.

By and large, the company achieved remarkable business breakthrough in 2022. It demonstrated steady operations in most of its business segments whilst challenges and prospects brought by the pandemic and embarked into its biggest real estate development project.

Property & Related Services

Property & Related Services (PRS) revenue climbed 17% to P411 million in 2022 from P390 million in 2021 principally from leasing operations. This segment accounted for 19% of the company's consolidated revenues in 2022. It continued to be a profitable and significant contributor to the company's growth despite recognizing a lower net income of P292 million from P656 million in 2021 (from 237 million in 2020) attributed mainly to lower fair value gains of P162 million from P375 million in the preceding year. Looking ahead, as the leasing market has been relatively stable and hotel operations recovers albeit still lower than pandemic levels, this segment targets to grow its revenue to P512 million in 2023.

Solid Manila Corporation's resilience in 2022 resulted to a growth of 16% in revenue to P1247 million from previous year's P171 million (from P178 million in 2020) mainly due to rental escalation and full year normal rate charges (compared to discounted rental rates two years prior). However, it realized a decline of 44% in net income of P328 million (inclusive of fair value gains) from P582 million in 2021 primarily due to lower fair value gains in 2022. For 2023, its construction project includes the renovation of Green Sun Building to relaunch new concepts that will give rise to new needs and new business opportunities for growth to reposition the company in the industry. Along with this is a commercial center in Dagupan, a mixed- use project in Manila, an old house renovation in Cebu and various repairs and improvements of buildings and warehouses in LIIP (Laguna), Sucat, Bacoor, Cabanatuan, Cagayan de Oro, San Pablo and Baguio City. It foresees net revenues of P215 million and P97 million in net profit (excluding property fair value gains) in 2023.

Zen Towers Corporation recognized revenue of P44 million and net profit of P19 million in 2022 from P42 million in revenue and net profit of P23 million in 2021, respectively, due to better occupancy of its residential units in August 2022 when the government mandates the face-to-face classes. Its proximity to university belt in Manila boosted occupancy rate in its high-rise residential condominium. The 14-storey condominium Tower 3 project intended for commercial and office lease with an estimated cost of P500 million was pushed back for a while in preference to other priority projects of the Company. It will continually improve its overall service and Zen experience to all tenants in terms of security, housekeeping and overall building and facilities management. In 2023, it projected a revenue of P52 million and net income of P23 million from targeted occupancy rate of 88% (from 74% in 2022) with continuous increment in the next three years.

As travel restrictions ease around the globe and hotel demand continued throughout 2022, Green Sun and Casa Bocobo hotel operations maintained its combined revenue at P109 million from bookings of corporate clients, online travel agencies (OTA) and events in comparison to P107 million in revenues in 2021 (P59 million in 2020). Its combined net profit went down to P23 million compared to P46 million the preceding year (from P32 million net loss in 2020) from higher cost of services. There was also a one-time income from lease termination in 2021, none in 2022. With the continuous recovery and positive outlook in the hospitality industry, it anticipates a combined revenue of P 117 million in 2023.

While the Company kept a sharper focus on optimizing returns from existing businesses and a disciplined process on capital deployment, it also actively explores opportunities for value realization to fund ongoing and future investments of the Group. Guided by this business sustainability strategy, the Company marked its business footprint when in March 2022, it entered into a built to specifications agreement with LF Logistics Philippines to develop a 10.5-hectare LEED-accredited distribution facility in Calamba, Laguna through its wholly-owned subsidiary, Precos Inc. This property development with projected cost of P3 billion is expected to be completed by the 4th quarter of 2023. Looking ahead, this will be an important cornerstone of the Company's growth in terms of profitability and sustainability in the medium and long term.

Distribution

Solid Video Corporation's revenue went down by 25% to P239 million from P317 million in 2021 (from P116 million in 2020) attributable to the absence of integration or turn-key projects as compared the previous year. Furthermore, there were missed opportunities from delays in the delivery of inventory items from the suppliers due to extended delivery lead time brought by the pandemic, non-renewal of contract with ABS-CBN and initial effect of the closure of one of its main suppliers, Sony Asia Pacific. Accordingly, net profit went down by 23% to P17 million compared to P22 million in 2021 (from P17 million in 2020). Despite considerable pressure, it will keep exploring ways to enhance long-term competitiveness of its product and services forecasting to hit P250 million in revenue and P9.37 million in net profit in 2023 from its existing businesses, potential and target markets.

MySolid Technologies & Devices Corporation (MySolid) streamlined its business in 2022 and focused on tablet devises for institutional sales and feature phones for select territorial distributors. While its revenue went down by 35% to P178 million from P273 million the previous year (from P173 million in 2020), it was able to turn around its losses by 107% to P5.6 million net profit from P83.7 million net loss in 2021 (P78 million net loss in 2020) from foreign currency gains MySolid business seeks to embark on entrepreneurial ventures that will focus on new and innovative offerings to its would-be customers.

SolidGroup Technologies Corporation (MyHouse) revenue went down by 38% to P27 million from P44 million in 2021 as an upshot of the significant shift from unit sales for COVID facilities towards modular sales for residential, commercial and industrial use brought by the reopening of the economy and easing of health protocol in 2022. It foresees a market upturn in 2023 projecting P56 million in revenue and P3 million in net income from its ongoing and upcoming ventures.
Avid Sales Corporation (Avid) is engaged in the business of consumer electronics retail through both online and offline networks and digital solutions for institutional clients. Following its acquisition in November 2022, sourced from its December 2022 operation, Avid contributed P94 million in revenue and P1 million net profit from its Sony Centre business concept, AV surfer, direct sales and e-commerce online businesses. In 2023, it is projecting net sales revenue of Php772 million and net profit of P11 million for the full year based on retail sales from brick- and-mortar stores, enterprise business and e-commerce platform.

Logistics and Technical Support

With the reopening of the economy which benefited the contract intensive services sector surpassing its pre-pandemic level, logistics and technical solutions segment remained the key player year by year as it recognized a 27% revenue climb to P670 million from P534 million and net income escalation by 59% to P105 million from P66 million the preceding year demonstrated by its robust performance with the higher volume of services rendered during the year.

Driven by increase in revenues in all its operating divisions ranging from integrated logistics services, rental, assembly of television, laboratory services and sale of refurbished consumer electronic products, Omni Solid Services Inc. (OSSI) realized a 61% rise in net income to P99 million from P61 million in 2022 supported by the revenue hike of 34% to P518 million from last year's P386 million, its best financial performance in years. In 2023, it will increase its fleet of delivery vehicles to improve its logistics operation and procure equipment to boost its output in assembly and laboratory services targeting to attain P550 million in revenue and net profit of P125 million.

SolidService Electronics Corporation slightly grew its revenue by 4% to P152 million mainly from warranty income due to increase in repair of high value parts under warrant with steady profit of P4.3 million, albeit lower that previous year's P4.7 million. It aims to achieve steady growth in service revenue through its expansion in the number of brands for consumer electronics and aircon services as well as its CCTV business. It is estimated to generate revenue of P183 million in 2023.

Investment and others

Investment and others segment posted a 27% escalation in revenue to P373 million (inclusive of dividends from subsidiaries) from P277 million in 2021 (from P374 million in 2020) brought by higher dividends from subsidiaries of P195 million from P135 million in 2022 (from P200 million in 2020) and net profit increment of 33% of P240 million from P181 million of the previous year. Also, net income increased arising from higher interest rates despite lower investible funds. Part of the cashflow was used for additional investments in Precos Inc. for its real estate project in Calamba and acquisition of Avid Sales Corporation (Avid). The investment in Avid was approved by Board of Directors in November 2022 with the purpose of expanding distribution business segment of the Company. With the stabilized outlook following the return of normalcy after the economic uncertainties brought by the pandemic, the company was able to recommence returning capital to stockholders in the form of cash dividend of P109 million.

Anchored on values of integrity, long-term vision, empowering leadership, and with a strong commitment, the Company will fulfill its mission to ensure long-term profitability and value creation and the need to adopt a broader outlook and new ways of doing business in order to meet the challenges of the post-pandemic economy in its transitional period to return to normal and full-scale business op**era**tions after the devastating disruption of workplace and businesses by the COVID-19 pandemic. There is no better business sustainability strategy than to continue enabling the growth of the people and the economy.

i. Known Trends or Demands, Commitments, Events or Uncertainties that will impact Liquidity.

The Company is not aware of any known trends, demands, commitments, events or uncertainties that will materially impact on its liquidity.

ii. Events that will trigger Direct or Contingent Financial Obligation that is material to the Company, including any default or acceleration of an obligation.

As discussed in Notes of the financial statements under Contingencies, certain subsidiaries of the Company are involved in litigation or proceedings, the outcome of which could individually or taken as a whole, not adversely affect the financial results, operations or prospects of the Company. Except of these contingencies, the Company is not aware of other events that will materially trigger direct or contingent financial obligation.

iii. Material Off-Balance Sheet Transactions, Arrangements, Obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

The Company has no material off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons created during the period that is not included in the financial statements.

iv. Material Commitments for Capital Expenditures, the general purpose of the Commitment and Expected Sources of Funds

The Company estimates capital expenditures for the year 2023 to amount to P2.5 billion for various real estate development, renovation and upgrade of facilities and transportation equipment. The purchase and/or construction of these capital expenditures will be financed primarily through the funds of the Company and partly through loans.

v. Known Trends, Events or Uncertainties that will impact Sales/Revenues/Income from Continuing Operations

The sales downtrend experienced by MySolid Technologies & Devices Corporation (MySolid), a wholly owned subsidiary of the Company under the distribution segment, this couple of years was heightened by the COVID-19 pandemic in 2020. It pursued a business model of earning service income equivalent to percentage of sales of MyPhone products when it assigned the distribution of MyPhone products to its local distributors/importers in last quarter of 2019. While MySolid sold most of its products in 2020 under this distribution model, it lost a key distributor in first quarter 2020 and another one in first quarter 2021. Moreover, its ODM partners failed to provide the current mobile phone models due to component shortage and huge cost. Amidst the slowdown of general local handset brands in the maturing telecom market in the Philippines, MySolid downsized and rationalized its business in 2022 and focused mostly on tablet devises for institutional sales and feature phones for select territorial distributors. Following this, in 2023, MySolid will discontinue distribution of the feature phone on account of low forecasted volume and demand for these low-end basic phones. The Company expects MySolid's revenues to further decline by half with positive results.

In August 2019, Kita Corporation (Kita), a wholly owned subsidiary of the Company, 25 year-contract of lease with Clark Development Corporation (CDC) covering parcels of land had expired. In 2019, Kita had surrendered the buildings to Clark International Airport Corporation since these locations are part of the site for the second Clark Airport runway. In 2021, the Company decided not to renew the lease contact. Kita is currently securing clearance from CDC. Hence, Kita's leasing operations declined to its single residential property in Angeles, Pampanga.

vi. Significant elements of Income or Loss that did not arise from Continuing Operations

None.

vii. Causes for any Material Changes from Period to Period

The coronavirus disease (COVID-19) started to become widespread in the Philippines in early March 2020. The measures undertaken by the government to contain the virus have affected economic conditions and the Company's business operations. While most of the Company's businesses resumed operations on June 1, 2020 except for the hotel and events operations of Green Sun under the property and related services segment which recommenced in 1st quarter 2021, our Company's operating results was greatly affected by the temporary business closures, lockdowns and shifting consumer behavior from travel and mobility restrictions and stay at home orders amidst a decline in consumers' disposable income. Our hotel and events business was significantly affected in 2020 by restrictions on mass gathering and lack of tourist arrivals, which led to retrenchment of its employees in that year.

As explained in Section V under Known Trends, Events and Uncertainties above, MySolid Technologies & Devices Corporation (MySolid), a wholly owned subsidiary of the Company under the distribution segment pursued a business model of earning service income equivalent to percentage of sales of MyPhone products when it assigned the distribution of MyPhone products to its local distributors/importers in the last quarter of 2019. The change in distribution model, business interruption from the pandemic and unavailability of current mobile phone models contributed to significant sales decline and business losses. Also, MySolid had to take over direct distribution upon withdrawal of a distributor in a certain area in 2021, resulting to better topline for that year but still incurring losses, despite going through corporate restructuring and the downsizing of its operations. MySolid also derecognized in 2021 deferred tax assets on allowance for doubtful accounts on receivables amounting to P19.6 million of MySolid which were deemed not recoverable. In 2022, amidst the slowdown of general local handset brands in the maturing telecom market in the Philippines, MySolid further downsized and rationalized its business in 2022 and focused mostly on tablet devises for institutional sales and feature phones for select territorial distributors. This resulted to further lower sales in 2022 although lower operating loss. MySolid reported net profit of P5 million arising from foreign currency gains.

In November 2022, the Company acquired Avid Sales Corporation (ASC) following a due diligence audit by Isla Lipana &Co. (a member firm of Price Waterhouse Coopers). Consequently, the one-month results of operation ending December 31, 2023 of ASC and its ensuing financial position as of December 31, 2023 was included in the 2023 consolidated financial statements of the Company. Following this, this resulted to considerable changes in the results of operations and financial position of the consolidated report. It also resulted to a gain on acquisition of shares of P14.55 million for the year 2022.

Given that the CREATE Law which lowered regular corporate income tax (RCIT) was passed after the end of 2020 reporting period and the Company determined that the event was a non-adjusting subsequent event, the Company used the prevailing tax rates as of December 31, 2020 in its 2020 financial statements. Accordingly, its impact was not reflected in the 2020 financial statements and instead taken up in 2021 financial statements. As a result of the application of the lower RCIT rates of 25% and 20% and lower MCIT rate of 1% starting July 1, 2020, the 2020 income tax expense presented in 2020 annual income tax return (ITR) of the Company was lower by P4.2 million than the amount presented in the 2020 financial statements. The retroactive effect was reported as current tax income in 2021 financial statements of P4.2 million. Further, the recognized net deferred tax assets and net deferred tax liabilities as of January 1, 2021 were remeasured to 25% and 20%. This resulted in additional deferred tax income –net amounting to P145.7 million and such was recognized in profit or loss (deferred tax income of P145.2 million) and in other comprehensive income (deferred tax income of P456 thousand).

Based on the appraisal reports obtained in 2022, 2021 and 2020, the Company reported fair value gains on investment property of P216 million, P500 million and P265 million and P277 million for 2022, 2021and 2020, respectively.

2022

Balance Sheet Items (2022 vs. 2021)

(Increase or decrease of 5% or more in the financial statements)

Cash and cash equivalents – 39% increase to P3,832 million from P2,750 million

Primarily provided from operating activities from decrease in short-term placements. This account stood at 28% and 21% as a percentage of total assets for 2022 and 2021.

Short-term Investments – Nil in 2022 from P1,702 million in 2021

Chiefly from transfer to time deposits with maturities of less than three months. This account stood at nil in 2022 and 13% on total assets in 2021.

Trade and other receivables – 26% decrease to P242.8 million from P327 million

Mainly from collection of receivables of the distribution segment. As a percentage of total assets, this account stood 1.78% for 2022 and 3% for 2021.

Advances to related parties – P2,386.8 for both years

No change for this account. This account stood at 0.02%as a percentage of total assets in 2022 and 2021.

Merchandise inventories and supplies – 160% increase to P324 million from P125 million

Mainly from higher merchandise of the distribution segment related to the acquisition of distribution subsidiary in addition to stock-up of inventories of MySolid. This account represented 2% and 0.96% as a percentage of total assets for years 2021 and 2020, respectively.

Real estate inventories – P428.9 million from P437.8 million

There was no material change for this account. This account stood at 3% as a percentage of total assets in both years.

Other current assets –48% increase to P350 million from P237 million

Mainly from higher input VAT of the property and related services segment. This account stood at 3% and 2% as a percentage of total assets in 2022 and 2021, respectively.

Non-current trade and other receivables –12% increase to P941 million from P838.5 million

Primarily attributable to higher conversion of USD denominated cash surrender value of investment in life insurance. This account stood at 7%and 6% as a percentage of the total assets in 2022 and 2021, respectively.

Financial assets at fair value through other comprehensive income – 35% increase to P37 million from P27.4 million

Attributable to fair value gains on investment in club shares. This account stood at 0.27% and 0.21% as a percentage of total assets for 2022 and 2021, respectively.

Investment in an associate – 15% increase to P88 million from P76.5 million

Due to additional deposits to the planned increase in authorized capital stock of Fekon Solid Motorcycle Mfg Corp. This stood 0.64% and 0.59% as of percentage of total assets in 2022 and 2021, respectively.

Investment in bond – P20 million in 2022 and 2021

No change for this account. This represented 0.15% of total assets in both years.

Property, plant and equipment – 2% decrease to P1,586 million from P1,626.5 million

There was no material change for this account. This represented 12% and 13% as a percentage of total assets in 2022 and 2021, respectively.

Investment property – 21% increase to P5,608.5 million from P4,638 million

Attributable to construction in progress for the development of warehouse facility and fair value gains of the property and related services segment. This account stood at 41% and 36% as a percentage of total assets in 2022 and 2021, respectively.

Right of Use assets – 49% decrease to P2.9 million from P5.7 million

Resulting from depreciation of ROU assets under PFRS 16, Leases. This account stood at 0.02% and 0.04% as a percentage of total assets in 2022 and 2021, respectively.

Post-employment benefit asset – 15% increase to P152 million from P132 million

Principally due to greater fair value of plan assets from effect of acquisition of new subsidiary. This represented 1% of total assets in both years.

Deferred tax assets – 18% decrease to P10 million from P12 million

Mainly from distribution segment's reversal of provisions for inventory obsolescence. This account stood at 0.07% and 0.09% of total assets in 2022 and 2021, respectively.

Other non-current assets – 44% increase to P37.9 million from P26.3 million

Resulting from payment of cash bond of the property and related segment. This represented 0.28% and 0.20%as percentage to total assets in 2022 and 2021, respectively.

Trade and other payables – 5% increase to P478 million from P455 million

Primary due to higher non-trade and other payables. This account stood at 3.5% and 4% as a percentage of total liabilities and equity in 2022 and 2021, respectively.

Customers' deposits –41% increase to P14.6 million from P10.4 million

Principally due to additional deposits received by distribution/retail segment. This account represented 0.11% and 0.08% as a percentage of total liabilities and equity in 2022 and 2021, respectively.

Current Lease Liability – 25% decrease to P2.8 million from P3.7 million

Due to payments during the year. This account stood at 0.02% an 0.03% as a percentage of total liabilities and equity for both 2022 and 2021, respectively.

Advances from related parties – P1.88 million in 2022 and 2021

No movement for this account. This account stood at 0.01% as a percentage of total liabilities and equity in both years.

Income tax payable –1198% increase to P13.9 million from P1.1 million

Mainly from greater tax expense of certain subsidiaries for the year. This account was pegged at 0.10% and 0.01% of the total liabilities and equity in 2022 and 2021, respectively.

Non-current refundable deposits – 604% increase to P184.9 million from P26 million

Mostly from security deposit related to real estate development project of the property and related services segment. This represented 1.35% and 0.2% of the total liabilities and equity in 2022 and 2021, respectively.

Non-Current Lease Liability –74% decrease to P0.75 million from P2.9 million

Primarily from transfer of non-current lease liabilities to current portion. This account represented 0.01% and 0.02% as a percentage of total liabilities and equity in 2022 and 2021.

Post-employment benefit obligation – 20% decrease to P15.8 million from P19.8 million

Principally from benefits paid and actuarial gains during the year. This account stood at 0.12% and 0.15% of the total liabilities and equity in 2022 and 2021, respectively.

Deferred tax liabilities – 9% increase to P1,011 million from P931 million

Mainly in relation to the fair value gains of the property and related segment. This account stood at 7.4% and 7% as a percentage of total liabilities and equity in 2022 and 2021, respectively.

Capital stock – no change

This account stood at 15% and 16% of total liabilities and equity for 2022 and 2021, respectively.

Additional Paid-In-Capital – no change

This account represented 34% and 36% % of total liabilities and equity for 2022 and 2021, respectively.

Treasury Shares – no change

This account represented 1% of total liabilities and equity for both years.

Revaluation reserves – 197% increase to P149 million from P50 million

Chiefly due to exchange gains on currency differences in translating financial statements of foreign operation. It stood at 1.09% and 0.39% of total liabilities and equity in 2022 and 2021.

Retained earnings – 7% increase to P4,906 million from P4,588 million

Resulting from net profit attributable to parent during the period. This account stood at 36% and 35% of total liabilities and equity in 2022 and 2021, respectively

2022

Income Statement Items (2022 vs. 2021)
(Increase or decrease of 5% or more in the financial statements)

Service revenue – 10% increase to 742.9 million from P676 million

Improved primarily due to higher volume of integrated logistics services of the logistics and technical solutions segment. As a percentage of total revenues, this account represented 45% and 44% in 2022 and 2021, respectively.

Sale of goods – 4% decrease to P569 million from P595 million

Mainly due to lower volume of sales of mobile phones of the distribution segment. At the same time, sale of goods was boosted by the acquisition of Avid Sales Corporation in November 2022 posting one-month sales of P94 million. As a percentage of total revenues, this account represented 35% and 39% in 2022 and 2021, respectively.

Rental income – 10% increase to P265.7 million fromP240.8 million

Mainly due to improved occupancy and higher rental rate of the property and related services segment. As a percentage of total revenues, this account represented 16% for both years.

Interest income – 111% increase to P56.7 million from P26.9 million

Driven by rising interest rates in 2022. As a percentage of total revenues, this account represented 3% and 2% in 2022 and 2021, respectively.

Sale of real estate – Nil from P892 thousand

Nil in 2022, with one parking unit sold in 2021. As a percentage of total revenues, this account was nil in 2022 and stood at 0.06% in 2021.

Cost of services – 5% increase to P535.9 million from P508 million

Mainly in relation to higher service revenue. This account stood at 33% for both years as a percentage of total revenues.

Cost of sales - 9% decrease to P448 million from P494.5 million

Associated to decrease in sales of the distribution segment. As a percentage of total revenues, this account represented 27% and 32% in 2022 and 2021, respectively.

Cost of rentals – 11% increase to P73.7 million from P66.5 million

Linked to higher cost and occupancy of rental condominium units. This account represented 5% and 4% in 2022 and 2021 based on total revenues.

Cost of real estate sales – Nil from P434 thousand

Related to cost of parking slot sold in the same period of 2021. As a percentage of total revenues, this account was nil in 2022 and stood at 0.03% in 2021.

Gross profit – 23% increase to P576 million from 470 million

Contributed by logistics and technical solutions, property & related services and distribution segments. As a percentage of total revenues, this account stood at 35% and 31% in 2022 and 2021, respectively.

General and administrative expenses – 21% increase to P383 million from P317.6 million

Principally from higher personnel cost, utilities and representation. This was also increased by the acquisition of a distribution subsidiary. As a percentage of total revenues, this account stood at 23% and 21% in 2022 and 2021, respectively.

Selling and distribution costs –68% decrease to P13.9 million from P44 million

Mainly from reduction of commissions, warehousing and personnel related cost of the mobile distribution segment. This account represented 0.85% and 3% of total revenues for 2022 and 2021, respectively.

Other operating income –net - 47% decrease to P292.5 million from P553 million

Attributable to higher income from lesser fair value gains of the property and related services segment. As a percentage to total revenues, this account represented 18% in 2022 and 36% in 2021.

Operating profit - 29% decrease to P471.6 million from P661 million

Associated with lower other operating income-net. This account represented 29% and 43% as a percentage of total revenues for 2022 and 2021, respectively.

Finance income – 2% increase to P83 million from P82 million

There was no material change for this account. This account represented 5% as a percentage of total revenues for 2022 and 2021.

Gain on bargain purchase – P14.6 million in 2022

In November 2022, the Company acquired 100% ownership of Avid Sales Corporation (Avid). The said gain represented the difference of the acquisition cost of investment over the fair value of net assets of Avid at acquisition date. This account represented 5% as a percentage of total revenues for 2022 and 2021.

Finance costs - 32% decrease to P1.8 million from P2.7 million

Chiefly due to lower foreign currency exchange loss. This account represented 0.11% and 0.17% as a percentage of total revenues in 2022 and 2021 respectively.

Other gains - net – 66% increase to P24 million from P14.7 million

Mainly from gain on pre-termination of lease contract. This account stood at 1.5% and 0.95% in 2022 and 2021 as a percentage of total revenues.

Profit before tax –22 % decrease to P592 million from P755 million

Mainly due to lower operating profit. This account stood at 36% in 2022 and 49% in 2021 as a percentage of total revenues.

Tax expense – 110% increase to P163 million from P78 million

Attributable to greater current tax expenses in 2022. Also in 2021, the Company recognized tax income of P4 million given that CREATE Law was signed after the end of 2020 reporting period but with retroactive effect to July 1, 2020. Furthermore, the recognized net deferred tax assets and net deferred tax liabilities as of January 1, 2021 were remeasured to 25% resulting to additional deferred tax income-net amounting to P145 million in 2021. This account stood at 10% in 2022 and 5% in 2021 based on total revenues.

Net profit – 37% decrease to P428.9 million from P677 million

Principally due to lower other operating income from fair value gains in 2022. Excluding fair value gains, net of tax, and deferred tax income from CREATE law adjustment, net income improved by 70% from all operating segments. This account stood at 26% in 2022 and 44% in 2021.

2021

Balance Sheet Items (2021 vs. 2020)
(Increase or decrease of 5% or more in the financial statements)

Cash and cash equivalents – 199% increase to P2,750 million from P918 million

Primarily provided from operating activities attributable to the decrease in short-term placements offset by higher trade and other receivables. This account stood at 21% and 7% as a percentage of total assets for 2021 and 2020.

Short-term Investments – 49% decrease to P1,702 million from P3,326 million

Chiefly from placements in time deposits with term of 90 days or less classified under cash equivalents above. This account stood at 13% and 27% based on total assets in 2021 and 2020, respectively.

Trade and other receivables – 4% increase to P327 million from P315 million

There was no material change for this account. This account stood 3% as a percentage of total assets for both years.

Advances to related parties – 30% decrease to 2.4 million from P3.4 million

Due to impairment provision during the year This account stood at 0.02% and 0.03% as a percentage of total assets in 2021 and 2020.

Merchandise inventories and supplies – 37% decrease to P125 million from P198 million

Mainly from lower merchandise and finished goods of the distribution segment. This account represented 1% and 2% as a percentage of total assets for years 2021 and 2020, respectively.

Real estate inventories – P437.8 million from P437.1 million

There was no material change for this account. This account stood at 3% and 4% as a percentage of total assets in 2021 and 2020, respectively.

Other current assets –33% decrease to P237million from P351 million

Mainly due to lower deferred costs and input vat. This account stood at 2% and 3% as a percentage of total assets in 2021 and 2020, respectively.

Non-current trade and other receivables –12% increase to P838.5 million from P750.9 million

Primarily due to higher cash surrender value of investment in life insurance. This account stood at 6% as a percentage of the total assets in both years.

Financial assets at fair value through other comprehensive income – 14% increase to P27.4 million from P24.1 million

Attributable to fair value gains on investment in club shares. This account stood at 0.21 and 0.20% as a percentage of total assets for 2021 and 2020, respectively.

Investment in an associate – 321% increase to P76.5 million from P18.2 million

From additional deposits to the planned increase in authorized capital stock of Fekon Solid Motorcycle Mfg Corp. This stood 1% and 0.15% as of percentage of total assets in 2021 and 2020, respectively.

Investment in bond – P20 million in 2021

From investment made during the year, none in 2020. This represented 0.15% of total assets in 2021.

Property, plant and equipment – 3% decrease to P1,626.5 million from P1,680 million

There was no material change for this account. This represented 13% and 14% as a percentage of total assets in 2021 and 2020, respectively.

Investment property – 15% increase to P4,638 million from P4035 million

Mainly due to fair value gains and additions on investment property of the property and related services segment. This account stood at 36% and 33% as a percentage of total assets in 2021 and 2020, respectively.

Right of Use assets – 41% decrease to P5.7 million from P9.5 million

Resulting from depreciation of ROU assets under PFRS 16, Leases. This account stood at 0.04% and 0.08% as a percentage of total assets in 2021 and 2020, respectively.

Post-employment benefit asset – 5% decrease to P132 million from P138 million

Principally due to lower fair value of plan assets from benefits paid during the year. This represented 1% of total assets in both years.

Deferred tax assets – 83% decrease to P12 million from P70.8 million

Mainly due to derecognition of DTA on allowance of impairment of receivables, effect of change in tax rate and reversal of temporary difference of the distribution segment. This account stood at 0.09% and 1% of total assets in 2021 and 2020, respectively.

Other non-current assets – 1% decrease to P26.3 million from P26.5 million

There was no material change for this account. This represented 0.20% and 0.22%as percentage to total assets in 2021 and 2020, respectively.

Trade and other payables – 15% increase to P455 million from P397 million

Mainly due to higher trade payables. This account stood at 4% and 3% as a percentage of total liabilities and equity in 2021 and 2020, respectively.

Customers' deposits –34% decrease to P10.4 million from P15.7 million

Principally due to recognition of sales of the distribution segment once the criteria for revenue recognition was satisfied. This account represented 0.08% and 0.13% as a percentage of total liabilities and equity in 2021 and 2020, respectively.

Current Lease Liability – 11% decrease to P3.7 million from P4.15 million

Due to payments during the year. This account stood at 0.03% as a percentage of total liabilities and equity for both 2021 and 2020.

Advances from related parties – P1.88 million in 2021 and 2020

No movement for this account. This account stood at 0.01% and 0.02% as a percentage of total liabilities and equity in 2021 and 2020, respectively.

Income tax payable –77% decrease to P1.1 million from P4.6 million

Mainly from lower income tax rate and payments made during the year. This account was pegged at 0.01% and 0.04% of the total liabilities and equity in 2021 and 2020, respectively.

Non-current refundable deposits – 9% decrease to P26 million from P28.9 million

Mostly due to application of deposits to receivables of the property and related segment. This represented 0.2% of the total liabilities and equity in both 2021 and 2020.

Non-Current Lease Liability –55% decrease to P2.9 million from P6.4 million in 2020

Primarily from payments made. This account represented 0.02% and 0.05% as a percentage of total liabilities and equity in 2021 and 2020.

Post-employment benefit obligation – 28% decrease to P19.8 million from P27.6 million

Principally from benefits paid and reduction in past service cost of separated employees of the distribution segment. This account stood at 0.15% and 0.22% of the total liabilities and equity in 2021 and 2020, respectively.

Deferred tax liabilities – 3% decrease to P931 million from P961 million

There was no material change for this account. This account stood at 7% and 8% as a percentage of total liabilities and equity in 2021 and 2020, respectively.

Capital stock – no change

*T*his account stood at 16% and 17% of total liabilities and equity for 2021 and 2020, respectively.

Additional Paid-In-Capital – no change

This account represented 36% and 38% % of total liabilities and equity for 2021 and 2020, respectively.

Treasury Shares – no change

This account represented 1% of total liabilities and equity for both years.

Revaluation reserves – 360% increase to P50 million from P10.9 million

Chiefly due to other comprehensive income from gains on currency exchange differences in translating financial statements of foreign operation. It stood at 0.39% and 0.09% of total liabilities and equity in 2021 and 2020.

Retained earnings – 17% increase to P4,588 million from P3,922 million

Resulting from net profit attributable to parent during the period. This account stood at 35% and 32% of total liabilities and equity in 2021 and 2020, respectively.

Income Statement Items (2021 vs. 2020)
(Increase or decrease of 5% or more in the financial statements)

Service revenue – 18% increase to 676 million from P572 million

Primarily due to better revenues of technical support and solutions segment and hotel operations of property and related segment offset by lower service income of MySolid of the distribution segment. Higher service revenue of technical support and solutions segment was mainly from service integration project, higher demand for logistics services and greater volume of in-warranty repairs. Moreover, service revenue from hotel operation of property and related segment almost doubled from higher occupancy and resumption of operation at Green Sun while there was significant decline of 95% in service income of MySolid as explained below. As a percentage of total revenues, this account represented 44% and 50% in 2021 and 2020, respectively.

Sale of goods – 115% increase to P595 million from P276 million

Mostly due to better revenues of technical support and solutions segment and hotel operations of property and related segment offset by lower service income of MySolid of the distribution segment. Higher service revenue of technical support and solutions segment was mainly from service integration project, higher demand for logistics services and greater volume of in-warranty repairs. Moreover, service revenue from hotel operation of property and related segment almost doubled from higher occupancy and resumption of operation at Green Sun while there was significant decline of 95% in service income of MySolid as explained below. As a percentage of total revenues, this account represented 39% and 24% in 2021 and 2020, respectively.

Rental income – 1% decrease to P240.8 million fromP242 million

There was no material change for this account. As a percentage of total revenues, this account represented 16% and 21% and for years 2021 and 2020, respectively.

Interest income – 56% decrease to P26.9 million from P60 million

Mostly due to lower interest rates from time deposit placements. As a percentage of total revenues, this account represented 2% and 5% in 2021 and 2020, respectively.

Sale of real estate – 100% increase to P892 thousand from nil

1 parking unit sold during the year. As a percentage of total revenues, this account stood at 0.06% in 2021.

Cost of services – 15% increase to P508 million from P442 million

Mainly in relation to greater service revenue. This account stood at 33% and 38% in 2021 and 2020 as a percentage of total revenues.

Cost of sales - 101% increase to P494.5 million from P245 million

Associated to increase in sales. As a percentage of total revenues, this account represented 32% and 21% in 2021 and 2020, respectively.

Cost of rentals – 2% increase to P66.5 million from P64.99 million

There was no material change for this account. This account represented 4% and 6% in 2021 and 2020 based on total revenues.

Cost of real estate sales – 100% increase toP434 thousand from nil

Related to cost of parking slot sold in 2021. As a percentage of total revenues, this account represented 0.03% in 2021.

Gross profit – 18% increase to P470 million from P398.9 million

Contributed by higher revenues of the technical support & solutions and property & related services segments. As a percentage of total revenues, this account stood at 31% and 35% in 2021 and 2020, respectively.

General and administrative expenses – 3% decrease to P317.6 million from P327 million

There was no material change for this account. As a percentage of total revenues, this account stood at 21% and 28% in 2021 and 2020, respectively.

Selling and distribution costs –18% decrease to P44 million from P54 million

Mainly from lower personnel costs, warranty, and warehousing expenses of the distribution segment. This account represented 3% and 5% of total revenues for 2021 and 2020, respectively.

Other operating income –net - 79% increase to P553 million from P308 million

Attributable to fair value gains on investment properties. As a percentage to total revenues, this account represented 36% in 2021 and 27% in 2020.

Operating profit - 103% increase to P661 million from P326 million

Associated with higher other operating income. This account represented 43% and 28% as a percentage of total revenues for 2021 and 2020, respectively.

Finance income – 15% increase to P82 million from P71 million

Mainly from greater cash surrender value on investment in life insurance diminished by weakened interest income during the year. This account represented 5% and 6% as a percentage of total revenues for 2021 and 2020, respectively.

Finance costs - 94% decrease to P2.7 million from P41.9 million

Chiefly due to lower foreign currency exchange loss in 2021. This account represented 0.17% and 4% as a percentage of total revenues in 2021 and 2020, respectively.

Other gains - net – 99% increase to P14.7 million from P7.4 million

Mainly from gain on reversal of provision and miscellaneous income. This account stood at 1% and 0.64% in 2021 and 2020 as a percentage of total revenues.

Profit before tax –108 % increase to P755 million from P363 million

Mainly due to other operating income on fair value gains. This account stood at 49% in 2021 and 32% in 2020 as a percentage of total revenues.

Tax expense – 44% decrease to P78 million from P140 million

Attributable to decrease in corporate income tax rates to 25% from implementation of CREATE Law. The Company also recognized tax income of P4 million given that the CREATE Law was signed after the end of 2020 reporting period but with retroactive effect to July 1, 2020. Further, additional deferred tax income was recorded from remeasurement of net deferred tax assets and net deferred tax liabilities as of January 1, 2021. This account stood at 5% in 2021 and 12% in 2020 based on total revenues.

Net profit – 204% increase to P677 million from P223 million

Due to the better performance of the technical support and solutions, property and related services and investment and other segments diminished by losses of MySolid of the distribution segment. The recorded profit also included non-recurring gain of P145 million deferred tax income relative to the remeasurement of deferred tax liabilities explained above. This account stood at 44% in 2021 and 19% in 2020.

2020

Balance Sheet Items (2020 vs 2019)
(Increase or decrease of 5% or more in the financial statements)

Cash and cash equivalents – 74% decrease to P918 million from P3,491 million

Primarily used for operating activities resulting from increase in short-term investments. This account stood at 7% and 29% as a percentage of total assets for 2020 and 2019.

Short-term Investments – 326% increase to P3,326 million from P762 million

Mostly from higher placements of time deposits with maturities of more than three months but less than one year. This account stood at 27% and 6% based on total assets in 2020 and 2019, respectively.

Trade and other receivables – 48% decrease to P315 million from P611 million

Mainly from collection of receivables of the technical support solutions segment. This account stood at 3% and 5%as a percentage of total assets in 2020 and 2019, respectively.

Advances to related parties – 63% decrease to P3.4 million from P9 million

Principally due to impairment provision on advances. This account stood at 0.03% and 0.07% as a percentage of total assets in 2020 and 2019.

Merchandise inventories and supplies – 25% increase to P198 million from P159 million

Mainly from stock up of inventory of the distribution and technical support and solutions segments. This account represented 2% and 1% as a percentage of total assets for years 2020 and 2019, respectively.

Real estate inventories – P437.1 million from P436.97 million

There was no material change for this account. This account stood at 4% as a percentage of total assets in both years.

Other current assets – 65% increase to P351 million from P212 million

Mainly due to higher deferred costs pending project completion incurred during the year. This account stood at 3% and 2% as a percentage of total assets in 2020 and 2019, respectively.

Non-current trade and other receivables – P750.9 million from P751.1 million from P739 million

There was no material change. This account stood at 6% as a percentage of the total assets in both years.

Financial assets at fair value through other comprehensive income – 8% decrease to P24 million from P26 million

Resulting from fair value loss for the year. This account stood at 0.20 and 0.22% as a percentage of total assets for 2020 and 2019, respectively.

Investment in an associate – P18 million in 2021

This represented deposits for future subscription in the motorcycle venture of the Company (none in 2020). This stood 0.15% as of percentage of total assets in 2021.

Property, plant and equipment – 1% decrease to P1,680 million from P1,694 million

There was no material change for this account. This represented 14% as a percentage of total assets in both years.

Investment property – 8% increase to P4,035 million from P3,740 million

Mainly due to fair value gains on investment property of the property and related services segment. This account stood at 33% and 31% as a percentage of total assets in 2020 and 2019, respectively.

Right of Use assets – 35% decrease to P9.5 million from P14 million

Resulting from depreciation of ROU assets under PFRS 16, Leases. This account stood at 0.08% and 0.12% as a percentage of total assets in 2020 and 2019, respectively.

Post-employment benefit asset – 14% increase to P138 million from P121 million

Contributed by higher fair value of plan assets offset by lower present value of obligation. This represented 1% of total assets in both years.

Deferred tax assets – 7% increase to P70 million from P66 million

Primarily due to higher allowance for impairment of receivables and NOLCO. This account stood at 0.58% and 0.55%of total assets in 2020 and 2019, respectively.

Other non-current assets – 13% increase to P26 million from P23 million

Mainly from charges related to software development project. This represented 0.22% and 0.19%as percentage to total assets in 2020 and 2019, respectively.

Trade and other payables – 9% decrease to P397 million from P438 million

Mainly due to lower non-trade payable, accrued incentives and output vat. This account stood at 3% and 4% as a percentage of total liabilities and equity in 2020 and 2019, respectively.

Customers' deposits –23% increase to P15.7 million from P12.7 million

Due to additional deposits received during the year. This account represented 0.13% and 0.11% as a percentage of total liabilities and equity in 2020 and 2019, respectively.

Current Lease Liability – 15% to decrease P4.15 million from P4.88 million

Due to payments during the period. This account stood at 0.03% and 0.04% as a percentage of total liabilities and equity in 2020 and 2019, respectively.

Advances from related parties – P1.88 million in 2020 and 2019

No movement for this account. This account stood at 0.02% as a percentage of total liabilities and equity in both years.

Interest-bearing loans –100% decrease to nil from P67 million

Due to full payment of loan. This account stood at 0.56% as a percentage of total liabilities and equity in 2019.

Income tax payable –61% decrease to P4.6 million from P11.86 million

Mainly due to lower pre-tax income as compared to last year. This account was pegged at 0.04% and 0.10% of the total liabilities and equity in 2020 and 2019, respectively.

Non-current refundable deposits – 23% increase to P28.9 million from P23.5 million

Mainly from additional deposits. This represented 0.23% and 0.19% of the total liabilities and equity in 2020 and 2019, respectively.

Non Current Lease Liability –39% decrease to P6.37 million from P10.48 million in 2019

Due to transfer of the maturing lease within the year to current liability. This account represented 0.05% and 0.09% as a percentage of total liabilities and equity in 2020 and 2019.

Post-employment benefit obligation – 18% decrease to P27.6 million from P33.6 million

Mainly due to benefits paid during the year and remeasurements from actuarial gains arising from differences in financial assumptions and experience adjustments. This account stood at 0.22% and 0.28% of the total liabilities and equity in 2020 and 2019, respectively.

Deferred tax liabilities – 10% increase to P961 million from P873 million

Principally attributable to fair value gains in 2020. This account stood at 8% and 7% as a percentage of total liabilities and equity in 2020 and 2019, respectively.

Capital stock – no change

This account stood at 17% of total liabilities and equity for both 2020 and 2019.

Additional Paid-In-Capital – no change

This account represented 38% % of total liabilities and equity for both years.

Treasury Shares – no change

This account represented 1% of total liabilities and equity for both years.

Revaluation reserves – 41% decrease to P10.9 million from P18.5 million

Due to losses on currency exchange differences in translating financial statements of foreign operation offsetted by actuarial gains on post-employment defined benefit obligation. It stood at 0.09% and 0.15% of total liabilities and equity in 2020 and 2019.

Retained earnings – 6% increase to P3,921 million from P3,701 million

Increase was a result of net profit attributable to parent during the period. This account stood at 32% and 31% of total liabilities and equity in 2020 and 2019, respectively.

Income Statement Items (2020 vs. 2019)
(Increase or decrease of 5% or more in the financial statements)

Sale of goods – 78% decrease to P276 million from P1,260 million

Mainly due to lower volume of sales of the distribution and technical support and solutions segments. Alongside the sales decline in 2020 due to the pandemic, MySolid Technologies & Devices Corporation (MySolid), a wholly owned subsidiary of the Company also pursued a business model of earning service income equivalent to percentage of sales of MyPhone products when it assigned the distribution of MyPhone products to its local distributors/importers, resulting to better cashflow albeit reduced topline for the Company. As a percentage of total revenues, this account represented 24% and 48% in 2020 and 2019, respectively.

Service revenue – 43% decrease to P572 million from P1,002

Principally due to decline in revenues of the hotel and events operations of the property and related services segment and aftersales service and project integration revenues of the technical support and solutions segment brought about by business suspensions in this pandemic. As a percentage of total revenues, this account represented 50% and 38% in 2020 and 2019, respectively.

Rental income – 3% decrease to P242 million from P250 million

Mainly due to decrease in leasable space and discounts granted during ECQ of the property and related services segment. As a percentage of total revenues, this account represented 21% and 10% and for years 2020 and 2019, respectively.

Interest income – 37% decrease to P60 million from P96.7 million

Mostly due to lower interest rates. As a percentage of total revenues, this account represented 5% and 4% in 2020 and 2019, respectively.

Sale of real estate – 100% decrease to nil from P7 million

None sold during the year. As a percentage of total revenues, this account stood at 0.28% in 2019.

Cost of sales - 79% decrease to P245 million from P1,177 million

Primarily related to decrease in sales of the distribution segment. As a percentage of total revenues, this account represented 21% and 45% in 2020 and 2019, respectively.

Cost of services – 38% decrease to P442 million from P717 million

Mostly associated to lower service revenue. This account stood at 38% and 27% in 2020 and 2019 as a percentage of total revenues.

Cost of rentals – 34% decrease to P64 million from P97 million

Principally due to lower depreciation of the property and related services segment. This account represented 6% and 4% in 2020 and 2019 based on total revenues.

Cost of real estate sales – 100% decrease to nil from P3.8 million

There was no sale of condominium unit during the year. As a percentage of total revenues, this account represented 0.14% in 2019.

Gross profit – 36% decrease to P398.9 million from P620.8 million

Principally contributed by lower revenues of all business segments. As a percentage of total revenues, this account stood at 35% and 24% in 2020 and 2019, respectively.

General and administrative expenses – 17% decrease to P327 million from P396 million

Mainly due to lower taxes & licenses, personnel cost and utilities and communication. As a percentage of total revenues, this account stood at 28% and 15% in 2020 and 2019, respectively.

Selling and distribution costs –69% decrease to P54 million from P172 million

*M*ainly from lower commission, warranty, retail marketing and delivery expenses brought about by the change in distribution model of the distribution segment. This account represented 5% and 7% of total revenues for 2020 and 2019, respectively.

Other operating income –net - 7% decrease to P308 million from P333 million

Principally due to lower fair value gains on investment property and income from utilities charged to tenants of the property and related services segment. As a percentage to total revenues, this account represented 27% in 2020 and 13% in 2019.

Operating profit - 15% decrease to P326 million from P384 million

Mainly associated with lower gross profit mentioned above. This account represented 28% and 15% as a percentage of total revenues for 2020 and 2019, respectively.

Finance income – 50% decrease to P71 million from P143 million

Mainly due to weaker interest income from lower yield of investible funds and lower cash surrender value of investment in life insurance of the investment and other segment. This account represented 6% and 5% as a percentage of total revenues for 2020 and 2019, respectively .

Finance costs - 49% increase to P41 million from P28 million

Primarily due to higher foreign currency exchange loss on dollar denominated financial assets. This account represented 4% and 1% as a percentage of total revenues in 2020 and 2019, respectively.

Other gains - net – 43% decrease to P7 million from P13 million

Mainly from lower net interest income on retirement benefit asset offset by higher gain on sale of property and equipment. This account stood at 0.64% and 0.50% in 2020 and 2019 as a percentage of total revenues.

Profit before tax – 29% decrease to P363 million from P512 million

Principally due to lower operating profit and other income above. This account stood at 32% in 2020 and 20% in 2019 as a percentage of total revenues.

Tax expense – 51% decrease to P140 million from P286 million

Mostly attributable to lower pre-tax income in 2020. Also, the distribution segment derecognized certain deferred tax assets related to NOLCO and MCIT in 2019, none in 2020. This account stood at 12% in 2020 and 11% in 2019 based on total revenues.

Net profit – 2% decrease to P223 million from P226 million

Although the property & related services and technical support & solutions segments posted lower results of operations in 2020, net profit only slightly decreased by 2% due to lower reported net loss of the distribution segment. This account stood at 19% in 2020 and 9% in 2019.

viii. Seasonal Aspects that had Material Effect on the Financial Condition or Results of Operations

There is no significant seasonality in the Company's business that materially affects financial condition or results of operations.

Item7. FINANCIAL STATEMENTS

The consolidated financial statements and schedules to Financial Statements and Supplementary Schedules are filed as part of this Form 17 - A.

(B) Information on Independent Accountant and Other Related Matters

(1) External Audit Fees And Services

(a) Under the caption Audit and Audit-Related Fees, the aggregate fees billed for each of the last two fiscal years for professional services rendered by the external auditor for:

1. The audit of the registrant's annual financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for those fiscal years:

The audit fees of our present external auditor, Punongbayan and Araullo for the examination of our annual audited financial statements, including those of our subsidiaries for the years ended December 31, 2022 and 2021 amounted to P6.4 million and P6.25 million, respectively.

2. Other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements.

None for 2022 and 2021.

(b) Under the caption "Tax Fees", the aggregate fees billed in each of the last two (2) fiscal years for professional services rendered by the external auditor for tax accounting, compliance, advice, planning and any other form of tax services. Registrant shall describe the nature of the services comprising the fees disclosed under this category.

The tax fees paid to the Tax Division of Punongbayan and Araullo for tax consultation and advisory services of our Company and those of our subsidiaries for the year ended December 31, 2022 and 2021 amounted to P240 thousand for both years.

(c) Under the caption "All Other Fees", the aggregate fees billed in each of the last two (2) fiscal years for products and services provided by the external auditor, other than the services reported under items (a) & (b) above. Registrants shall describe the nature of the services comprising the fees disclosed under this category.

There were no other fees paid for the years 2022 and 2021.

(d) The audit committee's approval policies and procedures for the above services.

The overall scope of the audit was reviewed and approved by the Audit Committee. The terms of engagement of the audit were also reviewed and approved by the Audit Committee.

The scope and terms of engagement of the tax consultation and advisory services were also reviewed and approved by the Audit Committee.

Upon the favorable endorsement by the Audit Committee, the proposed terms of engagement of services are submitted for approval to the Board of Directors. All of the above services were approved by the Board of Directors.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company has no disagreements with the current accountant on accounting and financial disclosure.

On June 30, 2022, the Company reappointed Punongbayan and Araullo (P&A) as its external auditors for the year 2022.

There was no change in our existing accountant for the years 2022 and 2021.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

A. Directors, Executive Officers, Promoters and Control Persons

(1) Directors, including Independent Directors and Executive Officers

There are nine (9) seats in the Board. The term of office of each member is one (1) year. The names, ages and citizenship of current directors and executive officers are as follows:

Position	Name	Age	Citizenship
Chairman Emeritus	Elena S. Lim	92	Filipino
Co-Chairman Emeritus	Joseph Lim	95	Filipino
Chairman of the Board	Jason S. Lim	65	Filipino
Director, President and Chief Executive Officer	Susan L. Tan	68	Filipino
Director, Executive Vice President & Chief Strategy Officer	David S. Lim	66	Filipino
Director, SVP and Chief Financial Officer and Chief Risk Officer	Vincent S. Lim	64	Filipino
Independent Director	Rafael F. Simpao Jr.	79	Filipino
Independent Director	Siegfred B. Mison	57	Filipino
Director and SVP for Digital Integration & Investor Relations	Beda T. Manalac	61	Filipino
Director and VP for Property Business and Data Protection Officer	Jonathan Joseph C.C. Lim	37	Filipino
Director and VP for Distribution and Digital Mobile Business	Kevin Michael L. Tan	40	Filipino
VP for Business Development and New Investments	Christopher James L. Tan	39	Filipino

SVP and Treasurer	Lita Joaquin	63	Filipino
Corporate Secretary	Roberto V. San Jose	80	Filipino
Assistant Corporate Secretary	Ana Maria Katigbak-Lim	54	Filipino
SVP and Chief Accounting Officer	Mellina T. Corpuz	56	Filipino
VP and Chief Information Officer	Josephine T. Santiago	55	Filipino
VP and Chief Audit Executive	Ericson B. Salvador	51	Filipino
Asst. Vice President for Accounting	Annabella S. Orbe	60	Filipino

Ms. Elena S. Lim is Chairman Emeritus since May 2001. Prior to that, she was President/ Chief Executive Officer from 1996 to May 2001 and was Director from 1996 to 2019. Ms. Lim is married to Joseph Lim.

Mr. Joseph Lim is Co-Chairman Emeritus effective September 2020. He is the Founding Chairman of Solid Group of Companies and served as Chairman of the Board of the Company from 1996 until 2006. In the past five years to present, he has been Chairman of various manufacturing and trading companies in Hongkong and China among which are Solid Co. Ltd., Solid Trading Ltd. and Solid Industrial (Shenzhen) Co. Ltd. He is the Chairman of Phil-Nanning Consortium Inc. Mr. Lim is the incumbent Chairman Emeritus of the China-Philippines Chamber of Commerce. Mr. Lim is married to the Company's Chairman Emeritus, Ms. Elena S. Lim, and is the father of Directors Susan L. Tan, Mr. David S. Lim, Mr. Jason S. Lim and Mr. Vincent S. Lim. Mr. Lim assumed position as Director in June 2010 to September 2020.

Mr. Jason S. Lim is Chairman of the Board effective June 2016. He was Sr. Vice President and Chief Operating Officer from May 2002 to 2016. He is a Director since 1996. He is Chairman of MySolid Technologies and Devices Corporation, Solid Manila Corporation, SolidGroup Technologies Corporation, Zen Towers Corporation, Interstar Holdings Company., Inc., Laguna International Industrial Park, Inc., Skyworld Corporation and Starworld Corporation. He is also currently President of Kita Corporation, MyApp Corporation, Solid Manila Finance Inc., Precos, Inc., Casa Bocobo Hotel Inc and Solid Broadband Corporation. Mr. Lim is the son of Joseph and Elena Lim.

Ms. Susan L. Tan is President and Chief Executive Officer since June 2016. She was Chairman of the Board from May 2001 to 2016. She was Vice President of the Company from April 1999 to April 2001 and is Director since 1996. She was Chief Operating Officer of the Company since 1996 up to March 1999. She is Chairman of Green Sun Hotel Management, Inc., Kita Corporation, MyApp Corporation, Solid Manila Finance Inc and Precos, Inc., Omni Solid Services Inc., Solid Video Corporation, SolidService Electronics Corporation, Casa Bocobo Hotel, Inc. and Solid Broadband Corporation. She is currently President of Zen Towers Corporation. Ms. Tan is the daughter of Joseph and Elena Lim.

Mr. David S. Lim is Director and Executive Vice President and Chief Strategy Officer in September 2020. He was Senior Vice President from June 2016 to 2020. He was President and Chief Executive Officer in May 2001 to 2016 and was Director from 1996 to 2017. He was Vice-President since 1996 up to April 2001. He is concurrently President of Green Sun Hotel Management, Inc., MySolid Technologies and Digital Devices Corporation, Interstar Holdings Company, Inc., Laguna International Industrial Park, Inc., Skyworld Corporation and Starworld Corporation. He is the current Chairman of the China-Philippines Chamber of Commerce. Mr. Lim is the son of Joseph and Elena Lim.

Mr. Vincent S. Lim is Senior Vice President and Chief Financial Officer in September 2010 and Chief Risk Officer in 2017. He was Sr. Vice President for Finance and Investments from June 2006 to 2010. He was formerly Sr. VP and Chief Financial Officer from May 2002 up to 2006. He is a Director since 1996. He is Treasurer for MyApp Corporation, Omni Solid Services, Inc., SolidService Electronics Corporation, Kita Corporation , Solid Video Corporation, Solid Manila Corporation, Green Sun Hotel Management, Inc., MySolid Technologies and Devices Corporation, SolidGroup Technologies Corporation, Zen Towers Corporation, Casa Bocobo Hotel, Inc., Precos, Inc., Solid Manila Finance Inc., Solid Broadband Corporation, Interstar Holdings Compnay., Inc., Laguna International Industrial Park, Inc., Skyworld Corporation and Starworld Corporation. He is also an Independent Director of Security Land Corporation effective June 2013. Mr. Lim is the son of Joseph and Elena Lim.

Mr. Rafael F Simpao is Independent Director in July 2021. He is Senior Advisor to the Board & Executive Committee of Security Bank Corporation in 2019, Chairman of Security Bank Foundation, Inc. since 1997, Chairman of Keyland- Ayala Corporation in 2011, a Trustee of Tany Foundation, Inc. since 2007 and Director of Empire Insurance, Inc. in 2018.

Atty. Siegfred B. Mison is Independent Director in January 26, 2022. He was elected by the Board to serve the remaining term of Ms. Goolsby who resigned as Independent Director on the same date. He is the Chairman of the Board of Bethel General Insurance and Surety Corp. since 2017. He is the Corporate Secretary of AFP Savings and Loan Association, Inc since May 2021. He held the position of Senior Vice President for Special Projects in SM Prime Holdings, Inc. from February 10, 2020 to September 16, 2021. Prior to that, he was the Senior Vice President and General Counsel of Philippine Airlines on March 16, 2016 to October 4, 2019. He served as Commissioner of Bureau of Immigration on December 18, 2013 to January 6, 2016. He is a member of the Integrated Bar of the Philippines since 1997 and admitted to the State Bar of California and to the Illinois Board of Admissions to the Bar (Limited) in 2006.

Mr. Beda T. Mañalac is Director in June 2010 and Senior Vice-President for Digital Integration & Investor Relations effective June 30, 2022. He was Sr. Vice President for Business Development and Distribution Business from September 2020 to June 2022. He was Vice President for Business Development from September 30, 2010 to 2020. He is President of SolidGroup Technologies Corporation (SGTC) effective March 31, 2022. He is also President of Solid Manila Corporation from January 2012 to March 2022. He was Vice President for Business Development of MyPhone mobile phones under MySolid Technologies and Devices Corporation since 2007 to May 31, 2010.

Mr. Jonathan Joseph C.C. Lim is Director in June 2017 and Vice President for Property Business in September 2020. He is the Data Protection Officer of the Company in August 2017. He is President of Solid Manila Corporation effective March 31, 2022. He is President of Solid Group Technologies Corporation (SGTC) since January 2015. Prior to that he was Vice President of Solid Manila Corporation since August 2013. In addition, he was Sales Manager of Solid Broadband Corporation since October 2009 up to 2012. He is the son of David S. Lim.

Mr. Kevin Michael L. Tan is Director in June 2019 and Vice President for Distribution in June 30, 2022 and Vice-President for Digital Mobile Business since September 2020. He is Vice President of MySolid Technologies and Devices Corporation (MSTDC) since August 2015. Prior to that he was Vice President since June 2010. In addition, he was Vice President of myphone division of Solid Broadband Corporation from August 2007 to May 2010. He is the son of Susan L. Tan.

Mr. Christopher James L. Tan is Vice President for Business Development in June 2022 and Vice-President for New Investments since September 2020. He is President of Solid Video Corporation since 2018 and its Vice President from 2014 to 2017. He was Business Development Manager of Solid Manila Corporation from 2011 to 2013. He is the son of Susan L. Tan.

Ms. Lita Joaquin is the Treasurer since May 2002 and Senior Vice President in September 2020. She was Vice President from September 30, 2010 to 2020. She was also director from June 2006 to August 2007. She was Comptroller in 1996 to April 2002 and Director in May 1997 where she held office up to May 1998. She also became General Manager of Solid Manila Finance Inc. in October 1999. Ms. Joaquin is the niece of Mr. Joseph Lim.

Atty. Roberto V. San Jose is the Corporate Secretary of the Company and has held the office since 1996. He is Chairman of Mabuhay Holdings Corporation; a director of Interport Resources Corporation, Anglo-Philippine Holdings Corporation, and Vulcan Industrial and Mining Corporation; and Corporate Secretary of Alsons Consolidated Resources Inc., FMF Development Corporation, Premiere Horizon Alliance Corporation, and Marcventures Holdings, Inc. He is also either a director, corporate secretary, or an officer of various companies which are clients of the law firm of Castillo Laman Tan Pantaleon & San Jose, of which he is presently a Senior Consultant. He is a member of the Integrated Bar of the Philippines.

Atty. Ana Maria A. Katigbak is the Assistant Corporate Secretary of the Company and has held the office since 1997. She is a partner in Castillo, Laman, Tan, Pantaleon & San Jose Law Offices. She also acts as director of Vulcan Industrial and Mining Corporation and Mabuhay Holdings Corporation, Corporate Secretary of IPM Holdings Inc., and Assistant Corporate Secretary of Energy Development Corporation, IRC Properties, Inc., Mabuhay Holdings, Inc., Marcventures Holdings, Inc., Paxys Inc., and Premiere Horizon Alliance Corporation. She is a member of the Integrated Bar of the Philippines.

Mellina T. Corpuz is the Chief Accounting Officer effective June 2006 and Senior Vice President in June 2017. She was Vice President in September 2010. Prior to that, she was the Senior Accounting Manager since 2002 and was the Accounting Manager since 1996.

Josephine Santiago is the Vice President effective February 1, 2022 and Assistant Vice President in September 2020. She is Chief Information Officer since October 2012. She is also the Corporate Secretary of subsidiaries and affiliates of Solid Group Inc. for the last five years.

Ericson B. Salvador is Vice President effective February 1, 2022 and Assistant Vice President in September 2020 and Chief Audit Executive since June 2017. Prior to that, he was the Senior Audit Manager of the subsidiaries and affiliates of Solid Group Inc. for more than five years.

Annabella S. Orbe is the Assistant Vice President effective February 1, 2022. Prior to that, she was the Accounting Manager since July 1, 2010 and Corporate Information Officer since June 2012 until the present. She used to hold the position of Senior Accounting Manager in Omni Solid Services Inc. (formerly Omni Logistics Corporation/Solid Laguna Corporation) in August 1998 until June 30, 2010 and Accounting Manager of Solid Corporation from August 1996 to July 1998.

(2) Significant Employee

There is no significant employee that is not part of the Company directors and executive officers.

(3) Family Relationship

Ms. Elena S. Lim is married to Mr. Joseph Lim. Their children, namely, Ms. Susan L. Tan, Mr. David S. Lim, Mr. Jason S. Lim and Vincent S. Lim are directors and executive officers of the Company. Their grandchildren, Mr. Kevin L. Tan, Mr. Christopher James L. Tan and Mr. Jonathan Joseph C.C. Lim are directors and/or executive officers of the Company. Ms. Lita Joaquin, treasurer of the Company, is the niece of Mr. Joseph Lim.

(4) Involvement in Certain Legal Proceedings

Ms. Elena S. Lim is included as co-defendant in a case filed by a certain bank against AA Export and Import Corporation for the collection of unsecured business loans granted to that company. On March 22, 2022, AA Export and Import Corporation has fully paid the loan. Except for this, none of the directors and officers was involved in the past five years up to April 2023 in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree of competent jurisdiction, permanently enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court or administrative body to have violated a securities or commodities law.

Item 10. Executive Compensation

B. Executive Compensation

Executive and Directors Compensation

(1) General

The Company's executive officers are regular employees of the Company and its subsidiaries and are similarly remunerated with a compensation package comprising of regular salary, bonuses, thirteenth month pay and leave conversions that the Company extends to its regular employees. Directors who are not executive officers are paid specified amounts per meeting participation.

(2) Summary Compensation Table

The following table summarizes certain information regarding compensation paid or accrued during the last two fiscal years and paid in the ensuing fiscal year to the Company's Chairman and each of the Company's four most highly compensated executive officers.

SUMMARY COMPENSATION TABLE

		Annual Compensation		
(a)	(b)	(c)	(d)	(e)
Name and Principal Position	Year	Salary (₱)	Bonus (₱)	Other Annual Compensation Income (₱)
Chairman and four most highly compensated				

executive officers				
Jason S. Lim	Chairman of the Board			
Susan L. Tan	Director, President and Chief Executive Officer			
David S. Lim	Director, Executive Vice President and Chief Strategy Officer			
Vincent S. Lim	Director, Senior VP and Chief Financial Officer			
Lita Joaquin	Senior VP and Treasurer			
	2023 (Est.)	21,500,000	4,000,000	1,800,000
	2022	19,128,000	3,620,414	1,509,893
	2021	18,456,000	3,080,254	1,522,393
All officers and directors as a group unnamed	2023 (Est.)	17,500,000	2,700,000	2,800,000
	2022	15,538.000	2,403,376	2,542,293
	2021	13,463,621	2,018,916	2,096,097

(3) Compensation of Directors

Please see executive and directors' compensation.

(4) Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

(a) An executive employment contract was entered into by SolidGroup Technologies Corp., a wholly owned subsidiary of the Company, with the former's executive officer for a fixed period of three years ending September 30, 2024 with an agreed compensation package. Upon termination of the contract, the officer is not entitled to any further compensation or separation benefits. The said officer is also a director and executive officer of the Company.

(b) There are no compensatory plan or arrangement, including payments to be received from the registrant, if such plan or arrangement results or will result from resignation, retirement or any other termination of such executive officer or director's employment with the registrant and its subsidiaries or from change-in-control of the registrant or a change in the executive officer or directors' responsibilities following a change-in-control and the amount involved, including all periodic payments or installments, which exceed P2.5 million.

(5) Warrants and Options Outstanding: Repricing

Not applicable. The Company has no outstanding warrants and options.

Item 11. Security Ownership of Certain Beneficial Owners and Management

C. Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

Owners of more than 5% of the Company's voting securities as of December 31, 2022 were as follows.

(1) Title of Class	(2) Name and address of record owner and relationship with issuer	(3)Name of Beneficial Owner and Relationship with Record Owner	) Citizenshi	(5)No. of Shares Held record (r) or beneficial (b)	(6) % to Total Outstanding
Common	AA Commercial, Inc. [1] 2285 Pasong Tamo Ext. Makati Affiliate	Vincent S. Lim Treasurer of AA Commercial Inc.	Filipino	583,377,817 (r) [1]	32.03
Common	AV Value Holdings Corporation 1000 J. Bocobo St., Ermita, Manila Affiliate	David S. Lim Director of AV Value Holding Corp.	Filipino	499,999,999 (r) [2]	27.45
Common	PCD Nominee Corporation (F) [2] G/F MSE Bldg., 6767 Ayala Ave., Makati Stockholder	Various stockholders None	Filipino	342,113,524	18.78

Note 1: AA Commercial Inc. is owned by the Lim Family. Mr. Vincent S. Lim is authorized to vote the shares of stock registered in the name of AA Commercial Inc. Mr. Vincent S. Lim is the Treasurer of AA Commercial Inc.

2. AV Value Holdings Corporation is owned by the Lim Family. Mr. David S. Lim is authorized to vote the shares of stock registered in the name of AV Value Holdings Corporation. Mr. David S. Lim is a Director of AV Value Holdings Corporation.

3: There is no participant lodged under PCD Nominee Corporation that owns more than 5% of the voting securities of the Company.

(2) Security Ownership of Management

The following directors and officers own shares in the Company as of December 31, 2022.

(1) Title of Class	(2) Name of Beneficial Owner	(3) Amount and Nature of Beneficial Ownership	(4) Citizenship	(5) % to Total Outstanding
Common	Susan L. Tan	78,645 (direct)	Filipino	-
Common	Jonathan Joseph C. C. Lim	11,000,000 (direct)	Filipino	0.60
Common	Vincent S. Lim	71,887,187 (direct) 583,377,817 (indirect) [1]	Filipino	3.95 32.03
Common	Jason S. Lim	65,176,160 (direct)	Filipino	3.58
Common	Kevin Michael L. Tan	11,000,000 (direct)	Filipino	0.60
Common	Rafael F. Simpao Jr.	1,000 (direct)	Filipino	-
Common	Siegfred B. Mison	1,000 (direct)	Filipino	-
Common	Elena S. Lim	1,894 (direct)	Filipino	-

Common	Joseph Lim	2 (direct)	Filipino	-
Common	Beda T. Manalac	1,001 (direct)	Filipino	-
Common	David S. Lim	79,488,591 (direct) 5,000,000 (indirect)[3] 499,999,999 (indirect) [2]	Filipino	4.36 0.27 27.45
Common	Roberto V. San Jose	242,000 (direct)	Filipino	0.01
Common	Ana Maria Katigbak-Lim	-	Filipino	-
Common	Lita L. Joaquin	7,030,000 (direct)	Filipino	0.39
Common	Mellina T. Corpuz	-	Filipino	-
Common	Christopher James L. Tan	18,462,000(direct)	Filipino	1.01
Common	Josephine T. Santiago	7,000 (direct)	Filipino	-
Common	Ericson B. Salvador	-	Filipino	-

The aggregate amount of ownership of all directors and officers as a group unnamed is 1,352,754,296 shares or 74.26% of the total outstanding shares.

Note 1. AA Commercial Inc. is owned by the Lim Family. Mr. Vincent S. Lim is authorized to vote the shares of stock registered in the name of AA Commercial Inc. Mr. Vincent S. Lim is the Treasurer of AA Commercial Inc.

2. AV Value Holdings Corporation is owned by the Lim Family. Mr. David S. Lim is authorized to vote the shares of stock registered in the name of AV Value Holdings Corporation. Mr. David S. Lim is a Director of AV Value Holdings Corporation.

3. These shares were registered in the name of a member of the immediate family sharing the same household.

(3) Voting Trust Holders of 5% or More

The Company is not aware of any stock held under a voting trust agreement. However, AA Commercial Inc. and AV Value Holdings Corporation are companies owned by the Lim Family. Mr. Vincent S. Lim is authorized to vote the shares of stock registered in the name of AA Commercial Inc. Mr. Vincent S. Lim is the Treasurer of AA Commercial Inc. Mr. David S. Lim is authorized to vote the shares of stock registered in the name of AV Value Holdings Corporation. Mr. David S. Lim is a Director of AV Value Holdings Corporation.

(4) Changes in Control

There are no arrangements, which may result in changes in control of the registrant.

Item 12. Certain Relationships and Related Transactions

D. Certain Relationships and Related Transactions

In 2020, Solid Video Corporation (SVC) earns commission from sales of Solid Trading Limited (STL), a related party under common ownership, to customers in the Philippines. None for 2022 and 2021.

In 2022, 2021 and 2020, MySolid purchases mobile phones, tablets and accessories from STL. My Solid also made advance payments to STL for purchase of mobile phones.

In 2021 and 2020, My Solid Technologies Device Corp. (MySolid) earns commission income from STL based on the amount of sales recognized by STL from the sale of Myphone products. There was no commission income in 2022.

In 2022, 2021 and 2020, SVC and Solid Service Electronics Corporation purchased electronic devices from Avid Sales Corporation (Avid), a newly acquired wholly owned subsidiary of the Company in November 2022. The purchases reported as related party transactions transpired before the acquisition of ownership of Avid.

In 2021 and 2020, MySolid and SVC sells mobile phones, tablets and accessories, tapes and equipment to Avid.

Solid Manila Finance Inc. granted unsecured business loan to Avid, a newly acquired wholly owned subsidiary of the Company, with the original principal loan amounting to P80.0 million. This business loan bears an annual interest rate of 8.0% in 2022, 2021 and 2020. The loan matured on January 18, 2020 and was renewed on the same date, repayable until January 18, 2025, its maturity date. Interest earned from loans is shown as part of Revenues in the consolidated statement of income. The loan was collected in full in November 2022, prior to the acquisition by the Company.

Solid Manila Corporation (SMC) and Omni Solid Services Inc. (OSSI) leases out certain land and buildings and office space, respectively to Avid, a newly acquired wholly owned subsidiary of the Company. Revenues reported as related party transactions transpired before the acquisition of ownership of Avid. Also, Zen Tower Corporation (ZTC) leases out its office space to TCL Sun Inc., a related party under common ownership.

SMC and ZTC bill service charges to its related parties for common usage and service area and consumption of utilities.

OSSI provides leasing warehouse and distribution services to Avid, a newly acquired wholly owned subsidiary of the Company. Revenues reported as related party transactions transpired before the acquisition of ownership of Avid.

Revenue from sale of goods and services are recorded as part of revenues. Income from leases is reported as Rentals. Interest earned from loans is shown as part of revenues. Related outstanding receivables are recorded as part of Trade and Other Receivables. Purchases are recorded as part of cost of sales and the related outstanding payables are part of the Trade and Other payables. Deposits received from related parties are refundable at the end of the lease term of the agreements. These are presented as Refundable Deposits under Trade and Other Payable account. Outstanding receivables from and payables to related parties for the above transactions are unsecured, non-interest bearing and generally settled in cash within 12 months from the end of the reporting period.

Advances to and from Related Parties

In the normal course of business, certain subsidiaries of the Company grants and obtains unsecured, non-interest bearing and no fixed repayment and settlement term cash advances to and from related parties under common ownership for working capital requirements and other purposes.

SEC has an outstanding receivable from CPD Access Corporation, a related party under common ownership, for returns arising from purchases made in prior years and is presented as part of Advances to Related Parties in the consolidated statements of financial position. In 2021 and 2020, the Group recognized impairment loss on advances amounting to P1.0 million and P5.7 million in 2021 and 2020, respectively.

Other than the foregoing, there were no transactions during the past two fiscal years to which the Company was a party, in which a director, executive officer, nominee for director, stockholder owning more than 10% of the outstanding shares of the Company had a direct interest.

2.The Company has no transactions involving related parties where the service fees or rates are fixed by law or government authority, nor acts as bank depository of funds, transfer agent, registrar or trustee under a trust indenture nor has any other interest except for those arising from the ownership of securities of the registrant recorded as treasury shares nor received extra or special benefit that was not shared equally by all holders of the registrant.

3.The Company has no parent company holding or controlling more than 50% of its outstanding capital stock. However, AA Commercial Inc. and AV Value Holdings Corporation separately own and control 32.03% and 27.45%, respectively, of the Company's outstanding shares.

4.There are no transactions with promoters or assets acquired by the Company from any promoters.

PART IV - CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company adopted a Manual on Corporate Governance to institutionalize the rules and principles of good corporate governance in accordance with the Code of Corporate Governance promulgated by Securities and Exchange Commission (SEC). Its Manual on Corporate Governance was submitted to the SEC on September 2, 2002 in accordance with SEC Memorandum Circular No. 2 Series of 2002.

Pursuant to the Manual, three Board Committees – Audit, Nomination and Compensation and Renumeration Committees were created in 2003 to aid in complying with principles of good corporate governance. In 2003, the Company increased the number of independent directors from one (1) to two (2). In 2004, in compliance with SEC Memorandum Circular No. 6. the Company increased the number of independent directors in its Audit Committee, from one independent director to two (2) independent directors, and appointed an independent director to head the Audit Committee. In 2008, the company created another committee, the Risk Management Committee in addition to the 3 existing committees composed of four (4) members chaired by an independent director.

A Compliance Officer was appointed in 2002, directly reporting to the Chairman of the Board to monitor compliance with the provisions and requirements of the Manual. The Compliance Officer has established an evaluation system to measure or determine the level of compliance of the Company with its Manual.

The Board of Directors approved the Company's Revised Manual of Corporate Governance in compliance with SEC Memorandum Circular No. 6, Series of 2009 on September 30, 2010. The Company adopted the Revised Manual of Corporate Governance and submitted it to the SEC on September 30, 2010. Also, the Company adopted the Amended Manual on Corporate Governance which was submitted to the SEC on July 25, 2014.

In June 13, 2013, the Board of Directors approved the Audit Committee Charter.

On April 2, 2014, the Board of Directors approved the Revised Code of Business Conduct of the Company.

On August 12, 2014, the Company's Board of Directors approved the following charters: Corporate Governance and Nominations Committee Charter, Compensation or Renumeration Committee Charter and Risk Management Committee Charter. The Company updated its various charter and the Company's Board of Directors approved the same on November 5, 2019 - the Amended Corporate Governance & Nominations Committee Charter, Risk Management Committee Charter, Internal Audit Charter, Audit Committee Charter. On the same date, the Board approved the Related Party Transaction Committee Charter. On November 10, 2020, the Board approved the Board Charter.

On April 1, 2009, the Board of Directors approved the Whistle Blowing Policy. On November 11, 2014, the Board of Directors approved the policies on: Enterprise Risk Management Policy, Conflict of Interest Policy, Related Party Transaction Policy and Insider Trading Policy. On November 5, 2019, the Company's Board of Directors approved the Amended Related Party Transaction Policy, Enterprise Risk Management Policy, Insider Trading Policy, Policy and Data Relating to Health, Safety and Welfare of Employees, Conflict of Interest Policy.

On August 8, 2019, the Company's Board of Directors approved the Material Related Party Transactions Policy of the Company in compliance with SEC Memorandum Circular No. 10, Series of 2019 and submitted the same to the SEC.

The Board of Directors approved the Amended Manual on Corporate Governance in compliance with SEC Memorandum Circular 19, Series of 2016 on May 29, 2017 and submitted it to the SEC on the same date, with an amendment submitted to the SEC on June 8, 2017.

Under the amended manual, the Company created the Related Party Transaction Committee and combined the other Board Committees. The Company has the following Board Committees: Audit Committee, Corporate Governance, Compensation and Nomination Committee and Risk Management Committee and Related Party Transaction Committee.

The company has reelected Mr. Rafael F. Simpao and Atty Siegfred B Mison as Independent Directors during the Annual Stockholders' meeting on June 30, 2022.

The Company reappointed Punongbayan and Araullo, CPA's as its independent accountant for the year 2022 during the Annual Stockholders' meeting on June 30, 2022.

In 2018, the Company designated a new engagement partner for the audit of the financial statements of the Company beginning the year ending December 31, 2018 in compliance with its Manual on Corporate Governance, which requires that the Company's external auditor be rotated or the handling partner changed every five (5) years or earlier.

The Company, its Directors, Officers and Employees complied with all the leading practices and principles on Good Governance as embodied in the Company's Manual. All members of the Board of Directors as well as Senior Management officers completed and were duly certified to have attended a 2- day special seminar on Corporate Governance conducted by Institute of Corporate Directors and a 1-day SEC Revised Code of Corporate Governance conducted by Center for Global

Best Practices. On September 9, 2022, the Company's Directors and Officers attended a 1/2 -day special seminar on Corporate Governance with Risk Opportunities Assessment and Management (ROAM), Inc, an SEC accredited training provider in compliance with SEC Memorandum Circular No. 20, Series of 2013.

In compliance with the Company's Amended Manual on Corporate Governance, the Board of Directors performed an annual self-assessment of its performance. The assessment included that of the Board itself, the Chairman, individual members and its board committees. In April 2022, the Company engaged an external facilitor who reviewed and assisted the Company in the conduct of its 2021 assessment in compliance with the Company's manual in accordance with SEC's Code of Corporate Governance for Publicly-listed companies.

On June 28, 2013, the Company accomplished and submitted the Annual Corporate Governance Report (ACGR) for the year 2012 in compliance with SEC Memorandum Circular No. 5, Series of 2013. There are no major deviations from the adopted Revised Manual on Corporate Governance. The Company also accomplished the ACGR for the year 2015 which was attached as part of the 2015 Annual Report in SEC Form 17-A. The Company submitted the 2016 ACGR on May 19, 2017 in compliance with SEC Memorandum Circular No. 20, Series of 2016. The 2017 Integrated Annual Corporate Governance Report (I-ACGR) was submitted on May 30, 2018 in compliance with SEC Memorandum Circular No.15, Series of 2017. Subsequent I-ACGR were submitted on or before its deadline. For 2022 I-ACGR, this will be submitted on or before May 30, 2023.

In March 2023, the Company had a board retreat facilitated by Institute of Corporate Directors wherein it reviewed the Company directions, strategies and plans.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying Index to Exhibit.
The following exhibit is filed as a separate section of this report:

(b) Reports on SEC Form 17-C

The following were reported under SEC Form 17-C during the last six-month period.

On November 9, 2022, the Company advised that the Board of Directors approved the acquisition of Avid Sales Corporation (Avid) at Php100.2 million following a due diligence audit by Isla Lipana & Co. (a member firm of Price Waterhouse Coopers). The acquisition price is less than 10% of SGI's total consolidated assets and is less than the threshold amount for material related party transactions. Avid is a privately-held company of the Lim family who are also the majority stockholders of the Company. The acquisition will be submitted to the stockholders for ratification at the next Stockholders' Meeting. Under the By-laws, the annual stockholders' meeting is scheduled on the last Thursday of June of each year. Avid is engaged in the business of consumer electronics retail thru both online and offline networks and digital solutions for institutional clients. This will expand the current distribution business segment of the Company.

On April 13, 2022, the Company advised that the Board of Directors approved the following:

1. The setting of the Annual Stockholder's Meeting for 2023 (which, under the By-Laws, is scheduled on the last Thursday of June or June 29, 2023) on June 22, 2023 at 2:00 p.m. to be held virtually or in absentia with record date to determine the stockholders entitled to notice of and vote during the meeting on May 19, 2023. The meeting date was changed since June 29, 2023 is the Eid al Adha which is a public holiday.

2. The amendment of the Second Article of the Articles of Incorporation by including in the Primary Purpose Clause the authority to issue corporate guarantee in favor of the Corporation's subsidiaries;

3. The additional investment in Precos, Inc., a wholly owned subsidiary, by subscribing to 8,000,000 new Class A common shares at a par value of Php 70.00 per share or a total subscription price of Five Hundred Sixty Million Pesos (Php 560,000,000.00).

Subject to the Securities and Exchange Commission approval of the amendment to the Second Article of the Corporation's Articles of Incorporation to authorize the issuance of corporate guarantees in favor of the Corporation's subsidiaries, the Board also approved the issuance of a corporate guarantee for a bank loan of Precos, Inc. in the amount of up to Php 1,500,000,000.00.

INDEX TO EXHIBITS

Form 17-A

* These Exhibits are either not applicable to the Company or require no answer.

EXHIBIT 9 MATERIAL CONTRACTS

There are no material contracts that are not made in the ordinary course of business entered into by the Company and its subsidiaries during the year.

EXHIBIT 18 SUBSIDIARIES OF THE REGISTRANT

Solid Group Inc. has fifteen consolidated subsidiaries, each of which is wholly owned, as follows:

Name	Jurisdiction
Solid Video Corporation	Makati City, Philippines
Kita Corporation	Clark, Pampanga, Philippines
Omni Solid Services Inc. (formerly Solid Laguna Corporation)	Binan, Laguna, Philippines
SolidService Electronics Corporation (formerly Solid Electronics Corporation)	Quezon City, Philippines
Solid Manila Corporation	Manila, Philippines
Solid Manila Finance Inc.	Makati, Philippines
Solid Broadband Corporation	Makati, Philippines
Brilliant Reach Limited	British Virgin Islands
Zen Tower Corporation	Manila, Philippines
Precos, Inc.	Makati, Philippines
SolidGroup Technologies Corporation	Makati, Philippines
MySolid Technologies & Devices Corporation	Makati, Philippines
MyApp Corporation	Makati, Philippines
Green Sun Hotel Management Inc.	Makati, Philippines
Avid Sales Corporation	Manila, Philippines

Original Signed

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati, Metro Manila, Philippines on 26 APR 2023, 2023.

By:

Susan L. Tan
Director, President & Chief Executive Officer

Mellina T. Corpuz
SVP & Chief Accounting Officer

Vincent S. Lim
Director, SVP & Chief Financial Officer and Chief Risk Officer

Annabella S. Orbe
AVP for Accounting

Roberto V. San Jose
Corporate Secretary

Ana Maria A. Katigbak-Lim
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this 26 APR 2023, affiants exhibiting to me their passports/identification cards, as follows:

Names	Passport No./TIN	Date/Place Issued
Susan L. Tan		
Vincent S. Lim		
Roberto V. San Jose		
Ana Maria Katigbak-Lim		
Mellina T. Corpuz		
Annabella S. Orbe		

Doc. No. 424;
Page No. 86;
Book No. XVI;
Series of 2023

ATTY. RENE MA. M. VILLA
Notary Public of Makati City
Appointment No. M-111
Until December 31, 2024
PTR No. MKT 9565544; 01-03-2023; Makati City
IBP Lifetime No. 013595; 12-27-2013; I.C.
Roll No. 37226
MCLE Compliance No. VII-0024195; 11-15-2022
Ground Floor, Makati Terraces Condominium
3650 Davila St., Brgy. Tejeros, Makati City 1204

SOLID GROUP, INC.

INDEX TO FINANCIAL STATEMENTS

FORM 17-A, Item 7

Consolidated Financial Statements

Original Signed

SOLID GROUP INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated 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 Group or to cease operations, or has no realistic alternative 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 consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the consolidated 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.

JASON S. LIM	**SUSAN L. TAN**	**VINCENT S. LIM**
Chairman of the Board	President & Chief Executive Officer	SVP & Chief Financial Officer
Passport No.	Passport No.	Passport No.
Date/Place Issued:	Date/Place Issued:	Date/Place Issued:

25 APR 2023

Signed this _____ day of _________ 2023.

25 APR 2023

SUBSCRIBED AND SWORN to before me this _________ day of ___________, affiants exhibiting to me their passport with details shown above.

Doc No. 393;
Page No. 80;
Book No. XVI;
Series of 2023

ATTY. RENE MA. M. VILLA
Notary Public of Makati City
Appointment No. M-111
Until December 31, 2024
PTR No. MKT 9568644; 01-03-2023; Makati City
IBP Lifetime No. 013995; 12-27-2013; I.C.
Roll No. 37226
MCLE Compliance No. VII-0024195; 11-15-2022
Ground Floor, Makati Terraces Condominium
3650 Davila St., Brgy. Tejeros, Makati City 1204

P&A Grant Thornton

FOR SEC FILING

Consolidated Financial Statements and Independent Auditors' Report

Solid Group Inc. and Subsidiaries

December 31, 2022, 2021 and 2020

P&A Grant Thornton

YEARS 35
Shaping a Vibrant Tomorrow
#BoldPerspectives #DivergentThinking #ForgingPaths

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors and Stockholders
Solid Group Inc. and Subsidiaries
2285 Don Chino Roces Avenue
Makati City, Philippines

Opinion

We have audited the consolidated financial statements of Solid Group Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and the notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) and described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

Other Matter

We draw attention to Note 2 to the consolidated financial statements, which indicates that the consolidated financial statements have been prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The qualitative impact of the financial reporting reliefs on the consolidated financial statements are disclosed in Note 2 to the consolidated financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Valuation of Investment Properties at Fair Value

Description of the Matter

The Group's investment properties consist mainly of land and improvements, and buildings and improvements held for lease under operating lease arrangements. The Group's investment properties are accounted for under the fair value model. As at December 31, 2022, the Group's investment properties amounted to P5,608.6 million representing 41.0% of the total consolidated assets. In determining the fair value of investment properties, management engaged the services of professional and independent appraiser, with sufficient experience with respect to both the location and the nature of the investment properties, which uses relevant valuation methodologies.

The valuation of investment properties was considered as a key audit matter as the amount is material to the consolidated financial statements, and that the processes of determining the fair value involves significant estimates and assumptions, and engages the work of a valuation expert.

The Group's disclosures about investment properties and the related fair value disclosures are included in Notes 2, 3, 12 and 30.

How the Matter was Addressed in our Audit

Our audit procedures to address the risk of material misstatement relating to valuation of investment properties included:

- determining whether the independent appraiser engaged by the Group has the necessary professional competency, capabilities and objectivity;

- evaluating the results of the work of independent appraiser by determining the appropriateness of the methods applied and reliability of data used in computing for the fair value of investment properties; and,

- assessing the appropriateness and reasonableness of assumptions used such as the selection of comparable properties and determination of price adjustments due to size and features, among others.

(b) Revenue Recognition for Sale of Goods and Rendering of Services

Description of the Matter

The Group recognizes revenue only when (or as) the performance obligation to transfer control of the promised goods or services is satisfied. The transfer of control can occur over time or at a point in time. For the year ended December 31, 2022, the Group's revenue from sale of goods and rendering of services amounted to P569.2 million and P742.9 million, respectively. Since the revenue from sale of goods and rendering of services is significant and susceptible to fraud or error that could cause material misstatements to the consolidated financial statements, we consider this as a key audit matter.

The Group's disclosures about its revenue from sale of goods and rendering of services and revenue recognition policies are included in Notes 2 and 4.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition included:

- obtaining an understanding of the Group's revenue transactions by reviewing revenue contracts and revenue transaction processes and testing of design effectiveness of the internal controls related to the process of recording sale and receipts, which include inquiry and observation, and performing walkthrough of controls of indicating processing marked on source documents and comparing details of amounts entered to source documents;

- evaluating appropriateness of the Group's revenue recognition policy in accordance with PFRS 15, *Revenue from Contracts with Customers*;

- testing sales invoices, delivery receipts, cash receipt sales and other related supporting documents, on a sample basis, of revenue transactions throughout the current period to determine whether transactions are valid and existing;

- performing sales cut-off test, including, among others, examining sales transactions near period end, and analyzing and reviewing delivery orders, commercial invoices, sales returns, credit memos and other receivable adjustments subsequent to the end of the reporting period to determine whether revenues are appropriately recognized in the proper period;

- confirming receivables, on sample basis, using positive confirmations, performing alternative procedures for non-responding customers such as, but not limited to, examining cash receipts or sales and billing invoices;

- performing detailed analysis of revenue components on a per month and per product basis and financial key ratio analysis related to revenues such as, but not limited to, comparing the current year's revenue as a percentage of total revenues, receivable turnover and average collection period.

(c) Business Combination

Description of the Matter

As disclosed in Note 1, in 2022, the Group acquired Avid Sales Corporation for P100.2 million. The Group has determined this acquisition to be business combinations for which the purchase price is to be allocated between the identifiable assets and liabilities at fair value.

Following the acquisition, the management has recognized a gain on bargain purchase amounting to P14.6 million. We, therefore, considered the accounting treatment of the acquisition of this subsidiary in the consolidated financial statements as a key audit matter due to the significance of the gain recognized and due to the nature of transactions which involves significant management's judgments and estimates, especially on the valuation of the fair value of net assets acquired as of the acquisition date.

The Group's disclosure on policies on business combinations is presented in Note 2.13 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included, among others, the following:

- reviewing the relevant minutes of meeting of the Parent Company for the approval of the transaction and executed share purchase agreement;

- examining the cash consideration given and verifying the net assets acquired as of the acquisition date;

- testing the reasonableness of the fair values of the identifiable assets and liabilities of the acquired entities at the acquisition date; and,

- recalculating the consideration, gain on bargain purchase and determining the appropriate treatment of the difference between the net assets acquired and considerations given.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Nelson J. Dinio.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 9566632, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 97048-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-032-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 13, 2023

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 3,832,058,109**	P 2,749,788,562
Short-term placements	5	**-**	1,702,458,454
Trade and other receivables - net	6	**242,779,722**	327,047,374
Advances to related parties	25	**2,386,851**	2,386,851
Merchandise inventories and supplies - net	8	**324,629,855**	124,880,881
Real estate inventories - net	9	**428,929,955**	437,787,335
Other current assets - net	13	**350,046,112**	237,055,863
Total Current Assets		**5,180,830,604**	5,581,405,320
NON-CURRENT ASSETS			
Trade and other receivables - net	6	**941,259,567**	838,536,028
Financial assets at fair value through other comprehensive income	7	**37,000,000**	27,400,000
Investment in an associate	7	**88,022,714**	76,512,000
Investment in bonds	7	**20,000,000**	20,000,000
Property and equipment - net	11	**1,586,203,581**	1,626,508,328
Investment properties - net	12	**5,608,592,324**	4,638,814,250
Right-of-use assets - net	10	**2,901,782**	5,673,637
Post-employment benefit asset - net	21	**152,210,254**	131,951,617
Deferred tax assets - net	22	**9,950,528**	12,090,214
Other non-current assets - net	13	**37,901,985**	26,279,062
Total Non-current Assets		**8,484,042,735**	7,403,765,136
TOTAL ASSETS		**P 13,664,873,339**	P 12,985,170,456

	Notes	2022	2021
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	15	**P 478,162,124**	P 455,481,732
Customers' deposits	2	**14,591,002**	10,366,460
Lease liabilities	10	**2,791,164**	3,711,489
Advances from related parties	25	**1,881,570**	1,881,570
Income tax payable		**13,925,841**	1,072,680
Total Current Liabilities		**511,351,701**	472,513,931
NON-CURRENT LIABILITIES			
Refundable deposits	16	**184,885,593**	26,244,550
Lease liabilities	10	**748,583**	2,878,860
Post-employment benefit obligation	21	**15,844,501**	19,793,584
Deferred tax liabilities - net	22	**1,011,028,096**	930,548,205
Total Non-current Liabilities		**1,212,506,773**	979,465,199
Total Liabilities		**1,723,858,474**	1,451,979,130
EQUITY			
Attributable to the Parent Company's stockholders			
Capital stock	23	**2,030,975,000**	2,030,975,000
Additional paid-in capital	2	**4,641,701,922**	4,641,701,922
Treasury shares - at cost	23	**(115,614,380)**	(115,614,380)
Revaluation reserves - net	23	**149,200,491**	50,287,013
Retained earnings	23	**4,906,253,479**	4,587,923,980
Total equity attributable to the Parent Company's stockholders		**11,612,516,512**	11,195,273,535
Non-controlling interests	2, 23	**328,498,353**	337,917,791
Total Equity		**11,941,014,865**	11,533,191,326
TOTAL LIABILITIES AND EQUITY		**P 13,664,873,339**	P 12,985,170,456

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
REVENUES				
Rendering of services	25, 26	**P 742,891,260**	P 676,223,209	P 572,131,442
Sale of goods	25	**569,204,496**	595,189,618	276,666,679
Rentals	12, 25, 27	**265,740,814**	240,777,116	242,738,137
Interest	5, 6, 7, 25	**56,669,513**	26,869,721	60,496,080
Sale of real estate		**-**	892,857	-
		1,634,506,083	1,539,952,521	1,152,032,338
COSTS OF SERVICES, SALES, RENTALS AND REAL ESTATE SALES	17, 18			
Cost of services		**535,987,772**	508,324,310	442,230,852
Cost of sales		**448,487,210**	494,517,506	245,864,891
Cost of rentals		**73,732,185**	66,528,808	64,992,451
Cost of real estate sales		**-**	434,180	-
		1,058,207,167	1,069,804,804	753,088,194
GROSS PROFIT		**576,298,916**	470,147,717	398,944,144
OTHER OPERATING EXPENSES (INCOME)				
General and administrative expenses	18	**383,232,503**	317,581,180	327,095,389
Selling and distribution costs	18	**13,953,887**	44,267,297	53,906,050
Other operating income - net	19	**(292,500,950)**	(553,169,725)	(308,408,291)
		104,685,440	(191,321,248)	72,593,148
OPERATING PROFIT		**471,613,476**	661,468,965	326,350,996
OTHER INCOME (CHARGES) – Net				
Finance income	20	**83,341,782**	81,961,223	71,213,295
Gain on bargain purchase	1	**14,551,673**	-	-
Finance costs	20	**(1,835,328)**	(2,691,280)	(41,876,289)
Other gains - net	20	**24,473,330**	14,704,501	7,401,516
		120,531,457	93,974,444	36,738,522
PROFIT BEFORE TAX		**592,144,933**	755,443,409	363,089,518
TAX EXPENSE	22	**163,218,285**	77,854,004	140,033,795
NET PROFIT		**P 428,926,648**	P 677,589,405	P 223,055,723
Net profit attributable to the:				
Parent Company's stockholders	24	**P 427,622,019**	P 666,154,358	P 220,149,500
Non-controlling interests		**1,304,629**	11,435,047	2,906,223
		P 428,926,648	P 677,589,405	P 223,055,723
Basic and diluted earnings per share attributable to the Parent Company's stockholders	24	**P 0.23**	P 0.37	P 0.12

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
NET PROFIT		**P 428,926,648**	P 677,589,405	P 223,055,723
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss –				
Currency exchange differences on translating financial statements of foreign operations	2, 23	**86,245,201**	29,777,985	(24,134,481)
Items that will not be reclassified subsequently to profit or loss:				
Fair value gains (losses) on financial assets at fair value through other comprehensive income	7, 23	**9,600,000**	3,300,000	(2,000,000)
Remeasurement of post-employment defined benefit plan	21, 23	**3,462,228**	2,277,975	25,613,280
Tax income (expense)	22, 23	**(393,951)**	4,009,791	(7,102,717)
		12,668,277	9,587,766	16,510,563
Other comprehensive income (loss) – net of tax		**98,913,478**	39,365,751	(7,623,918)
TOTAL COMPREHENSIVE INCOME		**P 527,840,126**	P 716,955,156	P 215,431,805
Total comprehensive income attributable to:				
Parent Company's stockholders		**P 526,535,497**	P 705,520,109	P 212,525,582
Non-controlling interests		**1,304,629**	11,435,047	2,906,223
		P 527,840,126	P 716,955,156	P 215,431,805

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 and 2020
(Amounts in Philippine Pesos)

		Attributable to the Parent Company's Stockholders							
	Note	Capital Stock	Additional Paid-in Capital	Treasury Shares - at Cost	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2022		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 50,287,013	P 4,587,923,980	P 11,195,273,535	P 337,917,791	P 11,533,191,326
Dividends declared	23	-	-	-	-	(109,292,520)	(109,292,520)	(10,724,067)	(120,016,587)
Total comprehensive income for the year		-	-	-	98,913,478	427,622,019	526,535,497	1,304,629	527,840,126
Balance at December 31, 2022		**P 2,030,975,000**	**P 4,641,701,922**	**(P 115,614,380)**	**P 149,200,491**	**P 4,906,253,479**	**P 11,612,516,512**	**P 328,498,353**	**P 11,941,014,865**
Balance at January 1, 2021		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 10,921,262	P 3,921,769,622	P 10,489,753,426	P 366,558,216	P 10,856,311,642
Dividends declared	23	-	-	-	-	-	-	(40,075,472)	(40,075,472)
Total comprehensive income for the year		-	-	-	39,365,751	666,154,358	705,520,109	11,435,047	716,955,156
Balance at December 31, 2021		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 50,287,013	P 4,587,923,980	P 11,195,273,535	P 337,917,791	P 11,533,191,326
Balance at January 1, 2020		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 18,545,180	P 3,701,620,122	P 10,277,227,844	P 363,651,993	P 10,640,879,837
Total comprehensive income (loss) for the year		-	-	-	(7,623,918)	220,149,500	212,525,582	2,906,223	215,431,805
Balance at December 31, 2020		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 10,921,262	P 3,921,769,622	P 10,489,753,426	P 366,558,216	P 10,856,311,642

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 592,144,933**	P 755,443,409	P 363,089,518
Adjustments for:				
Fair value gains on investment properties - net	12	**(216,030,827)**	(500,949,401)	(265,736,169)
Interest income	5, 6, 7, 13, 21, 25	**(99,617,925)**	(49,707,909)	(113,841,478)
Depreciation and amortization	10, 11, 13	**83,921,372**	86,391,426	87,662,078
Gain on bargain purchase of a subsidiary	1	**(14,551,673)**	-	-
Interest expense	10, 14, 16, 21	**5,637,252**	4,843,892	8,376,424
Gain on sale of property and equipment	11	**(1,601,267)**	(1,410,329)	(1,605,486)
Impairment loss on input value-added tax	13, 18	**803,925**	33,579	-
Gain on sale of investment property	12	**(649,000)**	-	-
Unrealized foreign currency exchange losses (gains) - net		**(435,394)**	(13,901,755)	22,460,766
Gain on derecognition of liabilities	15	**-**	(3,519,420)	-
Derecognition of cancelled project	12	**-**	109,929	-
Impairment loss on land and land development costs	9, 18	**-**	-	644,800
Impairment loss on intangible assets	13, 18	**-**	-	272,127
Gain on reversal of a provision	9	**-**	-	(125,000)
Operating profit before working capital changes		**349,621,396**	277,333,421	101,197,580
Decrease (increase) in short-term placements		**783,766,183**	1,401,386,020	(1,443,636,516)
Decrease (increase) in trade and other receivables		**101,171,381**	(103,806,328)	258,536,084
Decrease in advances to related parties		**-**	1,000,000	5,661,017
Decrease (increase) in merchandise inventories and supplies		**(117,332,753)**	73,474,789	(39,263,072)
Increase in real estate inventories		**(13,687,463)**	(692,719)	(803,571)
Decrease (increase) in other current assets		**(48,891,352)**	117,345,031	(135,537,281)
Decrease (increase) in post-employment benefit asset		**(484,190)**	7,463,860	(2,424,329)
Decrease (increase) in other non-current assets		**(11,637,822)**	160,314	(3,411,528)
Increase (decrease) in trade and other payables		**(95,625,482)**	72,104,549	(56,410,637)
Increase (decrease) in customers' deposits		**4,224,542**	(5,350,910)	2,985,721
Increase (decrease) in refundable deposits		**158,450,070**	(3,299,577)	4,201,839
Increase (decrease) in post-employment benefit obligation		**6,751,107**	(2,229,461)	9,823,207
Cash generated from (used in) operations		**1,116,325,617**	1,834,888,989	(1,299,081,486)
Interest received		**55,130,603**	31,167,032	57,298,774
Cash paid for income taxes		**(91,606,316)**	(52,049,934)	(75,282,009)
Net Cash From (Used in) Operating Activities		**1,079,849,904**	1,814,006,087	(1,317,064,721)
CASH FLOWS FROM INVESTING ACTIVITIES				
Maturity of short-term placements	5	**918,692,271**	1,141,324,734	20,929,884
Acquisitions of investment property	12	**(745,944,118)**	(110,515,004)	(29,160,720)
Acquisition of a wholly owned subsidiary	1	**(100,200,100)**	-	-
Acquisitions of property and equipment	11	**(37,222,933)**	(28,298,018)	(70,135,750)
Interest received		**32,011,415**	14,457,615	42,995,080
Proceeds from disposal of investment property	12	**12,980,000**	-	-
Additional investments in an associate	7	**(11,510,714)**	(58,326,400)	(18,185,600)
Proceeds from disposal of property and equipment	11	**4,320,856**	8,209,869	3,688,141
Additions to short-term placements	5	**-**	(918,692,271)	(1,141,324,734)
Investment in bonds	7	**-**	(20,000,000)	-
Refund of payment from construction-in-progress	12	**-**	500,000	-
Net Cash From (Used in) Investing Activities		**73,126,677**	28,660,525	(1,191,193,699)
Balance brought forward		**P 1,152,976,581**	P 1,842,666,612	(P 2,508,258,420)

	Notes	2022	2021	2020
Balance carried forward		**P 1,152,976,581**	P 1,842,666,612	(P 2,508,258,420)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	23	**(120,016,587)**	(40,075,472)	-
Repayment of lease liabilities	10	**(4,191,680)**	(4,955,272)	(5,665,839)
Repayment of interest-bearing loans	14	**-**	-	(64,329,907)
Interest paid for interest-bearing loans	14	**-**	-	(2,938,026)
Cash Used in Financing Activities		**(124,208,267)**	(45,030,744)	(72,933,772)
Effects of Foreign Exchange Rate Changes on Cash and Cash Equivalents		**445,205**	33,817,535	8,493,085
Cash of newly acquired subsidiary		**53,056,028**	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,082,269,547**	1,831,453,403	(2,572,699,107)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,749,788,562**	918,335,159	3,491,034,266
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 3,832,058,109**	P 2,749,788,562	P 918,335,159

Supplemental Information on Non-cash Investing and Financing Activities:

1. In 2022 and 2021, the Group transferred certain investment properties with a carrying amount of P2.4 million and P7.1 million, respectively, to property and equipment (see Notes 11 and 12).

2. In 2022, a subsidiary sold its remaining parcels of land to another subsidiary. As a result, the parcels of land with a total cost of P22.5 million were reclassified from real estate inventories to investment properties (see Notes 9 and 12).

3. The Group recognized additional right-of-use asset and lease liability both amounting to P0.4 million in 2021 (see Note 10).

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Group Background

Solid Group Inc. (SGI or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission ("the Commission") on October 16, 1933. SGI currently conducts business as an investment holding company. On September 4, 1996, SGI listed its shares of stock in the Philippine Stock Exchange (PSE).

The Parent Company holds effective ownership interests in the following subsidiaries (the Parent Company and the subsidiaries are collectively referred to herein as "the Group") and an associate:

Subsidiaries / Associate	Percentage of Ownership 2022	2021	2020	Notes	Nature of Business
Subsidiaries:					
Avid Sales Corporation (Avid)	**100**	-	-		Distribution, wholesale and retail of home appliances and electronic products
Brilliant Reach Limited (BRL)	**100**	100	100	a	Investment holding company
Green Sun Hotel Management, Inc. (GSHMI)	**100**	100	100		Hotel and restaurant operation
Kita Corporation (Kita)	**100**	100	100		Leasing of real estate properties
My Solid Technologies & Devices Corporation (My Solid)	**100**	100	100		Sale of mobile phones and accessories
Omni Solid Services, Inc. (OSSI)	**100**	100	100		Logistics and assembly of consumer electronics products
Precos, Inc. (Precos)	**100**	100	100	c	Real estate
Solid Broadband Corporation (SBC)	**100**	100	100		Broadband, cable and satellite services
SolidService Electronics Corporation (SEC)	**100**	100	100		Repair services for audio and video products
Solid Group Technologies Corporation (SGTC)	**100**	100	100		Trading of prefabricated modular house and office units
Solid Manila Corporation (SMC)	**100**	100	100		Real estate
Solid Manila Finance, Inc. (SMFI)	**100**	100	100		Financing
Solid Video Corporation (SVC)	**100**	100	100		Trading of professional audio/ video equipment
Zen Towers Corporation (ZTC)	**100**	100	100		Real estate
MyApp Corporation (MyApp)	**100**	100	100	c	Investment holding company
Casa Bocobo Hotel, Inc. (CBHI)	**100**	100	100	b	Hotel and restaurant operation
SVC Hong Kong Limited (SVC HK)	**100**	100	-	f	Trading of professional audio/ video equipment
Skyworld Corporation (Skyworld)	**75**	75	75	b, c	Investment holding company
Interstar Holdings Company, Inc. (Interstar)	**73**	73	73	b	Investment holding company
Starworld Corporation (Starworld)	**50**	50	50	b, d	Real estate
Laguna International Industrial Park, Inc. (LIIP)	**50**	50	50	b, e	Real estate
Associate –					
Fekon Solid Motorcycle Mfg. Corp. (Fekon)	**44**	44	28	7.3	Sale of motorcycle, motor parts and products

Notes:

(a) *Incorporated and domiciled in the British Virgin Islands*
(b) *Indirectly owned through SMC*
(c) *Pre-operating or non-operating*
(d) *Starworld is 20% owned by SMC and 40% owned by Skyworld*
(e) *LIIP is 22.5% owned by SMC and 37.5% owned by Interstar*
(f) *Indirectly owned through SVC*

Additional information:

(i) In November 2022, the Parent Company acquired 350,000 shares with P100 par value representing 100% ownership interest in Avid, a company incorporated and domiciled in the Philippines, from the latter's former stockholders for a total consideration of P100.2 million. This is to expand the Group's current distribution business segment. Management assessed that it has control over Avid and was considered as a wholly owned subsidiary as of December 31, 2022. The Group has determined this acquisition to be business combinations for which the purchase price is to be allocated between the identifiable assets and liabilities at fair value [see Note 3.1(e)].

For the purpose of determining the gain on bargain purchase, the Group determined the fair value of the identified net assets of Avid as of November 2022 as presented below.

Fair value of assets acquired:	
Cash	P 53,056,028
Trade and other receivables - net	31,852,968
Merchandise inventories - net	82,416,221
Other current assets	43,951,983
Property and equipment - net	3,070,012
Right-of-use assets - net	845,801
Post-employment benefit asset - net	21,204,286
	236,397,299
Fair value of liabilities assumed:	
Trade and other payables	118,305,874
Lease liability	823,673
Deferred tax liability	2,515,979
	121,645,526
Fair value of net assets acquired	114,751,773
Cash consideration	(100,200,100)
Gain on bargain purchase	**P 14,551,673**

The fair values of the identifiable assets and liabilities assumed from Avid as at the date of acquisition were determined to be higher than the total cost; hence, the Group recognized a gain on bargain purchase amounting to P14.6 million and is presented as Gain on Bargain Purchase under Other Income (Charges) – Net in the 2022 consolidated statement of income.

The revenues and net profit of Avid since the acquisition date included in the 2022 consolidated income amounted to P95.3 million and P0.5 million, respectively. On the other hand, the revenues and net profit of Avid in 2022, as though the acquisition had been as of January 1, 2022, amounted to P697.3 million and P10.4 million, respectively.

There are no contingent consideration arrangements arising from this acquisition.

The fair value of the receivable acquired as part of the business combination amounted to P31.9 million, with gross contractual amount of P33.3 million.

The acquisition-related costs amounted to P1.6 million, which is presented as part of Taxes and licenses and Outside services under General and Administrative Expenses in the 2022 consolidated statement of income (see Note 18).

(ii) In 2021, SVC incorporated SVC HK with a 100% interest over the latter. SVC HK is a foreign private entity domiciled and incorporated under the laws of Hong Kong. SVC HK started its operations in 2022.

(iii) SBC holds a provisional authority, granted by the National Telecommunications Commission, to use its legislative franchise under Republic Act (R.A.) No. 9116, *An Act Granting Solid Broadband Corporation a Franchise to Construct, Install, Establish, Operate and Maintain Telecommunications Systems throughout the Philippines* (see Note 26.3).

(iv) SMFI is subject to the rules and regulations provided under R.A. No. 8556, The Financing Group Act of 1998 (see Note 31).

1.2 Other Corporate Information

The registered office addresses and principal places of business of the Parent Company and its subsidiaries, except those listed below, are located at 2285 Don Chino Roces Avenue, Makati City. The registered office addresses and principal places of business of the other subsidiaries are as follows:

Avid	- 1000 J. Bocobo cor. T.M. Kalaw Street, Ermita, Manila
BRL	- 2nd Floor, Abbott Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands
Kita	- N7175 Gil Puyat Ave. cor. Feati St., Clark Freeport Zone, Clarkfield, Pampanga
OSSI	- Solid St., LIIP, Mamplasan, Biñan, Laguna
SEC	- 145 G. Araneta Avenue, Brgy. Tatalon, Quezon City
SMC and CBHI	- 1000 J. Bocobo corner T.M. Kalaw St., Ermita, Manila
Starworld	- CPIP Brgys. Batino & Prinza, Calamba, Laguna
SVC HK	- RM A301, 3/F Blk. A Sea View Est 2-8 Watson Rd, Causeway Bay, Hong Kong
ZTC	- 1111 Natividad A. Lopez St., Brgy. 659-A, District 5, Ermita, Manila

1.3 Impact of Russia - Ukraine Conflict on the Group's Business

On February 24, 2022, Russia started its invasion of Ukraine which caused far-reaching impact for economies, markets, and businesses. The ongoing military conflict has introduced a wide range of sanctions against Russia, including certain Russian entities and individual and led to significant casualties, dislocation of population, damage to infrastructure, slowdown of business operations in both countries, disruption of supply chains and commodity flows that impact commodity prices such as gas, petrol, cereals, iron and steel.

The Group, which earns revenue from logistics services, is affected by the significant changes in fuel and commodity prices in the global market which resulted in an increase in its operating expenses. The Group has put in place risk management measures to mitigate the impact of the conflict. One of which is by increasing the Group's service price as seen by the increase in revenue from rendering of services during the year. The management assessed that the impact of this event is not continuing and therefore will not affect the ability of the Group to continue as a going concern.

1.4 Approval for Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2022 (including the comparative consolidated financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Parent Company's BOD on April 13, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Commission in response to the COVID-19 pandemic. The financial reporting reliefs availed of by the Group are disclosed in detail below and in the succeeding pages. PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS, as modified by the application of the financial reporting reliefs issued and approved by the Commission in response to the COVID-19 pandemic, for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) SEC Financial Reporting Reliefs Availed by the Group

The Group has availed of several financial reporting reliefs granted by the SEC relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry under following Memorandum Circular (MC):

- MC No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*
- MC No. 03-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*
- MC No. 04-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*
- MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry for another period of three years or until 2023*

MC No. 08-2021, *Amendment to SEC MC No. 14-2018, MC No. 03-2019, MC No. 04-2020, and MC No. 34-2020 to Clarify Transitory Provision*, provides real estate companies the accounting policy option of applying either the full retrospective approach or the modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncement.

Discussed below and in the succeeding page are the financial reporting reliefs availed of by the Group, including the descriptions of the implementation issues and their qualitative impacts to the consolidated financial statements. The Group opted to avail the reliefs until the end of the deferment period, or until December 31, 2023, as provided under the relevant MC.

(i) IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry

The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, in signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.

Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the consolidated financial statements:

- interest expense would have been higher;
- cost of real estate inventories would have been lower;
- total comprehensive income would have been lower;
- retained earnings would have been lower; and,
- the carrying amount of real estate inventories would have been lower.

(ii) PIC Q&A No. 2018-12-D, *Concept of the Significant Financing Component in the Contract to Sell and PIC Q&A No. 2020-04, Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments*

PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.

There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference.

Further, the Group does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant.

Had the Group elected not to defer this provision of the standard, it would have an impact in the consolidated financial statements as there would have been a significant financing component when there is a difference between the percentage of completion (POC) of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method.

This will impact the retained earnings, real estate sales, and profit or loss in the year of adoption and in comparative periods presented. Should the Group elect to apply the modified retrospective approach as allowed by MC No. 2021-08, this will impact the opening retained earnings in the year of adoption.

(c) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents consolidated statement of comprehensive income separate from the consolidated statement of income.

The Group presents a consolidated 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 consolidated statement of financial position at the beginning of the preceding period. The related notes to the consolidated third statement of financial position are not required to be disclosed.

(d) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 *Adoption of Amended Standards*

(a) Effective in 2022 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PFRS 3 (Amendments)	:	Business Combinations – Reference to the Conceptual Framework
PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Costs of Fulfilling a Contract
Annual Improvements to PFRS 2018-2020 Cycle		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 percent' Test for Derecognition of Financial Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below and in the succeeding page are the relevant information about these pronouncements.

(i) PFRS 3 (Amendments), *Business Combinations – Reference to the Conceptual Framework*. The amendments are responses to feedback received from the post-implementation review of PFRS 3. The amendments clarify the minimum attributes that the acquired set of activities and assets must have to be considered a business. To meet the definition of a business, the acquired set of activities and assets must have inputs and substantive processes that can collectively significantly contribute to the creation of outputs. The amendments removed the assessment of whether market participants are able to replace missing inputs or processes and continue to produce outputs. The amendments introduced an optional test ('the concentration test') that allows the acquirer to carry out a simple assessment to determine whether the acquired set of activities and assets is not a business. The entity can choose whether to apply the concentration test for each transaction it makes. These amendments have no significant impact to the Group's consolidated financial statements.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use.* The amendments prohibit 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 cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Group's consolidated financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

(iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract.* The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply prospectively to contracts existing at the date when the amendments are first applied.

Management assessed that there is no significant impact on the Group's consolidated financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(iv) Annual Improvements to PFRS 2018-2020 Cycle.

a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities.* The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) *Effective in 2022 that are not Relevant to the Group*

Among the amendments and annual improvements to existing standards which are mandatorily effective for annual periods beginning on or after January 1, 2022, only the following annual improvements to PFRS 2018-2020 Cycle are not relevant to the Group's consolidated financial statements:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*

- PAS 41, *Agriculture – Taxation in Fair Value Measurements* *(c) Effective Subsequent to 2022 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

(v) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1.1, after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

The Parent Company accounts for its investments in subsidiaries, investment in an associate and NCI as presented as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when it has power over the investee, it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent 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. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any NCI in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Parent Company, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any NCI in the acquiree, either at fair value or at the NCI's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.13).

(b) *Investment in an Associate*

Associates are those entities over which the Parent Company is able to exert significant influence, but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Parent Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the Parent Company's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within Share in Net Profit of an Associate account in the statement of profit or loss. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities. Dividends received are accounted for as a reduction in the carrying value of the investment.

(c) Transactions with NCI

The Group's transactions with NCI that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to NCI result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.4 Current versus Non-current Classification

The Group presents assets and liabilities in the statement of financial position based on current or non-current classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after the reporting period; or,
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or,
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and deferred tax liabilities are classified as non-current assets and non-current liabilities, respectively.

2.5 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's BOD, its chief operating decision-maker. The BOD is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group. Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except that post-employment benefit expenses are not included in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to any segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.6 Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

(a) Financial Assets

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

Interest income on financial assets recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

If applicable, interest income 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 and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate 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. Interest income earned is recognized as part of Finance Income under Other Income (Charges) – net in the consolidated statement of income.

Any dividends earned are recognized in profit or loss, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

(i) Classification, Measurement and Reclassification of Financial Assets

The classification, measurement and reclassification of financial assets is driven by the Group's business model for managing the financial assets ("business model test") and the contractual cash flow characteristics of the financial assets ("cash flow characteristics test") to achieve a particular business objective.

The business model is determined at a higher level of aggregation (portfolio or group of financial assets managed together) and not on an instrument-by-instrument approach to classification (i.e., not based on intention for each or specific characteristic of individual instrument) in order to achieve the stated objective and, specifically, realize the cash flows.

Financial assets, other than those designated and effective as hedging instruments, are initially measured at fair value and then subsequently measured either at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL), depending on the classification determined at initial recognition.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model. There were no reclassifications of financial assets in 2022 and 2021.

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 Group'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 solely payments of principal and interest (SPPI) on the principal amount outstanding.

Except for trade and other receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, 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 Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Short-term Placements, Trade and Other Receivables (except advances to suppliers and receivable from officers and employees), Advances to Related Parties, Investment in Bonds, Refundable deposits (presented as part of Other Current Assets account) and Refundable deposits, Deposit to suppliers and Cash bond (presented as part of Other Non-current Assets account).

For purposes of cash flow reporting and presentation, cash and cash equivalents include cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Financial Assets at FVOCI

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as FVTPL. The Group has irrevocably designated equity instruments as at FVOCI on initial recognition.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs.

Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

(ii) Impairment of Financial Assets

At the end of the reporting period, the Group assesses and recognizes its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may 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 instruments evaluated based on a range of possible outcome.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables, except for loans receivables with significant financing component, and advances to related parties. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL using a provision matrix, the Group uses its historical experience, external indicators and forward-looking information.

The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Note 28.2(b) and (c)].

For loans receivables, which is presented under Trade and Other Receivables account in the consolidated statement of financial position, the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period.

For debt instruments (i.e., investment in bonds) measured at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Group recognized a loss allowance for such losses at each reporting date.

The Group determines 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 making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

The key elements used in the calculation of ECL are as follows:

- *Probability of default (PD)* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss given default (LGD)* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at default (EAD)* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

If applicable, an impairment loss is recognized 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, except for debt instruments measured at FVOCI, for which the loss allowance is recognizes in other comprehensive income and accumulated in Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

(iii) 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(b) Financial Liabilities

Financial liabilities include interest-bearing loans, trade and other payables (excluding tax-related liabilities, advances from customers and reserve for warranty costs), lease liabilities, advances from related parties and refundable deposits. All interest-related charges are recognized as an expense in profit or loss as part of Finance costs under Other Income (Charges) – net in the consolidated statement of income.

Interest-bearing loans are recognized at proceeds received, net of direct issue costs. Finance charges from interest-bearing loans, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. There were no outstanding interest-bearing loans as of December 31, 2022 and 2021.

Trade and other payables, advances from related parties and refundable deposits are initially recognized at their fair values and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Parent Company's BOD.

Lease liabilities are recognized as disclosed in Note 2.16(a).

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) Offsetting of 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 consolidated statement of financial position when the Group 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 a 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.

2.7 Merchandise Inventories and Supplies

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method. Merchandise inventories, service parts, supplies, and others include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

NRV of merchandise inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. NRV of spare parts, supplies and others is the current replacement cost.

2.8 Real Estate Inventories

Real estate inventories consist of the following:

(a) Land and Land Development Costs

Land and land development costs include the acquisition cost of raw land intended for future development and sale, as well as other costs and expenses incurred to effect the transfer of title of the property.

(b) Property Development Costs

Property development costs include the cost of land used as a building site for a condominium project and the accumulated costs incurred in developing and constructing the property for sale.

Subsequent to initial recognition, land and land development costs and property development costs are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. An item of land and land development cost is derecognized upon disposal or when no future economic benefits are expected to arise from the sale of asset.

2.9 Other Assets

Other assets, which are generally non-financial assets, pertain to other resources controlled by the Group as a result of past events. They are recognized at cost in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably. These are subsequently charged to profit or loss as utilized or reclassified to another asset account, if capitalizable.

Advances to suppliers that will be applied as payment for future purchase of merchandise inventories and supplies are classified and presented under Trade and Other Receivable account. On the other hand, advances to contractors and/or suppliers that will be applied as payment for future acquisition or construction of items of property and equipment, or acquisition and construction of investment property are classified and presented under the Other Non-Current Assets account. The classification and presentation is based on the eventual usage or realization of the asset to which it was advanced for.

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 2.18).

2.10 Property and Equipment

Property and equipment, except land, are carried at acquisition cost or construction cost less subsequent depreciation, amortization and any impairment losses. Land held for use in production or administration is stated at cost less any impairment losses.

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

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost (see Note 2.20).

Cost is recognized when materials purchased and services performed in relation to construction of the asset have been delivered or rendered. When the asset has become available for use, the accumulated cost is transferred to the appropriate asset account, and depreciation is recognized based on the estimated useful life of such asset.

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

Buildings and improvements	10 to 25 years
Test, communication and other equipment	5 to 20 years
Machinery and equipment	5 to 10 years
Transportation equipment	5 years
Computer system	2 to 5 years
Furniture, fixtures and office equipment	2 to 5 years
Tools and equipment	2 to 3 years

Leasehold improvements are amortized over the estimated useful lives of the assets from two to 15 years or the terms of the relevant leases, whichever is shorter.

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

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 2.18).

The residual values, 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.

An item of property and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.11 Intangible Assets

Intangible assets, presented under Other Non-current Assets account in the consolidated statement of financial position, include non-proprietary club shares and computer software licenses, which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition.

These are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably. The Group's non-proprietary club shares are assessed as having indefinite useful life and is tested annually for any impairment. 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 2.18).

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Costs that are directly attributable to the development phase of new customized software for information technology and telecommunications systems are recognized as intangible assets if, and only if, the Group can demonstrate all of the following recognition requirements:

(i) technical feasibility of completing the prospective product for internal use or sale;
(ii) the intangible asset will generate probable economic benefits through internal use or sale;
(iii) intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and,
(iv) ability to measure reliably the expenditure attributable to the intangible asset during development.

Development costs not meeting these criteria for capitalization are expensed as incurred. Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.12 Investment Property

Investment property represents property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for under the fair value model. It is revalued annually and is included in the consolidated statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property (see Note 12).

Investment property, which consists mainly of land and improvements, and buildings and improvements under operating lease agreements, is initially measured at acquisition cost, including transaction costs.

Construction-in-progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost (see Note 2.20). Cost is recognized when materials purchased and services performed in relation to construction have been delivered or rendered. When the asset has become available for use, the accumulated cost is transferred to the appropriate investment property account, and depreciation is recognized based on the estimated useful life of such asset.

Transfers from other accounts (such as Land and Land Development Costs and Property and Equipment) are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers from investment property are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent measurement is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in profit or loss as Fair value gains or losses on investment property as part of Other Operating Expenses (Income) account in the consolidated statement of income.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

For tax purposes, investment property is carried at cost less accumulated depreciation computed on a straight-line basis over the estimated net useful lives of the assets ranging from 11 to 25 years.

2.13 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they are recorded in the consolidated financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for the subsequent measurement in accordance with the Group's accounting policies.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition, except for lease liabilities which are measured based on the present value of the remaining lease payments as if the acquired lease were a new lease at acquisition date and right-of-use assets which are measured at an amount equal to the recognized lease liability, adjusted to reflect favorable or unfavorable lease terms compared with market terms. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.18).

Negative goodwill, which is the excess of the Group's interest in the net fair value of the net identifiable assets acquired over acquisition cost, is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.14 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 consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group 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.

2.15 Revenue and Expense Recognition

Revenue comprises revenue from sale of goods and real estate and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for the foods sold and services rendered, excluding value-added tax (VAT) and trade discounts.

To determine whether to recognize revenue, the Group follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

The Group determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

(i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
(iii) the payment terms for the goods or services to be transferred or performed can be identified;
(iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

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 Group's performance as the Group performs;
(ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
(iii) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The Group often enters into transactions involving the sale of goods and real estate, and rendering of services.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Group's contracts with customers have original expected duration of one year or less, except for real estate sales.

In addition, the following specific recognition criteria must also be met before revenue is recognized [significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(b):

(a) *Rendering of services (other than commission income)* – Revenue, which primarily arise from service fees, room and events services, assembly and test lab services, warehousing and repair services, is recognized by the amount in which the Group has a right to invoice that corresponds directly with the value of services rendered that is completed over a period of time.

(b) *Sale of goods* – Revenue, which primarily include the sale of handsets, devices, accessories, equipment, appliances and modular houses, is recognized at a point in time. This is generally when the customer has taken undisputed delivery of goods.

(c) *Warranty and network support fee (shown as part of Rendering of Services)* – Revenue from warranty and network support fee is recognized over time upon actual rendering of in-warranty and out-of-warranty services to the customers. Revenue from network support, which is a fixed amount per month as indicated in the contract, is accrued at the end of each month.

(d) *Sale of real estate*

(i) *Sale of real estate on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development.

(ii) *Sale of real estate on completed real estate properties* – Revenue from real estate sales is recognized at point in time when the control over the real estate property is transferred to the buyer.

Payments received from buyers which do not meet the revenue recognition criteria are presented as Customers Deposits account in the consolidated statement of financial position.

As an accounting policy for real estate properties to be constructed, revenue is recognized based on the percentage-of-completion method determined through the input method as the construction services are provided. The stage of completion is measured on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (i.e., resources consumed, labor hours expended, other costs incurred, etc.) relative to the total expected inputs to the satisfaction of such performance obligation. If applicable, sales cancellations are accounted for on the year of forfeiture. Any gain or loss on cancellation is charged to profit or loss. Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets.

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(e) *Commission income (shown as part of Rendering of Services)* – Commission income is recognized over time when the performance of contractually agreed tasks have been substantially rendered.

(f) *Service charges and penalties* – Revenue is generally recognized over time when the service has been provided and when there is reasonable degree of certainty as to their collectability.

Further, the Group provides a product warranty for a period of 15 months from the time of sale on its sales of goods related to hidden and manufacturer's defect. Under the terms of this warranty, customers can return the product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under PAS 37. However, if the Group is required to refund the related purchase price for returned goods, it recognizes a refund liability for the expected refunds by adjusting the amount of revenues recognized during the period.

In obtaining customer contracts, the Group incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Group uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in the consolidated statement of income on an accrual basis, except capitalized borrowing costs, if applicable, which are included as part of the cost of the related qualifying asset (see Note 2.20).

2.16 Leases

The Group accounts for its leases as follows:

(a) Group as a Lessee

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.18).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been presented separately from property and equipment and other liabilities, respectively.

(b) Group as a Lessor

Leases which do not transfer to the lessee substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in the consolidated statement of income on a straight-line basis over the lease term.

2.17 Foreign Currency Transactions and Translation

(a) Transactions and Balances

The accounting records of the Group, except BRL and SVC HK, are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates. The accounting records of BRL and SVC HK are maintained in United States dollar (USD) and Hong Kong dollar (HKD), respectively.

Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income as part of Finance Income or Finance Costs under Other Income (Charges) – net.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of BRL and SVC HK are translated to Philippine pesos, the Group's functional and presentation currency, as presented as follow:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) income and expenses for each statement of income account are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing at the dates of the transactions); and,

(iii) all resulting exchange differences are recognized as a separate component of other comprehensive income under currency exchange differences on translating financial statements of foreign operations, which is included under items that will be reclassified subsequently to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in BRL and SVC HK are recognized in other comprehensive income and taken to equity under Revaluation Reserves. When a foreign operation is partially disposed of or sold, such exchange differences are reclassified in the consolidated statement of income as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The translation of the consolidated financial statements into Philippine pesos should not be construed as a representation that the USD and HKD amounts could be converted into Philippine pesos amounts at the translation rates or at any other rates of exchange.

2.18 Impairment of Non-financial Assets

The Group's property and equipment, investment in associate, intangible assets, right-of-use assets and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual 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 asset's 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 Group'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. Except for impairment losses on goodwill, an impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.19 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, as well as defined 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 Group, 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 Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee-bank.

The asset recognized in the consolidated statement of financial position for post-employment defined benefit plans is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), 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. 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 other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Other Gains under the Other Income (Charges) – net in the consolidated statement of 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 Group pays fixed contributions into an independent entity. The Group 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 and 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) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) *Bonus Plans*

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) *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 Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

(f) *Short-term Employee Benefits*

Short-term employee benefits, including holiday entitlement, are current liabilities included in Trade and Other Payables account in the consolidated statement of financial position, measured at the undiscounted amount the Group expects to pay as a result of the unused entitlement.

2.20 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 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.

2.21 Income Taxes

Tax expense recognized in the consolidated statement of income 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 current tax liabilities are recognized as a component of tax expense in the consolidated statement of income.

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 to 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 are 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 assets 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax assets and deferred tax liabilities for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted, that is, when the investment property is depreciable and is held within the business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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 Group 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.

2.22 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless 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 Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

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 the SEC Memorandum Circular 2019-10, *Rules on Material Related Party Transactions 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 director's 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 10% materiality threshold, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

2.23 Equity

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

Additional paid-in capital (APIC) includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related tax benefits.

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

Revaluation reserves comprise the remeasurements of post-employment defined benefit plan, cumulative translation adjustments on financial statements of foreign subsidiaries and unrealized fair value gains (losses) arising from the revaluation of certain financial assets at FVOCI.

Retained earnings, the appropriated portion of which is not available for distribution, represent all current and prior period results of operations as reported in the consolidated statement of income, reduced by the amounts of dividends declared, if any.

NCI represent the portion of net assets and profit or loss not attributable to the Parent Company's stockholders which are presented separately in the Group's consolidated statement of income and consolidated statement of comprehensive income and within equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity.

2.24 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to the Parent Company's stockholders by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividends declared, stock split and reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares. Currently, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

2.25 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated 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 Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

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 and the renewal of the contract is not subject to mutual agreement of both parties.

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

The Group included the renewal period as part of the lease term for leases of some of its payment centers due to the significance of these assets to its operations. These leases have a short, non-cancellable lease period (i.e., one to five years) and there will be a significant negative effect on operations if a replacement is not readily available. However, there are other payment centers wherein the provision in the contract requires mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract; hence, renewal options for these leases were not included as part of the lease term.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not 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 Group.

(b) Determination of Timing of Satisfaction of Performance Obligations

(i) Rendering of Services

The Group determines that its revenue from rendering of services shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of the services as it performs.

In determining the best method of measuring the progress of the Group's rendering of services, management considers the output method under PFRS 15 because it directly measures the value of the services transferred to the customer.

(ii) Sale of Goods

The Group determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods have passed to the customer (i.e., generally when the customer has acknowledged delivery of the goods).

(iii) Sale of Real Estate

The Group exercises critical judgment in determining whether the performance obligation to deliver and transfer the control over the real estate properties (i.e., land and condominium building) to customers is satisfied over time or at a point in time.

In making this judgment, the Group considers the delivery to and acceptance by the buyer of the property as a transfer of control at specific point in time since the Group does not have a significant continuing involvement with the property sold to the buyer and the earning process is virtually complete. Further, the Group's enforceable right for payment becomes due upon transfer of control over the real estate property. The Group's management determines that its revenue from sale of real estate inventories, which are completed and ready for use, shall be recognized at a point in time when the control has transferred to the customer (see Note 2.15).

(c) Determination of ECL on Trade and Other Receivables, Investment in Bonds and Advances to Related Parties

The Group uses a provision matrix to calculate ECL for trade and other receivables. The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

For loans receivables (presented under Trade and Other Receivables account), the allowance for impairment is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Group also uses external benchmarking approach to calculate ECL for investment in bonds. The provision rates are derived from published credit ratings by external rating agencies. As referenced to these external credit benchmarks, the Group defines the credit ratings based on certain financial ratios and appropriately determine the equivalent internal credit ratings. Referenced probability of default is then derived from the latest annual global corporate default study published by the external rating agency. The Group makes an annual re-assessment of the applicability and reliability of the reference rates used.

The Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Other portion of the Group's financial asset at amortized cost pertains to advances to related parties. In relation to this, the maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these advances to related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

The details about the ECL on the Group's trade and other receivables, investment in debt securities and advances to related parties are disclosed in Notes 6, 7.2, 25.4, 28.2(b), 28.2(c) and 28.2(e).

(d) Costing of Merchandise Inventories and Supplies

The Group's inventory costing policies and procedures were based on a careful evaluation of present circumstances and facts affecting production operations. A review of the benchmarks set by management necessary for the determination of inventory costs and allocation is performed regularly. Actual data are compared to the related benchmarks and critical judgment is exercised to assess the reasonableness of the costing policies and procedures which are currently in place and to make the necessary revisions in light of current conditions.

(e) Distinguishing Business Combination and Asset Acquisition

The Group determines whether the acquisition of an entity constitute a business acquisition or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a business, as defined in PFRS 3, taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets.

Management has assessed that the acquisition of ownership in Avid is to be accounted for as a business combination since it does constitute an acquisition of a business.

On initial recognition, the assets and liabilities of the acquired businesses and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates will affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

In 2022, the Group recognized a gain on bargain purchase amounting to P14.6 million, which represents the excess of total fair value of Avid's net identified assets over the total considerations transferred.

(f) *Distinction Between Investment Property, Owner-occupied Properties and Real Estate Inventories*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the properties but also to other assets used in the production or supply process. On the other hand, real estate inventories are properties intended to be sold in the normal course of business.

(g) *Distinction Between Operating and Finance Leases for Contracts where the Group is the Lessor*

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's judgment, all of the Group's lease agreements were determined to be operating leases.

(h) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and contingencies are discussed in Note 2.14 and the disclosures on relevant provisions and contingencies are presented in Note 27.

3.2 Key Sources of Estimation Uncertainty

The following are 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:

(a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate.

In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) *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).

Specifically for loans receivables, the Group's ECL calculations are outputs of complex modes with a number of underlying assumptions which include: (1) the Group's criteria for assessing if there has been a significant increase in credit risk; and, (2) development of expected credit loss models, including the choice of inputs relating to macroeconomic variables.

Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Notes 6, 7.2, 25.4, 28.2(b), 28.2(c) and 28.2(e).

(c) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument.

Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets at FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Note 7.

(d) Determination of Net Realizable Value of Merchandise Inventories and Supplies

In determining the net realizable value of merchandise inventories and supplies, management takes into account the most reliable evidence available at the time the estimates are made. The Group's core business is continuously subject to rapid technology changes which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories is affected by price changes in different market segments of electronic devices, modular houses, broadcast equipment and accessories (see Note 8). Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's merchandise inventories and supplies within the next reporting period.

(e) Determination of Net Realizable Value of Real Estate Inventories

The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of real estate inventories. Net realizable value for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions.

Net realizable value in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar property at the same stage of completion, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Management's assessment of net realizable value of properties under development requires the estimates of future cash flows to be derived from these properties. These estimates require judgment as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

The carrying amounts of the real estate inventories are disclosed in Note 9.

(f) Estimation of Useful Lives of Right-of-Use Assets, Property and Equipment and Intangible Assets

The Group estimates the useful lives of right-of-use assets, property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical/commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of right-of-use assets, property and equipment and intangible assets are analyzed in Notes 10.1, 11 and 13.1, respectively. Based on management's assessment as of December 31, 2022 and 2021, there is no change in the estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(g) Fair Value Measurement of Investment Property

The Group's investment property, which consists of parcels of land and improvements and buildings and improvements, are carried at fair value at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 30.4.

For investment properties with appraisals conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in these elements may affect prices and the value of the assets. The amounts of fair value gains recognized on investment property are disclosed in Note 12.

(h) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets 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.

The carrying value of recognized deferred tax assets, which management assessed may be fully utilized in the coming years, as of December 31, 2022 and 2021 is disclosed in Note 22.2. Certain deferred tax assets, however, were not recognized since management believes that there is no assurance that the related tax benefits will be realized in the coming years.

(i) 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 2.18). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated 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.

Based on management's assessment, certain non-financial assets were impaired in 2022 and 2021 (see Note 13). Consequently, the Group recognizes loss on impairment for these assets (see Note 18).

(j) Estimation of Reserve for Warranty Costs

The Group offers warranty, for a period ranging from one to two years, for each consumer electronic product sold. Management estimates the related provision for future warranty costs based on a certain percentage of sales, as determined based on historical warranty claim information as well as recent trends that might suggest that past cost information may differ from expectations. Warranty costs also include the actual cost of materials used in repairing the electronic products.

The amounts of provision for warranty claims recognized and the outstanding balance of Reserve for warranty costs, which is presented as part of Trade and Other Payables account in the consolidated statements of financial position, are disclosed in Note 15.

(k) Valuation of Post-employment Defined Benefit

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21.2 and include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit asset and obligation in the next reporting period.

The amounts of the fair value of the retirement benefit asset and present value of retirement benefit obligation and the analysis of the movements in the fair value of the retirement benefit asset and present value of retirement benefit obligation, as well as the significant assumptions used in estimating such asset and obligation are presented in Note 21.2.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's different business segments are presented below.

(a) Distribution/Retail is involved in the sale of mobile phones and devices, home appliances and other electronic products, professional audio and video equipment, and prefabricated modular houses;

(b) Property and related services are involved in the leasing, development and sale of industrial and other real estate properties and hotel and restaurant operations;

(c) Logistics and technical solutions are presently engaged in the business of warehousing and distribution; and,

(d) Investment and others include investment holding companies, and those included in the business of financing and credit extension.

Prior to 2022, the Group was presenting the operations of SVC under logistics and technical solutions segment. In 2022, the Group's management decided to transfer the operations of SVC from logistics and technical solutions segment to distribution/retail segment. The Group's management also updated the 2021 and 2020 presentation of segment reporting to conform with the current year's presentation.

Segment accounting policies are the same as the policies described in Note 2.5.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their use or direct association with a specific segment and they include all operating assets used by each business segment and consist principally of operating cash, receivables, inventories, investment properties and property and equipment, net of allowances and provisions.

Similar to segment assets, segment liabilities include all operating liabilities used by each segment and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments; such sales and purchases are eliminated in the consolidation.

4.4 Analysis of Segment Information

The tables in the succeeding pages present certain asset and liability information regarding business segments as of December 31, 2022, 2021 and 2020 and the related revenue and profit information for each of the three years in the period ended December 31, 2022 (amounts are in thousands).

	Distribution/ Retail	Property and Related Services	Logistics and Technical Solutions	Investments and Others	Total
2022					
SEGMENT RESULTS					
Sales to external customers	P 537,437	P 272,262	P 665,848	P 158,959	P 1,634,506
Intersegment sales	1,933	74,738	4,127	213,970	294,768
Total revenues	539,370	347,000	669,975	372,929	1,929,274
Cost of sales, services, and rentals	433,077	159,814	403,517	97,656	1,094,064
Other operating expenses (income)	108,323	(205,395)	134,729	67,634	105,291
Operating profit (loss)	(2,030)	392,581	131,729	207,639	729,919
Finance income	17,997	24,758	3,618	36,969	83,342
Finance costs	(1,284)	(237)	(313)	(2)	(1,836)
Other gains – net	911	17,104	4,859	6,724	29,598
Profit before tax	15,594	434,206	139,893	251,330	841,023
Tax expense	5,584	131,437	34,787	10,853	182,661
Net profit	**P 10,010**	**P 302,769**	**P 105,106**	**P 240,477**	**P 658,362**
2022					
SEGMENT ASSETS AND LIABILITIES					
Total assets	**P 984,831**	**P 8,976,589**	**P 764,238**	**P 9,075,857**	**P 19,801,515**
Total liabilities	**P 313,756**	**P 1,482,014**	**P 172,648**	**P 69,128**	**P 2,037,546**
OTHER SEGMENT INFORMATION					
Capital expenditures	**P 7,067**	**P 756,560**	**P 21,735**	**P 93**	**P 785,455**
Depreciation and amortization	**4,918**	**28,051**	**49,741**	**1,196**	**83,906**
Impairment loss	**3,328**	**1,227**	**-**	**586**	**5,141**
2021					
SEGMENT RESULTS					
Sales to external customers	P 634,083	P 255,003	P 523,524	P 124,343	P 1,536,953
Intersegment sales	112	134,976	7,248	152,820	295,156
Total revenues	634,195	389,979	530,772	277,163	1,832,109
Cost of sales, services, and rentals	522,956	140,352	336,957	94,115	1,094,380
Other operating expenses (income)	120,103	(426,260)	120,574	867,616	682,033
Operating profit (loss)	(8,864)	675,887	73,241	(684,568)	55,696
Finance income	8,753	16,204	1,259	56,771	82,987
Finance costs	(1,401)	(1,765)	(890)	(4)	(4,060)
Other gains – net	324	22,667	4,409	809,979	837,379
Profit (loss) before tax	(1,188)	712,993	78,019	182,178	972,002
Tax expense	59,310	6,424	11,264	856	77,854
Net profit (loss)	(P 60,498)	P 706,569	P 66,755	P 181,322	P 894,148
SEGMENT ASSETS AND LIABILITIES					
Total assets	P 813,956	P 7,770,072	P 668,278	P 8,850,060	P 18,102,366
Total liabilities	P 271,481	P 1,438,480	P 184,747	P 62,174	P 1,956,882

	Distribution/ Retail	Property and Related Services	Logistics and Technical Solutions	Investments and Others	Total
OTHER SEGMENT INFORMATION					
Capital expenditures	P 454	P 125,982	P 8,352	P 3,415	P 138,203
Depreciation and amortization	5,628	26,066	53,688	977	86,359
Impairment loss	76	34	1,000	1,045	2,155
2020					
SEGMENT RESULTS					
Sales to external customers	P 321,971	P 215,573	P 460,825	P 153,663	P 1,152,032
Intersegment sales	16,691	72,022	16,711	221,000	326,424
Total revenues	338,662	287,595	477,536	374,663	1,478,456
Cost of sales, services, and rentals	254,603	163,051	322,638	90,040	830,332
Other operating expenses (income)	162,729	(190,199)	103,396	107,814	183,740
Operating profit (loss)	(78,670)	314,743	51,502	176,809	464,384
Finance income	4,456	33,864	3,860	29,011	71,191
Finance costs	(19,905)	(13,018)	(1,684)	(15,369)	(49,976)
Other gains – net	758	15,682	4,540	1,196	22,176
Profit (loss) before tax	(93,361)	351,271	58,218	191,647	507,775
Tax expense (income)	(4,665)	113,990	17,554	13,225	140,104
Net profit (loss)	(P 88,696)	P 237,281	P 40,664	P 178,422	P 367,671
SEGMENT ASSETS AND LIABILITIES					
Total assets	P 1,085,619	P 7,266,848	P 664,030	P 8,709,240	P 17,725,737
Total liabilities	P 830,517	P 2,332,478	P 162,210	P 417,184	P 3,742,389
OTHER SEGMENT INFORMATION					
Capital expenditures	P 4,813	P 43,928	P 50,313	P 8,668	P 107,722
Depreciation and amortization	7,177	30,031	49,497	847	87,552
Impairment loss	10,791	6,137	4,574	470	21,972

4.5 Reconciliations

The total segment balances presented for the Group's operating segments reconciled to the Group's consolidated balances as presented in the consolidated financial statements are as follows (amount in thousands):

	Segment Totals	**Intersegment Accounts**	**Consolidated Balances**
2022			
Revenues	**P 1,929,274**	**(P 294,768)**	**P 1,634,506**
Net profit for the year	**658,362**	**(229,435)**	**428,927**
Total assets	**19,801,515**	**(6,136,642)**	**13,664,873**
Total liabilities	**2,037,546**	**(313,688)**	**1,723,858**
Other segment information:			
Capital expenditures	**785,455**	**-**	**785,455**
Depreciation and amortization	**83,906**	**15**	**83,921**
Impairment losses*	**5,141**	**-**	**5,141**

		Segment Totals		Intersegment Accounts		Consolidated Balances
2021						
Revenues	P	1,835,109	(P	295,156)	P	1,539,953
Net profit for the year		894,148	(	216,559)		677,589
Total assets		18,102,366	(	5,117,196)		12,985,170
Total liabilities		1,956,882	(	504,903)		1,451,979
Other segment information:						
Capital expenditures		138,203		-		138,203
Depreciation and amortization		86,359		32		86,391
Impairment losses*		2,155		-		2,155
2020						
Revenues	P	1,478,456	(P	326,424)	P	1,152,032
Net profit for the year		367,671	(	144,615)		223,056
Total assets		17,725,737	(	5,421,992)		12,303,745
Total liabilities		3,742,389	(	2,294,955)		1,447,434
Other segment information:						
Capital expenditures		107,722		-		107,722
Depreciation and amortization		87,552		110		87,662
Impairment losses*		21,972		-		21,972

** The amount of impairment loss for 2022, 2021 and 2020 is gross of reversal of allowance for impairment losses totaling to P3,552, P6,130 and P2,401, respectively (see Note 6).*

4.6 Disaggregation of Revenues from Contracts with Customers and Other Counterparties

When the Group prepares its investor presentations and when the Group management evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Note 4.4. The Group determines that the categories used in the investor presentations and financial reports used by the Group's management can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties (except for rentals accounted for under PFRS 16 included herein as additional information) into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. A summary of additional disaggregation from the segment revenues and other unallocated income are shown below and in the succeeding page (amounts in thousands).

	Segment Revenues (Sales to External Customers)				
	Point in time	**Over time**	**Leases**	**Interest**	**Total**
December 31, 2022					
Distribution/Retail	P 513,592	P 22,983	P -	P -	P 536,575
Logistics and technical solutions	55,612	508,432	-	-	564,044
Rentals	-	-	265,741	-	265,741
Property and building	-	109,187	-	-	109,187
Investments and others	-	102,289	-	56,670	158,959
	P 569,204	**P 742,891**	**P 265,741**	**P 56,670**	**P 1,634,506**

	Segment Revenues (Sales to External Customers)				
	Point in time	Over time	Leases	Interest	Total
December 31, 2021					
Distribution/Retail	P 568,023	P 66,059	P -	P -	P 634,082
Logistics and technical solutions	27,166	405,170	-	-	432,336
Rentals	-	-	240,777	-	240,777
Property and building	893	107,521	-	-	108,414
Investments and others	-	97,473	-	26,870	124,343
	P 596,082	P 676,223	P 240,777	P 26,870	P 1,539,952
December 31, 2020					
Distribution/Retail	P 252,162	P 69,810	P -	P -	P 321,972
Logistics and technical solutions	23,063	352,941	-	-	376,004
Rentals	-	-	242,738	-	242,738
Property and building	1,442	56,213	-	-	57,655
Investments and others	-	93,167	-	60,496	153,663
	P 276,667	P 572,131	P 242,738	P 60,496	P 1,152,032

The Group's segment revenues (sales to external customers) include rendering of services, sale of goods, rentals and sale of real estate which are presented in the consolidated statements of income.

5. CASH AND CASH EQUIVALENTS AND SHORT-TERM PLACEMENTS

5.1 Cash and Cash Equivalents

Cash and cash equivalents include the following components as of December 31:

	2022	2021
Cash on hand and in banks	**P 666,536,014**	P 578,776,499
Cash equivalents	**3,136,522,095**	2,171,012,063
	P 3,832,058,109	P 2,749,788,562

Cash in banks generally earn interest based on daily bank deposit rates. Cash equivalents pertain to highly liquid short-term investment with maturity periods varying from 1 to 90 days and earn annual interests ranging from 0.30% to 6.20% in 2022, and 0.01% to 6.25% in both 2021 and 2020.

Interest earned from cash in banks and cash equivalents are presented as part of Interest under Revenues and as part of Finance Income under Other Income (Charges) – net in the consolidated statements of income (see Note 20.2).

5.2 Short-term Placements

Short-term placements, presented separately in the consolidated statements of financial position, pertain to time deposits amounting to P1,702.5 million as of December 31, 2021 with maturity periods varying between 91 to 365 days and earn effective interests ranging from 0.20% to 1.80%. On the other hand, maturity periods of short-term placements during 2020 varies between 91 to 365 days and earn effective interests ranging from 0.52% to 4.25%. There were no time deposits with maturity of more than three months in 2022.

Interest earned from short-term placements is presented as part of Interest under Revenues and as part of Finance Income under Other Income (Charges) – net in the consolidated statements of income (see Note 20.2). The outstanding balance of such interest is presented as Interest receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	**2022**	2021
Current:			
Trade receivables	6.1, 25.5, 25.8, 25.9, 26.1, 26.3	**P 217,342,171**	P 252,610,710
Loans receivables	6.3, 25.3	**50,375,822**	36,102,236
Advances to:			
Suppliers	6.2, 25.1	**37,862,856**	111,219,933
Officers and employees	6.2, 25.10	**2,903,048**	3,251,944
Rental receivables	6.5, 25.2	**21,275,870**	11,953,338
Interest receivable	5, 7.2	**5,512,352**	3,973,442
Non-trade receivables		**609,404**	1,292,431
Other receivables	6.6	**14,203,747**	14,283,557
		350,085,270	434,687,591
Allowance for impairment	6.7	**(107,305,548)**	(107,640,217)
		242,779,722	327,047,374
Non-current:			
Trade receivables	6.1	**179,970**	5,262,004
Loans receivables	6.3, 25.3	**7,513,876**	21,180,773
Cash surrender value of investment in life insurance	6.4, 14	**933,565,721**	812,093,251
		941,259,567	838,536,028
		P 1,184,039,289	P 1,165,583,402

All trade receivables are subject to credit risk exposure [see Note 28.2(b)]. The Group does not identify specific concentration of credit risk with regard to trade and other receivables as the amounts recognized resemble a large number of receivables from various customers.

6.1 Trade Receivables

Trade receivables include the Group's receivables related to the sold condominium units which are being paid for by the customers in monthly installments. Certain receivables from trade customers are covered by post-dated checks. Trade receivables are measured at amortized cost and have annual effective interest rates ranging from 4.60% to 24.63% in 2022, 2021 and 2020, depending on the payment terms. Trade receivables which are expected to be settled beyond one year after the end of the reporting period are classified as non-current trade and other receivables.

Interest earned from real estate sales amounted to P0.9 million, P1.0 million and P1.2 million in 2022, 2021 and 2020, respectively, and is presented as part of Finance Income under Other Income (Charges) – net in the consolidated statements of income (see Note 20.2).

Trade receivables from sale of goods and services are usually due within 30 to 90 days, generally unsecured and do not bear interest.

6.2 Advances

Advances to suppliers mainly include advance payments made by My Solid to suppliers for future purchases of mobile phone units and accessories (see Note 25.1). These also include advances made by SVC to various suppliers for the purchase of pro-tapes, video and medical equipment, and spare parts. There were no impairment losses recognized in 2022, 2021 and 2020 as management believes that these advances are still recoverable. Further, the Group can apply the related payables to this related party in case of defaults.

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures and are subject to liquidation (see Note 25.10).

6.3 Loans Receivables

Loans receivables pertain to appliances loans, business loans and car loans offered by SMFI to its customers. Loans receivables that are expected to be settled beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as part of non-current trade and other receivables.

In 2020, in response to the implementation of R.A. No. 11469, *Bayanihan to Heal as One Act*, SMFI granted its borrowers the deferral of payments of principal and interest due for two to four months. The management assessed that such has no material impact on the Group's consolidated financial statements.

Interest income recognized on the Group's loans receivables amounted to P7.5 million, P7.3 million and P6.1 million in 2022, 2021 and 2020, respectively, and are presented as part of Interest under Revenues in the consolidated statements of income. The effective interest rates on loans receivables range from 0.40% to 13.10% in 2022, from 5.00% to 36.00% in 2021, and from 4.00% to 36.00% in 2020. There was no outstanding interest on loans receivable as of December 31, 2022 and 2021.

6.4 Cash Surrender Value of Investment in Life Insurance

Cash surrender value of investment in life insurance pertains to insurance policies purchased by BRL for certain directors of the Parent Company. The beneficiary of this investment in life insurance is the Parent Company and accounted for under the cash surrender value method. Under this method, the initial cash surrender value of the insurance policies is recognized immediately in the consolidated statements of financial position. Subsequently, any increase in cash surrender value is recognized as part of Finance Income under Other Income (Charges) account – net in the consolidated statements of income (see Note 20.2). In 2022, 2021 and 2020, the increase in cash surrender value amounted to P35.8 million, P43.3 million and P28.2 million, respectively.

The cash surrender value of the investment in life insurance was used as collateral for interest-bearing loans obtained by BRL in the prior years (see Note 14).

6.5 Rental Receivables

Rental receivables represent uncollected monthly receivables from a related party and third-party tenants of the Group. This includes rent receivables arising from the application of PFRS 16, which represent the difference between the cash basis rent income and the straight-line rent income of all outstanding lease contracts as of the end of the reporting periods.

6.6 Other Receivables

Other receivables include amounts due from credit card companies for the sale of CCTV, which are collected the following month the receivables are recognized. This also includes testing fees and utility charges billed by the Group to its lessees. Further, this account consists of unsecured, noninterest-bearing cash advances made to the ZTC's Home Owners' Association for expenses incurred by the unit owners and related outstanding receivables.

6.7 Allowance for Impairment

All of the Group's trade and other receivables have been assessed for impairment based on the ECL model. The fair value of these short-term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value. Based on management's assessment of the ECL using the simplified approach, certain trade receivables were found to be impaired; hence, adequate amount of allowance for impairment have been recognized.

A reconciliation of the allowance for impairment on trade and other receivables at the beginning and end of 2022 and 2021 is shown below.

	Note	**2022**	2021
Balance at beginning of year		**P 107,640,217**	P 114,129,144
Impairment losses during the year		**4,336,857**	1,121,780
Reversal of impairment losses		**(3,551,941)**	(6,129,967)
Write-off of receivables		**(2,560,480)**	(1,480,740)
Impact of the acquisition	1.1	**1,440,895**	-
Balance at end of year		**P 107,305,548**	P 107,640,217

The net impairment loss of P0.8 million and P13.0 million in 2022 and 2020, respectively, and net reversal of P5.0 million in 2021 are presented as Impairment losses on trade and other receivables – net and as Reversal for impairment losses on trade and other receivables – net, respectively, under General and Administrative Expenses in the consolidated statements of income (see Note 18).

7. INVESTMENTS

7.1 Financial Assets at Fair Value Through Other Comprehensive Income

The Parent Company has equity securities pertaining to its 33% equity ownership interest in the common stock of Sony Philippines, Inc. (SPI). This investment is related to the Joint Venture Agreement (JVA) executed in 1997 with Sony Corporation of Japan which has expired on May 8, 2005. On April 11, 2005, the Parent Company received a formal notice of the expiry of the JVA. The Parent Company and Sony Corporation have both agreed to pursue negotiations for an equitable settlement of all matters relating to the JVA and its expiration.

As a result of the above events, the Parent Company determined that it no longer has significant influence over the investee company. Consequently, it reclassified its remaining investment in shares of stock of SPI with total cost of P8.6 million to AFS financial assets in 2005. In 2018, upon the adoption of PFRS 9, the Parent Company reclassified such investment from AFS financial assets to financial assets at FVOCI. The Parent Company determined that the fair value of this investment is nil as of December 31, 2022 and 2021.

On the other hand, the fair values of the Group's investments in club shares amounting to P37.0 million and P27.4 million, which represent proprietary membership club shares, as of December 31, 2022 and 2021, respectively, have been determined based on quoted prices in less active markets due to lack of trading activities among its participants (see Note 30.2).

A reconciliation of the net carrying amounts of financial assets at FVOCI is shown below.

	Note	**2022**	2021
Balance at beginning of year		**P 27,400,000**	P 24,100,000
Fair value gains - net	23.3	**9,600,000**	3,300,000
Balance at end of year		**P 37,000,000**	P 27,400,000

The recognized fair value gains - net are presented as items that will not be reclassified subsequently to profit or loss under Other Comprehensive Income in the consolidated statements of comprehensive income.

7.2 Investment in Bonds

In 2021, the Parent Company invested in held-to-collect corporate bonds, classified and measured at amortized cost, amounting to P20.0 million, which bear fixed interest rate of 4.34% per annum and will mature on October 12, 2027. The amount of investment is presented as Investment in Bonds in the consolidated statements of financial position. There was no additional investment made in 2022.

Interest earned from investment in bonds in 2022 and 2021 amounted to P0.9 million and P0.2 million, respectively, which is presented as part of Interest under Revenues in the 2022 and 2021 consolidated statements of income. There was no interest income earned in 2020. The outstanding balance of such interest amounting to P0.2 million as of December 31, 2022 and 2021 is presented as part of Interest receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The Group's investment in bonds, which are subject to credit risk exposure [see Note 28.2(e)], has been reviewed for impairment. Based on such review, the management determines that no impairment loss is needed to be recognized in 2022 and 2021 as the bonds were in good credit standing as of December 31, 2022 and 2021.

7.3 Investment in an Associate

In 2022 and 2021, the Parent Company made additional deposits in the share of Fekon, totaling P11.5 million and P58.3 million, respectively, in relation to the planned increase in authorized capital stock of the latter. As of December 31, 2022 and 2021, Fekon is still in the process of completing its documents on its application to increase its authorized capital stock with the Commission. Management believes that upon approval by the Commission, the Group will have significant influence with 44% ownership interest over Fekon.

Accordingly, the deposits are recorded as Investment in an Associate in the consolidated statements of financial position with total outstanding balance of P88.0 million and P76.5 million as of December 31, 2022 and 2021, respectively. The total equity interest of the Group is at 44% as of December 31, 2022 and 2021.

Initially, the Group's investment is measured at cost and subsequently, upon approval of the application with the Commission, will be measured using equity method.

The summarized unaudited financial information for Fekon is shown below.

	2022	2021
Current assets	**P 142,664,730**	P 151,068,368
Non-current assets	**43,615,185**	29,933,236
Total assets	**P 186,279,915**	P 181,001,604
Current liabilities	**P 39,541,843**	P 20,498,507
Non-current liabilities	**29,919,111**	175,016,563
Total liabilities	**P 69,460,954**	P 195,515,070
Revenue	**P 94,082,830**	P 61,424,400
Net loss for the year	**(P 71,531,196)**	(P 17,704,384)

A reconciliation of the above summarized financial information to the carrying amount of the investment in Fekon is shown below.

	2022	2021
Net asset of Fekon	**P 116,818,961**	P 145,396,535*
Proportion of ownership interest	**44.0%**	44.0%
	51,400,343	63,974,475
Nominal goodwill in equity ownership	**36,622,371**	12,537,525
Carrying amount of investment	**P 88,022,714**	P 76,512,000

** Excluding deposit on future stock subscription presented under non-current liabilities.*

Fekon is a private company and there are no quoted prices available for its shares of stock.

Fekon is incorporated and domiciled in the Philippines. Fekon's primary purpose is to engage in the business of manufacturing, selling, distributing, marketing, trading and assembling of all kinds of goods such as but not limited to motorcycles, e-bicycles, motor parts and products, electronic devices and other electronic merchandise. Fekon's registered office address and principal place of business is located at Block 7, Lot 8B, San Simon Industries Park, San Isidro, San Simon, Pampanga.

8. MERCHANDISE INVENTORIES AND SUPPLIES

Inventories at the end of 2022 and 2021 were stated at lower of cost or NRV. The details of inventories are shown below.

	Note	2022	2021
At cost:			
Merchandise inventories	17.1	**P 101,101,195**	P 65,791,557
Service parts, supplies and others		**33,377,904**	30,576,460
		134,479,099	96,368,017
At NRV:			
Merchandise inventories	17.1	**206,024,769**	42,704,602
Service parts, supplies and others		**10,615,162**	14,336,595
		216,639,931	57,041,197
Allowance for inventory obsolescence		**(26,489,175)**	(28,528,333)
		190,150,756	28,512,864
		P 324,629,855	P 124,880,881

The Group's inventories are composed of handsets, devices, accessories, spare parts, professional tapes, service supplies, equipment and accessories, modular houses, televisions, other appliances and gadgets and accessories. Handsets refer to tablets, devices pertain to mobile phones, and accessories pertain to jelly cases, headsets, power banks, memory cards, and others.

The movements in the allowance for inventory obsolescence are as follows:

	Notes	2022	2021
Balance at beginning of year		**P 28,528,333**	P 68,006,585
Impact of the acquisition	1.1	**9,106,822**	-
Provision for inventory obsolescence	17.1, 18	**511,495**	851,992
Reversal of allowance for inventory obsolescence	17.1, 18	**(11,657,475)**	(40,330,244)
		P 26,489,175	P 28,528,333

In 2022, 2021 and 2020, the Group made a net reversal of provision from previous write-down of inventories amounting to P11.1 million, P39.5 million and P2.0 million, respectively, upon sale of those inventories. The net reversal is included as an adjustment to Cost of Sales in the consolidated statements of income.

The Group has no outstanding purchase commitment for the acquisition of merchandise inventories and supplies as of December 31, 2022 and 2021.

An analysis of the cost of inventories charged to operations in 2022, 2021 and 2020 is presented in Note 17.1.

9. REAL ESTATE INVENTORIES

This account is composed of:

	2022	2021
Land and land development costs:		
Land	**P 248,000**	P 4,265,299
Land development costs	**28,806,474**	35,281,523
	29,054,474	39,546,822
Allowance for impairment	**(2,667,600)**	(2,667,600)
	26,386,874	36,879,222
Property development costs – Construction in progress and development costs	**402,543,081**	400,908,113
	P 428,929,955	P 437,787,335

9.1 Land and Land Development Costs

Land and land development costs pertain to cost of land and related improvements, held by Starworld and LIIP, which are held for sale.

Under its registration with the Board of Investments, Starworld shall develop 118 hectares of land in its development project located in Calamba Premiere International Park (CPIP) in Bo. Prinza, Calamba City, Laguna. As of December 31, 2021, lot areas totalling 83 hectares (65 hectares for Phase 1 and 18 hectares for Phase 2) were acquired and fully developed.

A reconciliation of the land and land development cost at the beginning and end of 2022 and 2021 is shown below.

	Note	2022	2021
Balance at beginning of year		**P 39,546,822**	P 39,546,822
Additions		**12,052,495**	-
Transfer to investment property	12	**(22,544,843)**	-
Balance at end of year		**P 29,054,474**	P 39,546,822

In 2022, Starworld, a subsidiary, sold the remaining parcels of land to SMC, another subsidiary in the Group, for P22.6 million. As a result of this transaction, the parcels of land with a total cost of P22.5 million were transferred to investment properties. SMC classified the land acquired as an investment property with the purpose of earning rentals and/or long-term capital appreciation.

The allowance for impairment recognized in prior years pertains to the estimated cost of parcels of land and land development costs which may not be fully realized as a result of the Group's long-outstanding claims against the seller for the transfer of title to the name of LIIP. In 2020, the management assessed that the probability that they may recover the carrying amount of the property is remote; hence, an impairment loss amounting to P0.6 million was recorded for the full impairment of such property and is presented as Impairment loss on land and land development costs under General and Administrative Expenses account in the 2020 consolidated statement of income (see Note 18). There were no impairment losses recognized in 2022 and 2021.

Also, in 2008, in relation to the same property mentioned in the preceding paragraph, a judgment award against LIIP requiring it to pay an amount of P0.1 million was issued by the Court of Appeals. In 2020, the Group reversed the provision on award damages due to the expiration of the prescription period of the judgment made by the Court of Appeals and recorded such as Gain on reversal of provision under Other Gains – net account in the 2020 consolidated statement of income (see Note 20.3). Accordingly, there were no outstanding provisions as of December 31, 2022 and 2021.

9.2 Property Development Costs

Property development costs pertain to the cost of land used as a building site and the accumulated construction costs of the condominium building project being developed by ZTC, which are also for sale.

Property development costs, at the end of each reporting periods, represent condominium units for sale, construction in progress of land and Tower 3, office tower and parking units for which ZTC has been granted permit to sell by the Housing and Land Use Regulatory Board of the Philippines.

The Group, through ZTC, has initiated the planning and construction of the Tri Towers condominium building. The construction was started in 2005. The accumulated construction costs (including cost of the land) were eventually transferred to ZTC. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively, and while the construction of Tower 3 has not yet started, it has incurred expenses for the planning phase as of December 31, 2022 and 2021. Initial expenses incurred for the construction of Tower 3 were capitalized and presented as part of Real Estate Inventories account.

Although the completion of the construction of Tower 3 is still indefinite due to the effects of COVID-19 pandemic on the Group's business operations as of December 31, 2022, management believes that related asset is still recoverable as of the reporting periods.

10. LEASES

The Group is a lessee under non-cancellable operating leases covering certain office spaces, satellite offices and store branches. The lease for these spaces has a term of one to five years. Generally, termination of lease contracts shall be communicated to the lessee by the lessor prior to the termination or expiration of the lease contract. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statements of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets and lease liabilities as separate line items in the consolidated statements of financial position.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublease the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security.

The Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

Refundable security deposits represent the lease deposits made for the lease of the Group's business spaces, both short and long-term lease agreements. Related security deposits for these leases amounted to P36.5 million and P14.1 million as of December 31, 2022 and 2021, respectively, and are presented as part of Other Current Assets and Other Non-current Assets account in the consolidated statements of financial position (see Note 13). Refundable security deposits which are expected to be settled beyond one year after the end of the reporting period are classified as non-current assets.

10.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets, which pertain to office spaces and store branches, as of December 31, 2022 and 2021, including the movements during the reporting period are shown below.

	Note	**2022**	2021
Balance at beginning of year		**P 5,673,637**	P 9,549,297
Impact of the acquisition	1.1	**845,801**	-
Additions		**-**	427,837
Amortization		**(3,617,656)**	(4,303,497)
Balance at end of year		**P 2,901,782**	P 5,673,637

The amount of depreciation and amortization computed on right-of-use assets is presented as part of the following accounts:

	Notes	2022	2021	2020
Cost of services	17.2	**P 3,395,173**	P 4,303,497	P 5,212,925
General and administrative expenses		**222,483**	-	-
	18	**P 3,617,656**	P 4,303,497	P 5,212,925

10.2 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as of December 31, 2022 and 2021 as follows:

	2022	2021
Current	**P 2,791,164**	P 3,711,489
Non-current	**748,583**	2,878,860
	P 3,539,747	P 6,590,349

The movements in the lease liabilities recognized in the consolidated statements of financial position as of December 31 are as follows:

	Notes	2022	2021
Balance at beginning of year		**P 6,590,349**	P 10,521,366
Impact of the acquisition	1.1	**823,673**	-
Interest accretion	10.4	**317,405**	596,418
Additional lease liabilities		**-**	427,837
Repayments of lease liabilities	10.4	**(4,191,680)**	(4,955,272)
		P 3,539,747	P 6,590,349

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

The table below and in the succeeding page describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statements of financial position.

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
December 31, 2022					
Office space and store branches	19	3 months to 1 year and 11 months	10 months	6	-

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
December 31, 2021					
Office space	9	3 months to 2 years and 11 months	1 year and 5 months	6	-

As of December 31, 2022 and 2021, the Group has no commitments for leases entered into which had not commenced.

The undiscounted maturity analysis of lease liabilities of December 31, 2022 and 2021 is as follows:

	Within 1 year	1 to 2 years	2 to 3 years	Total
December 31, 2022				
Lease payments	P 2,926,190	P 767,960	P -	P 3,694,150
Finance charges	(135,026)	(19,377)	-	(154,403)
Net present values	**P 2,791,164**	**P 748,583**	**P -**	**P 3,539,747**
December 31, 2021				
Lease payments	P 4,023,991	P 2,255,438	P 767,960	P 7,047,389
Finance charges	(312,502)	(125,161)	(19,377)	(457,040)
Net present values	P 3,711,489	P 2,130,277	P 748,583	P 6,590,349

10.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize lease liabilities for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The amount of expense relating to short-term leases for the year ended December 31, 2022 and 2021 is allocated in the consolidated statements of income as follows:

	Notes	**2022**	2021	2020
Cost of rental	17.3	**P 19,818,467**	P 17,937,677	P 7,203,364
Cost of services	17.2	**12,150,453**	5,215,617	6,366,409
General and administrative expenses		**1,385,224**	4,721,282	2,055,517
	18	**P 33,354,144**	P 27,874,576	P 15,625,290

10.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases, including interest, amounted to P4.2 million, P5.0 million and P5.7 million in 2022, 2021 and 2020, respectively. Interest expense in relation to lease liabilities amounted to P0.3 million, P0.6 million and P0.8 million in 2022, 2021 and 2020, respectively, and is presented as part of Finance costs under Other Income (Charges) – net in the consolidated statements of income (see Note 20.1).

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment losses of property and equipment at the beginning and end of 2022 and 2021 are shown below.

	Land	Buildings and Improvements	Machinery and Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Test, Communication and Other Equipment	Computer System	Leasehold Improvements	Tools and Equipment	Construction in Progress	Total
December 31, 2022											
Cost	P 1,278,354,682	P 372,499,019	P 194,928,008	P 304,872,692	P 258,523,865	P 23,662,042	P 86,553,862	P 112,874,003	P 104,357,611	P 236,213	P 2,736,861,997
Accumulated depreciation and amortization	-	(164,638,384)	(167,668,820)	(279,593,471)	(213,062,681)	(18,065,496)	(76,965,882)	(110,282,684)	(85,380,998)	14,346,250	(1,101,312,166)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	**P 1,278,354,682**	**P 172,860,635**	**P 27,259,188**	**P 25,279,221**	**P 45,461,184**	**P 5,596,546**	**P 9,587,980**	**P 2,591,319**	**P 18,976,613**	**P 236,213**	**P 1,586,203,581**
December 31, 2021											
Cost	P 1,277,854,682	P 359,206,004	P 192,796,418	P 295,738,000	P 250,520,348	P 22,909,095	P 86,152,648	P 111,245,598	P 100,455,133	P -	P 2,696,877,926
Accumulated depreciation and amortization	-	(144,232,356)	(157,795,381)	(266,605,095)	(189,910,156)	(14,935,652)	(76,319,893)	(106,709,705)	(78,861,360)	14,346,250	(1,021,023,348)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	P 1,277,854,682	P 179,973,648	P 35,001,037	P 29,132,905	P 60,610,192	P 7,973,443	P 9,832,755	P 4,535,893	P 21,593,773	P -	P 1,626,508,328
January 1, 2021											
Cost	P 1,277,854,682	P 344,972,122	P 192,632,526	P 269,746,237	P 247,724,563	P 14,883,239	P 86,025,607	P 113,491,155	P 92,941,174	P 28,048,367	P 2,668,319,672
Accumulated depreciation and amortization	-	(125,668,565)	(147,908,769)	(239,637,882)	(162,714,267)	(12,450,828)	(75,512,460)	(102,698,058)	(72,377,007)	-	(938,967,836)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	P 1,277,854,682	P 184,303,557	P 44,723,757	P 30,108,355	P 85,010,296	P 2,432,411	P 10,513,147	P 10,793,097	P 20,564,167	P 13,702,117	P 1,680,005,586

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

	Land	Buildings and Improvements	Machinery and Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Test, Communication and Other Equipment	Computer System	Leasehold Improvements	Tools and Equipment	Construction in Progress	Total
Balance at January 1, 2022, net of accumulated depreciation, amortization and impairment losses	P 1,277,854,682	P 179,973,648	P 35,001,037	P 29,132,905	P 60,610,192	P 7,973,443	P 9,832,755	P 4,535,893	P 21,593,773	P -	P 1,626,508,328
Impact of the acquisition (see Note 1.1)	500,000	-	-	542,521	1,556,162	-	-	471,329	-	-	3,070,012
Additions	-	963,362	596,099	9,666,676	6,740,691	752,947	401,214	1,157,076	4,085,393	12,859,475	37,222,933
Reclassification	-	12,350,048	273,214	-	-	-	-	-	-	(12,623,262)	-
Transfer from investment properties (see Note 12)	-	-	2,410,714	-	-	-	-	-	-	-	2,410,714
Disposals – net	-	(20,395)	(1,148,437)	(1,074,505)	(293,336)	-	-	-	(182,916)	-	(2,719,589)
Depreciation and amortization charges for the year	-	(20,406,028)	(9,873,439)	(12,988,376)	(23,152,525)	(3,129,844)	(645,989)	(3,572,979)	(6,519,637)	-	(80,288,817)
Balance at December 31, 2022, net of accumulated depreciation, amortization and impairment losses	**P 1,278,354,682**	**P 172,860,635**	**P 27,259,188**	**P 25,279,221**	**P 45,461,184**	**P 5,596,546**	**P 9,587,980**	**P 2,591,319**	**P 18,976,613**	**P 236,213**	**P 1,586,203,581**
Balance at January 1, 2021, net of accumulated depreciation, amortization and impairment losses	P 1,277,854,682	P 184,303,557	P 44,723,757	P 30,108,355	P 85,010,296	P 2,432,411	P 10,513,147	P 10,793,097	P 20,564,167	P 13,702,117	P 1,680,005,586
Additions	-	2,649,079	2,241,472	4,580,387	2,801,785	8,025,856	132,825	-	4,829,809	3,036,805	28,298,018
Reclassification	-	4,525,025	-	23,827,945	-	-	-	-	2,732,202	(31,085,172)	-
Transfer from investment properties (see Note 12)	-	7,059,778	-	-	-	-	-	-	-	-	7,059,778
Disposals – net	-	-	(2,077,580)	(2,416,569)	(6,000)	-	(5,784)	(2,245,557)	(48,051)	-	(6,799,541)
Depreciation and amortization charges for the year	-	(18,563,791)	(9,886,612)	(26,967,213)	(27,195,889)	(2,484,824)	(807,433)	(4,011,647)	(6,484,354)	14,346,250	(82,055,513)
Balance at December 31, 2021, net of accumulated depreciation, amortization and impairment losses	P 1,277,854,682	P 179,973,648	P 35,001,037	P 29,132,905	P 60,610,192	P 7,973,443	P 9,832,755	P 4,535,893	P 21,593,773	P -	P 1,626,508,328

Construction in progress pertains to accumulated costs incurred on building improvements being constructed in various properties of the Group. There were constructions completed in 2022 and 2021. As a result, completed constructions were reclassified to specific items of property and equipment. In 2022 and 2021, no borrowing costs were capitalized.

In 2022 and 2021, the Group transferred certain investment properties with a carrying amount of P2.4 million and P7.1 million, respectively, to property and equipment (see Note 12).

In 2022 and 2021, the Group sold certain property and equipment with carrying amounts of P2.7 million and P6.8 million, respectively. Aside from these assets, the Group also disposed of certain fully depreciated and amortized property and equipment with original cost of P2.9 million and P0.1 million in 2022 and 2021, respectively. The Group recognized gain on disposal of these property and equipment totaling P1.6 million in 2022 and 2020 and P1.4 million in 2021, which are presented as part of Other Gains – net in the consolidated statements of income (see Note 20.3).

The cost of fully depreciated property and equipment still used in operations amounted to P595.4 million and P546.6 million as of December 31, 2022 and 2021, respectively.

The amount of depreciation and amortization computed on property and equipment is presented as part of the following accounts:

	Notes	**2022**	2021	2020
Cost of services	17.2	**P 48,263,894**	P 55,033,545	P 49,391,061
Cost of rentals	17.3	**16,415,434**	15,173,681	16,074,574
General and administrative expenses		**15,609,489**	11,848,287	16,873,350
	18	**P 80,288,817**	P 82,055,513	P 82,338,985

As of December 31, 2022 and 2021, none of the Group's property and equipment were held as collateral for loans. Further, no impairment losses were recognized in 2022, 2021 and 2020 as the management believes that the carrying amount of property and equipment is recoverable in full.

There were no restrictions on titles and items of property and equipment as of December 31, 2022 and 2021.

12. INVESTMENT PROPERTIES

The Group's investment properties, accounted for under the fair value method, consists mainly of land and improvements, and buildings and improvements that are held under operating lease agreements. These properties earn rental income amounting to P265.7 million, P240.8 million and P242.7 million in 2022, 2021 and 2020, respectively, and are presented as Rentals under Revenues in the consolidated statements of income. The Group also incurred direct costs such as real property taxes, repairs and maintenance and utilities, which are presented as part of Cost of Rentals in the consolidated statements of income (see Note 17.3).

The fair values of the Group's investment properties as of December 31, 2022 and 2021 were determined based on appraisal report dated December 12, 2022 and November 12, 2021, respectively. Management obtains annual appraisal reports on its investment properties from independent appraisers (see Note 30.4).

The changes in the carrying amounts of investment property as of December 31 as presented in the consolidated statements of financial position are summarized as follows:

	Land and Improvements	Building and Improvements	Construction in Progress	Total
2022:				
Balance at beginning of year	P 3,707,666,498	P 818,924,537	P 112,223,215	P 4,638,814,250
Additions	735,695,348	3,785,035	6,463,735	745,944,118
Fair value gains (losses) – net (see Note 19)	253,695,866	(37,665,039)	-	216,030,827
Reclassification	103,407,273	6,060	(103,413,333)	-
Transfer to property and equipment (see Note 11)	-	(2,410,714)	-	(2,410,714)
Transfer from land and land development costs (see Note 9.1)	22,544,843	-	-	22,544,843
Disposals	(12,331,000)	-	-	(12,331,000)
Balance at end of year	**P 4,810,678,828**	**P 782,639,879**	**P 15,273,617**	**P 5,608,592,324**
2021:				
Balance at beginning of year	P 3,170,872,205	P 797,160,400	P 66,986,947	P 4,035,019,552
Additions	23,292,478	18,894,854	68,327,672	110,515,004
Fair value gains (losses) – net (see Note 19)	513,501,815	(12,552,414)	-	500,949,401
Reclassification	-	22,481,475	(22,481,475)	-
Transfer to property and equity (see Note 11)	-	(7,059,778)	-	(7,059,778)
Derecognition due to cancelled project	-	-	(609,929)	(609,929)
Balance at end of year	P 3,707,666,498	P 818,924,537	P 112,223,215	P 4,638,814,250

In 2022 and 2021, the Group incurred expenses amounting to P735.7 million and P23.3 million, respectively, which pertains to land preparation for the planned construction of its building and is presented as part of Investment Property in the consolidated statements of financial position.

In 2022, Precos paid cash bond amounting to P15.0 million for its application for conversion of land and is presented as part of Cash bond under Other Non-current Assets account in the 2022 consolidated statement of financial position (see Note 13.2). Also, in 2022, Precos received payment from an association managing an industrial park as compensation for damages to Company's property amounting to P5.4 million, which is presented under Other Operating Income in the 2022 consolidated statement of income (see Note 19). There was no similar transaction in 2021.

In 2022, SMC sold certain land and improvements with an appraised value of P12.3 million for P13.0 million. The related gain on this sale is presented under Other Gains - net under Other Income (Charges) – net in the 2022 consolidated statement of income (see Note 20.3). There was no similar transaction in 2021.

Due to the pandemic, certain projects were put on hold and were eventually cancelled in 2021. As a result, the Group received P0.5 million as refund from contractors, which was deducted from the cost of construction-in-progress, and P0.1 million were expensed directly. There was no similar transaction in 2022.

In 2021, the Group started its construction of certain warehouse intended for leasing purposes. Expenses incurred were capitalized and are recorded as part of Construction in Progress. There were no capitalized borrowing costs in 2022 and 2021.

As of December 31, 2022 and 2021, none of the Group's investment properties were held as collateral.

13. OTHER ASSETS

The composition of these accounts as of December 31 is shown below.

	Notes	**2022**	2021
Current:			
Creditable withholding taxes		**P 140,325,320**	P 119,374,481
Input VAT – net	13.3	**136,301,258**	41,596,678
Refundable deposits	10	**33,189,744**	10,899,453
Prepayments	13.3	**21,701,571**	31,265,886
Deferred input VAT – net		**14,725,136**	17,124,283
Deferred cost	13.3	**419,800**	14,274,204
Others	13.3	**3,383,283**	2,520,878
		350,046,112	237,055,863
Non-current:			
Cash bond	13.2	**15,635,346**	680,834
Intangible assets – net	13.1	**13,038,873**	13,053,772
Refundable deposits	10	**3,354,203**	3,243,420
Deposits to suppliers – net	13.3	**-**	3,347,774
Others	13.3	**5,873,563**	5,953,262
		37,901,985	26,279,062
		P 387,948,097	P 263,334,925

13.1 Intangible Assets

Intangible assets include non-proprietary club shares and computer software licenses, which are accounted for under the cost model. The gross carrying amounts and accumulated amortization and impairment of intangible assets as of December 31 is shown below.

	2022	2021
Cost	**P 33,527,829**	P 33,527,829
Accumulated amortization and impairment	**(20,488,956)**	(20,474,057)
Net carrying amount	**P 13,038,873**	P 13,053,772

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2022 and 2021 is shown below.

	2022	2021
Balance at the beginning of year, net of accumulated amortization and impairment	**P 13,053,772**	P 13,086,188
Amortization during the year	**(14,899)**	(32,416)
Balance at end of year, net of accumulated amortization and impairment	**P 13,038,873**	P 13,053,772

Intangible asset is subject to annual impairment testing and whenever there is an indication of impairment. In 2020, certain non-proprietary club shares were assessed to be impaired as determined by the management; hence, adequate amount of allowance for impairment has been recognized. The impairment loss is presented as Impairment loss on intangible assets under General and Administrative Expenses in the 2020 consolidated statement of income (see Note 18). No impairment loss on intangible asset was recognized in 2022 and 2021 as the recoverable amount of intangible asset determined by management is higher than its carrying value.

Amortization charges amounting to P0.01 million, P0.03 million and P0.1 million in 2022, 2021 and 2020, respectively, are presented as part of Depreciation and amortization under General and Administrative Expenses in the consolidated statements of income (see Note 18).

No intangible asset has been pledged as security for any liabilities. There were no other contractual commitments entered into in 2022 and 2021 related particularly for intangible asset.

13.2 Cash Bond

Cash bond represents deposits made with the Bureau of Customs for taxes and duties related to its importations. It also includes the payments made by the Group for its application for conversion of land (see Note 12).

As of December 31, 2022 and 2021, the total amount is currently demandable; however, the Group does not expect to refund the cash bond within 12 months from the end of the reporting period.

13.3 Others

In 2022, certain input VAT of Starworld were found to be impaired by the management; hence, adequate amounts of allowance for impairment have been recognized. Accordingly, allowance for impairment has been established for Starworld's input VAT amounting to P0.8 million as of December 31, 2022. In 2021, the management assessed that the input VAT of LIIP may no longer be recoverable; hence, an impairment loss for the full amount of P33,579 was recorded. The losses recognized are presented as Impairment loss on input VAT in the 2022 and 2021 consolidated statements of income (see Note 18). There was no similar transaction in 2020.

Prepayments pertain to prepaid insurance, prepaid rent, and prepayments for professional fees, import charges and others.

Deferred costs represent cost of inventories which have not been charged to cost of sales pending the completion of the SVC's projects. In 2022 and 2021, upon the resumption of SVC's operations and continuation of all projects deferred in previous years due to the pandemic, significant amount of deferred cost has been charged to cost of sales and services.

Deposits to suppliers represent refundable amount paid by the Group to its suppliers for the distribution utilities provided to the Group.

Other current assets include deferred installation costs which pertain to the costs paid by the Group to its contractors for the installation of modular houses. Upon completion of installation, the cost is transferred to cost of sales. On the other hand, other non-current assets mostly pertain to land properties held by SMC which are subject to transfer to certain individuals under R.A. No. 6657, *Comprehensive Agrarian Reform Law of 1988*.

14. INTEREST-BEARING LOANS

The Group's short-term interest-bearing loans pertains to loan of BRL which are denominated in USD. These loans are secured by a portion of the cash surrender value of investment in life insurance (see Note 6.4). However, as of December 31, 2020, BRL had fully settled these loans. No similar loans obtained in 2022 and 2021.

Previously, the outstanding loans have maturities ranging from 30 days to one year, and bear interest at prevailing annual average market rates ranging from 2.07% to 3.90% in 2020 . Interest expense amounted to P1.0 million in 2020, and is shown as part of Finance costs under Other Income (Charges) account in the 2020 consolidated statement of income (see Note 20.1). There was no outstanding interest as of December 31, 2022 and 2021.

15. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2022	2021
Trade payables	25.1	**P 289,146,078**	P 303,700,294
Refundable deposits	25.2	**35,916,953**	29,326,745
Accrued expenses		**33,863,749**	33,615,799
Non-trade payables		**31,728,386**	19,725,970
Deferred output VAT		**17,496,915**	15,259,938
Unearned rental		**14,305,667**	12,710,990
Withholding taxes payable		**11,895,275**	7,743,868
Output VAT		**5,907,899**	3,596,297
Rentals payable		**4,278,523**	4,278,523
Advances from customers		**2,615,902**	5,187,603
Reserve for warranty costs		**1,868,964**	2,294,308
Retention payable		**1,271,458**	263,620
Accrued dealers' incentives		**-**	3,742,497
Other payables		**27,866,355**	14,035,280
		P 478,162,124	P 455,481,732

Trade payables mainly represent obligations to various suppliers for the acquisition of goods, materials and supplies necessary for the Group's operations and productions.

The Group receives refundable deposits from various lessees. The long-term portion of the refundable deposits from various tenants is shown as a separate line item in the consolidated statements of financial position (see Note 16). Refundable deposits are remeasured at amortized cost using the effective interest rates ranging from 2.70% to 4.18% in 2022 and 2021, and from 4.18% to 5.50% in 2020 at the inception of the lease term. Interest expense recognized from the amortization of refundable deposits amounting to P0.2 million in 2022 and 2021, and P0.7 million in 2020, are presented as part of Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 20.1).

Accrued expenses include amounts charged for rentals, outside services, salaries and other incidental operating expenses of the Group which are expected to be settled within the next reporting period.

Nontrade payables are the obligations arising from transactions that are not within the ordinary course of business which includes lessees' deposits for electricity, communication costs, gasoline expenses, professional fees and others.

The outstanding deferred output VAT arises from the outstanding receivables on the Group's sale of services.

Unearned rentals represent advance payments received from lessees.

Advances from customers pertain to the integration services in progress and customer deposit on sale of goods paid in advance to the Group.

A provision is recognized for expected warranty claims on products sold during the year based on the Group's past experience on the level of repairs and returns. The movements in the Reserve for warranty costs account are as follows:

	Notes	2022	2021
Balance at beginning of year		**P 2,294,308**	P 1,152,611
Reversal of reserve for warranty claims	19	**(316,064)**	-
Actual warranty claims		**(109,280)**	(409,226)
Provisions for warranty claims	18	**-**	1,550,923
Balance at end of year		**P 1,868,964**	P 2,294,308

In 2022 and 2020, the Group reversed previously recognized provision amounting to P0.3 million and P0.04 million, respectively, which is presented under Other Operating Income (Expense) in the 2022 and 2020 consolidated statements of income (see Note 19). There was no reversal in 2021.

On the other hand, in 2021, additional provision for warranty claims is recognized and is presented under General and Administrative Expenses in the 2021 consolidated statement of income (see Note 18). There was no additional provision in 2022 and 2020.

Accrued dealers' incentives pertain to rebates awarded to dealers once certain level of sales were achieved during a particular period.

In 2021, the Group has written-off certain trade and other payables as management assessed that these liabilities will not be collected anymore. The related gains amounting to P3.5 million are presented as part of Other Gains – net in the 2021 consolidated statement of income (see Note 20.3). There was no similar transaction in 2022.

Other payables primarily consist of payroll-related liabilities and due to government agencies for unpaid contributions for social security and other benefits of the Group's employees.

Management considers the carrying amounts of trade and other payables recognized in the statements of financial position to be reasonable approximation of their fair values.

16. REFUNDABLE DEPOSITS

SMC, Kita and ZTC have long-term refundable deposits from various tenants totaling P12.5 million and P26.2 million as of December 31, 2022 and 2021, respectively. The refundable deposits are remeasured at amortized cost using the effective interest ranging from 3.48% to 5.50% at the inception of the lease terms.

In 2022 and 2021, certain security deposits of Kita were offset against rental and other receivables amounting to P0.3 million and P4.5 million, respectively.

In 2022, Precos entered into Built to Specification Agreement (BTSA) with a third-party lessee. The lessee will lease a warehouse for 15 years with option to renew for another five years. The warehouse will be built to the specifications included in BTSA. The lease will commence once the certificate of completion has been obtained. Precos received a security deposit amounting to P172.4 million which serves as a protection in the event the lessee refuses to pay Precos when the condition was met. As of December 31, 2022, the construction of the warehouse is in progress.

These refundable deposits, with maturity of more than one year, are shown as a separate line item under Non-current Liabilities section of the consolidated statements of financial position.

17. COSTS OF SALES, SERVICES, RENTALS AND REAL ESTATE SALES

17.1 Cost of Sales

The details of this account are shown below.

	Notes	2022	2021	2020
Merchandise inventories at beginning of year	8	**P 108,496,159**	P 217,962,817	P 180,270,311
Impact of the acquisition	1.1	**91,523,043**	-	-
Net purchases of merchandise inventories during the year	18, 25.1	**566,739,952**	424,529,100	285,527,669
Goods available for sale		**766,759,154**	642,491,917	465,797,980
Merchandise inventories at end of year	8	**(307,125,964)**	(108,496,159)	(217,962,817)
Net reversal of allowance for inventory obsolescence	8	**(11,145,980)**	(39,478,252)	(1,970,272)
	18	**P 448,487,210**	P 494,517,506	P 245,864,891

17.2 Cost of Services

The following are the breakdown of direct costs and expenses from rendering of services:

	Notes	2022	2021	2020
Service fees	26.3	**P 99,081,744**	P 94,115,062	P 90,039,141
Materials, supplies and other consumables		**89,861,588**	88,703,886	77,360,553
Subcontracting services		**86,940,517**	69,856,400	73,872,514
Salaries and employee benefits	21.1	**55,671,177**	51,851,788	51,566,491
Depreciation and amortization	10.1, 11	**51,659,067**	59,337,042	54,603,986
Transportation and travel		**48,576,412**	25,951,583	19,957,560
Outside services		**23,109,091**	22,679,120	25,335,816
Communication, light and water		**20,328,853**	18,315,025	17,623,897
Food and beverage		**13,587,422**	13,977,836	6,311,525
Rentals	10.3	**12,150,453**	5,215,617	6,366,409
Equipment cost		**10,931,688**	32,536,922	230,469
Repairs and maintenance		**10,137,713**	10,695,435	7,795,958
Insurance		**4,741,791**	4,183,663	4,175,154
Advertising and promotions		**100,896**	944,444	461,804
Integration		**-**	4,781,219	435
Others		**9,109,360**	5,179,268	6,529,140
	18	**P 535,987,772**	P 508,324,310	P 442,230,852

17.3 Cost of Rentals

The details of this account are as follows:

	Notes	2022	2021	2020
Taxes and licenses		**P 20,161,896**	P 18,767,485	P 27,138,083
Rentals	10.3	**19,818,467**	17,937,677	7,203,364
Depreciation and amortization	11	**16,415,434**	15,173,681	16,074,574
Outside services		**10,160,040**	9,410,241	8,225,917
Repairs and maintenance		**4,216,828**	2,332,536	1,159,391
Salaries and employee benefits	21.1	**1,146,408**	1,058,275	943,261
Others		**1,813,112**	1,848,913	4,247,861
	18	**P 73,732,185**	P 66,528,808	P 64,992,451

Others primarily consist of franchise's fees and insurance expense.

17.4 Cost of Real Estate Sales

This account pertains to the Group's cost of condominium units and parking lots amounting to P0.4 million in 2021 (see Note 18). No sale of real estate inventories occurred in 2022 and 2020.

18. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below and in the succeeding page.

	Notes	2022	2021	2020
Net purchases of merchandise inventories	17.1, 25.1	**P 566,739,952**	P 424,529,100	P 285,527,669
Salaries and employee benefits	21.1, 21.2, 25.6	**241,806,699**	230,734,289	247,346,738
Materials, supplies and other consumables		**99,195,706**	91,448,092	81,234,254
Service fees	26.3	**98,214,841**	94,065,598	90,039,141
Subcontracting services		**90,398,768**	69,747,800	75,665,364
Depreciation and amortization	10.1, 11, 13.1	**83,921,372**	86,391,426	87,662,078
Utilities and communication		**72,412,193**	61,446,821	52,621,897
Outside services	1.1	**67,953,608**	70,830,127	76,358,599
Transportation and travel		**59,954,148**	39,009,180	28,820,409
Taxes and licenses	1.1	**53,476,053**	50,649,892	55,553,521
Rentals	10.3	**33,354,144**	27,874,576	15,625,290
Repairs and maintenance		**24,890,672**	23,536,275	17,885,045
Representation and entertainment		**16,474,665**	5,016,096	3,623,514
Equipment cost		**10,931,688**	32,536,922	299,043
Food and beverage		**7,395,565**	13,977,836	6,311,525
Installation cost		**1,725,255**	3,688,022	1,433,133
Impairment loss on input VAT	13.3	**803,925**	33,579	-
Impairment losses on trade and other receivables – net	6.7	**784,916**	-	12,993,853
Warranty claims		**553,812**	1,039,764	-
Advertising and promotions		**543,261**	1,352,057	5,381,582
Balance forwarded		**P 1,531,531,243**	P 1,327,907,452	P 1,144,382,655

	Notes	2022	2021	2020
Balance carried forward		**P 1,531,531,243**	P 1,327,907,452	P 1,144,382,655
Integration		**-**	4,781,219	435
Provisions for warranty claims	15	**-**	1,550,923	-
Impairment losses on advances to related parties	25.4	**-**	1,000,000	5,661,017
Cost of condominium units and parking lots	17.4	**-**	434,180	-
Impairment loss on intangible assets	13.1	**-**	-	272,127
Reversal for impairment losses on trade and other receivables – net	6.7	**-**	(5,008,187)	-
Impairment loss on land and land development costs	9.1	**-**	-	644,800
Changes in merchandise, finished goods and work-in-process inventories	17.1	**(107,106,765)**	109,466,658	(37,692,506)
Reversal for inventory obsolescence – net	8	**(11,145,980)**	(39,478,252)	(1,970,272)
Miscellaneous		**42,115,059**	30,999,288	22,791,377
		(76,137,686)	103,745,829	(10,293,022)
		P 1,455,393,557	P 1,431,653,281	P 1,134,089,633

These expenses are classified in the consolidated statements of income as follows:

	Notes	2022	2021	2020
Cost of sales	17.1	**P 448,487,210**	P 494,517,506	P 245,864,891
Cost of services	17.2	**535,987,772**	508,324,310	442,230,852
Cost of rentals	17.3	**73,732,185**	66,528,808	64,992,451
Cost of real estate sales	17.4	**-**	434,180	-
General and administrative expenses		**383,232,503**	317,581,180	327,095,389
Selling and distribution costs		**13,953,887**	44,267,297	53,906,050
		P 1,455,393,557	P 1,431,653,281	P 1,134,089,633

19. OTHER OPERATING INCOME

The breakdown of this account is as follows:

	Notes	2022	2021	2020
Fair value gains on investment property – net	12	**P 216,030,827**	P 500,949,401	P 265,736,169
Income from utilities charged to tenants		**30,943,397**	26,093,341	23,469,460
Common usage service area	25.2	**15,235,166**	12,630,720	12,559,189
Compensation for damages	12	**5,357,143**	-	-
Revenue share from embedded third party application		**5,287,593**	532,610	1,375,552
Reversal of reserve for warranty costs	15	**316,064**	-	40,656
Excess of standard input VAT over actual input VAT		**-**	-	2,302,528
Miscellaneous – net		**19,330,760**	12,963,653	2,924,737
		P 292,500,950	P 553,169,725	P 308,408,291

20. OTHER INCOME (CHARGES)

20.1 Finance Costs

This account consists of the following:

	Notes	2022	2021	2020
Foreign currency exchange losses		**P 1,316,704**	P 1,414,996	P 39,293,691
Interest expense on lease liabilities	10.4	**317,405**	596,418	823,728
Interest amortization on refundable deposits	15	**190,973**	195,523	735,999
Interest expense on deficiency tax		**108**	239,723	-
Interest expense on interest-bearing loans	14	**-**	-	989,844
Miscellaneous		**10,138**	244,620	33,027
		P 1,835,328	P 2,691,280	P 41,876,289

20.2 Finance Income

This account consists of the following:

	Notes	2022	2021	2020
Increase in cash surrender value of investment in life insurance	6.4	**P 35,758,442**	P 43,312,753	P 28,215,891
Interest income from cash and cash equivalents and short-term placements	5	**31,134,784**	13,434,940	41,759,158
Foreign currency exchange gains		**15,571,925**	24,190,855	2,324
Interest income from real estate sale	6.1	**876,631**	1,022,675	1,235,922
		P 83,341,782	P 81,961,223	P 71,213,295

20.3 Other Gains

The breakdown of this account is as follows:

	Notes	**2022**	2021	2020
Gain on pre-termination of lease contract		**P 13,660,979**	P -	P -
Net interest income on retirement benefit asset	21.2	**5,808,123**	4,328,622	4,523,465
Gain on sale of property and equipment	11	**1,601,267**	1,410,329	1,605,486
Gain on sale of investment property	12	**649,000**	-	-
Gain on derecognition of liabilities	15	**-**	3,519,420	-
Gain on reversal of provision	9.1	**-**	-	125,000
Miscellaneous		**2,753,961**	5,446,130	1,147,565
		P 24,473,330	P 14,704,501	P 7,401,516

In 2022, a lessee has terminated its lease contract with the Group due to the former's financial performance compelling them to pre-terminate the contract. Forfeiture of three months security deposit as penalty without need for pre-notification of six months as contained in the contract was agreed upon by both parties, resulting in a gain on pre-termination of lease contract amounting to P13.7 million. There was no similar transaction in 2021 and 2020.

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are summarized below (see Note 25.6).

	Notes	**2022**	2021	2020
Short-term benefits		**P 231,656,397**	P 224,174,955	P 234,627,095
Post-employment benefits	21.2	**10,150,302**	6,559,334	12,719,643
	18	**P 241,806,699**	P 230,734,289	P 247,346,738

These expenses are classified in the consolidated statements of income as follows:

	Notes	**2022**	2021	2020
General and administrative expenses		**P 182,666,672**	P 156,327,926	P 174,648,509
Cost of services	17.2	**55,671,177**	51,851,788	51,566,491
Selling and distribution costs		**2,322,442**	21,496,300	20,188,477
Cost of rentals	17.3	**1,146,408**	1,058,275	943,261
	18	**P 241,806,699**	P 230,734,289	P 247,346,738

21.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Parent Company and certain subsidiaries maintain a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The Group's post-employment benefit plan provides retirement benefits ranging from 100% to 115% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2022, 2021 and 2020.

The amounts of retirement benefit asset recognized in the consolidated statements of financial position are determined as follows:

	2022	2021
Fair value of plan assets	**P 252,778,811**	P 210,714,273
Present value of obligation	**(100,568,557)**	(78,762,656)
	P 152,210,254	P 131,951,617

On the other hand, the retirement benefit obligation recognized by certain subsidiaries, which does not have an established post-employment benefit plan, amounted to P15.8 million and P19.8 million as of December 31, 2022 and 2021, respectively.

The movements in the fair value of plan assets of the Group are presented below.

	2022	2021
Balance at beginning of year	**P 210,714,273**	P 214,321,329
Impact of the acquisition (see Note 1.1)	**44,137,320**	-
Interest income	**10,936,997**	8,380,573
Loss on plan assets (excluding amounts included in net interest)	**(12,366,836)**	(7,346,629)
Benefits paid	**(642,943)**	(4,641,000)
Balance at end of year	**P 252,778,811**	P 210,714,273

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2022	2021
Balance at beginning of year	**P 98,556,240**	P 103,535,494
Impact of the acquisition (see Note 1.1)	**22,933,035**	-
Current service costs	**10,150,302**	13,232,696
Interest costs	**5,128,874**	4,051,951
Benefits paid	**(642,943)**	(4,641,000)
Benefits paid from book reserve	**(3,883,386)**	(1,902,497)
Past service	**-**	(6,673,362)
Remeasurements –		
Actuarial gains arising from:		
Changes in financial assumptions	**(14,623,294)**	(5,593,190)
Experience adjustments	**(720,066)**	(3,982,085)
Changes in demographic assumptions	**(485,704)**	(49,329)
Transfer from affiliates	**-**	577,562
Balance at end of year	**P 116,413,058**	P 98,556,240

The significant actuarial gains in 2022 and 2021 arising from the financial assumptions pertains to the effects of differences between the discount rates and salary projection rates used while the actuarial gains arising from experience adjustments pertains to the effects of differences between the previous actuarial assumptions and what has actually occurred, including the changes in those actuarial assumptions during the applicable reporting periods.

The plan assets consist of the following as of December 31 (see Note 25.7):

	2022	2021
Debt securities:		
Philippines government bonds	**P 250,427,972**	P 209,295,708
Corporate bonds	**157,649**	-
UITF	**2,480,717**	1,624,482
Others	**(287,527)**	(205,917)
	P 252,778,811	P 210,714,273

The fair values of the debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). UITF is classified as Level 2 while other assets are classified as Level 3 in the fair value hierarchy.

The plan assets incurred a net loss of P1.4 million in 2022 and earned a net return of P1.0 million and P14.3 million in 2021 and 2020, respectively.

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts of post-employment benefit expense recognized in the consolidated statements of income and consolidated statements of comprehensive income in respect of the post-employment defined benefit plan are presented below.

	Notes	2022	2021	2020
Reported in consolidated statements of income:				
Current service cost	21.1	**P 10,150,302**	P 13,232,696	P 16,625,682
Past service	21.1	**-**	(6,673,362)	(3,906,039)
Net interest income	20.3	**(5,808,123)**	(4,328,622)	(4,523,465)
		P 4,342,179	P 2,230,712	P 8,196,178
Reported in consolidated statements of comprehensive income (loss):				
Actuarial gains from:				
Changes in financial assumptions		**P 14,623,294**	P 5,593,190	P 9,322,204
Changes in experience adjustments		**720,066**	3,982,085	11,929,903
Changes in demographic assumption		**485,704**	49,329	396,676
Return (loss) on plan assets (excluding amounts included in net interest)		**(12,366,836)**	(7,346,629)	3,964,497
	23.3	**P 3,462,228**	P 2,277,975	P 25,613,280

Current service cost and past service cost are presented as part of Salaries and employee benefit account under General and Administrative Expenses in the consolidated statements of income (see Note 18).

The net interest income is included in Other Gains – net in the consolidated statements of income (see Note 20.3). Amounts recognized in other comprehensive income, net of tax, were classified within items that will not be reclassified subsequently to profit or loss in the consolidated statements of comprehensive income.

For determination of the post-employment benefit obligation, the following actuarial assumptions were used:

	2022	2021	2020
Discount rates	**4.98% - 7.22%**	4.85% - 5.09%	2.84% - 3.97%
Salary increase rate	**5.00%**	5.00%	5.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of employees before retirement at the age of 60 ranges from 7.0 to 24.0 years for males and 2.0 to 27.0 years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has generally concentrated on investment in debt securities, although the Group also invests in UITF.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) Inflation Risk

A significant proportion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Group's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding pages.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset as of December 31, 2022 and 2021:

	Impact on Post-employment Benefit Asset/Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2022			
Discount rate	**+/- 0.5%**	**(P 4,765,479)**	**P 1,726,202**
Salary increase rate	**+/- 1.0%**	**3,727,770**	**(2,539,373)**
December 31, 2021			
Discount rate	+/- 0.5%	(P 3,585,469)	P 3,209,637
Salary increase rate	+/- 1.0%	8,636,566	(5,148,699)

The sensitivity analysis in the preceding page is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

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

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its Management Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve those long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency.

The Group actively monitors how the duration, and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as of December 31, 2022 and 2021 is generally concentrated in government debt securities, although the Group also invests in UITF for liquidity purposes.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P152.2 million based on the latest actuarial valuation. On the other hand, the Group is yet to determine how much and when to fund its retirement benefit obligation as of December 31, 2022.

The Group does not expect to make any contribution to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2022	2021
Within one year	**P 19,340,551**	P 23,846,322
More than one year to 5 years	**20,720,040**	13,661,723
More than 5 years to 10 years	**53,518,210**	40,738,530
More than 10 years to 15 years	**105,898,509**	71,881,939
More than 15 years to 20 years	**155,225,739**	107,095,392
More than 20 years	**785,348,444**	708,613,514
	P 1,140,051,493	P 965,837,420

The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 years.

22. TAXES

22.1 Registration with Philippine Economic Zone Authority (PEZA)

SMC is registered with the PEZA as an Ecozone Facilities Enterprise at the Laguna International Industrial Park – Special Economic Zone (LIIP – SEZ). As an Ecozone Facilities Enterprise, SMC shall lease its building in LIIP – SEZ to PEZA-registered export enterprises located therein. SMC is subject to 5% tax on gross income earned on such facilities in lieu of all national and local taxes. In 2022, 2021 and 2020, however, SMC did not have transactions with PEZA-registered entities.

On July 1, 1998, the PEZA approved Starworld's registration as an Ecozone developer and operator of the CPIP – Special Economic Zone located at Bo. Parian, Calamba City. Under the terms of the registration and subject to certain requirements, Starworld shall be exempt from all national and local taxes and instead will be subject to the 5% preferential tax rate on gross income after allowable deductions.

22.2 Current and Deferred Taxes

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and has been effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Group:

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020; however, for entities with total assets of equal to or less than P100.0 million and taxable income of equal to or less than P5.0 million, the applicable RCIT rate is 20%;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense was reduced from 33% to 20% of the interest income subjected to final tax.

For PEZA-registered activities, the Group may still avail of the 5% gross income tax for 10 years. After expiration of the transitory period of 10 years, the Group has an option to reapply and avail of the incentives provided under the CREATE Act and may still be extended for a certain period not exceeding 10 years at any one time.

The components of tax expense reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	2022	2021	2020
Reported in consolidated statements of income:			
Current tax expense:			
RCIT at 25%/20% in 2022 and 2021, and 30% in 2020	**P 66,840,352**	P 42,896,941	P 43,054,063
Final tax at 20% and 15%	**16,055,065**	6,600,074	19,355,986
MCIT at 1% in 2022 and 2021, and 2% in 2020	**612,193**	686,785	1,813,811
Excess MCIT over RCIT	**749**	-	-
Preferential tax at 5%	**279**	-	-
Effect of change in income tax rate	**-**	(4,164,426)	-
	83,508,638	46,019,374	64,223,860
Application of excess MCIT	**-**	(458,706)	-
Deferred tax expense arising from:			
Origination and reversal of temporary differences	**79,709,647**	157,941,870	75,809,935
Derecognition of deferred tax asset on allowance for impairment of receivables	**-**	19,588,127	-
Effect of change in income tax rate	**-**	(145,236,661)	-
	79,709,647	32,293,336	75,809,935
	P 163,218,285	P 77,854,004	P 140,033,795
Reported in consolidated statements of comprehensive income (loss):			
Deferred tax expense (income) on:			
Remeasurements of defined benefit post-employment plan	**P 393,951**	(P 1,255,869)	P 7,252,717
Effect on change in income tax rate	**-**	456,078	-
Deferred tax income on changes in fair value of financial assets at FVOCI	**-**	(3,210,000)	(150,000)
	P 393,951	(P 4,009,791)	P 7,102,717

The reconciliation of tax on gross and pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	2022	2021	2020
Tax on gross profit at 5% and pretax profit at 25%/20% in 2022 and 2021 and 30% in 2020	**P 231,084,972**	P 247,189,689	P 166,245,299
Effect of change in income tax rate	**-**	(149,401,087)	-
Adjustment for income subjected to lower tax rates	**(3,114,429)**	(3,709,807)	(10,049,430)
Tax effects of:			
Nontaxable income	**(72,517,494)**	(61,599,650)	(76,966,644)
Unrecognized deferred tax assets from net operating loss carry-over (NOLCO) and MCIT and other temporary differences	**9,280,211**	48,688,669	64,968,751
Application of NOLCO	**(3,082,021)**	(5,618,593)	-
Nondeductible expenses and losses	**563,032**	1,916,453	-
Excess of itemized deductions over optional standard deduction	**534,491**	329,727	-
Reversal of previously recognized deferred tax assets	**415,952**	-	89,341
Excess of MCIT over RCIT	**53,571**	-	2,500
Excess of optional standard deduction over itemized deductions	**-**	-	(1,931,941)
Deferred tax on allowance	**-**	58,603	-
Other taxable income	**-**	-	1,255,660
Benefit from previously unrecognized NOLCO, MCIT and other temporary differences	**-**	-	(332,652)
Post-employment defined benefits	**-**	-	(259,139)
Impairment loss on receivables	**-**	-	(148,440)
Provision for inventory obsolescence	**-**	-	146,475
Transfer of post-employment defined benefit obligation	**-**	-	66,485
Others	**-**	-	(3,052,470)
Tax expense	**P 163,218,285**	P 77,854,004	P 140,033,795

The net deferred tax assets of certain subsidiaries as of December 31 relate to the following:

	2022	2021
Deferred tax assets:		
Allowance for inventory obsolescence	**P 4,109,359**	P 6,931,674
Allowance for impairment on trade and other receivables	**3,353,263**	2,699,694
Fair value loss on investment property	**2,265,698**	2,265,698
MCIT	**869,518**	295,051
Retirement benefit obligation	**657,724**	1,105,856
Accrued expenses	**585,352**	935,625
Provision for warranty claims	**467,241**	573,577
PFRS 16 adoption	**(29,910)**	262,507
NOLCO	**-**	415,951
	12,278,245	15,485,633
Deferred tax liability –		
Unrealized foreign currency loss	**(1,403,228)**	(2,585,132)
Accumulated depreciation on investment property	**(924,489)**	(810,287)
	(2,327,717)	(3,395,419)
Deferred tax assets – net	**P 9,950,528**	P 12,090,214

The net deferred tax liabilities of the Parent Company and other subsidiaries as of December 31 relates to the following:

	2022	2021
Deferred tax assets:		
Accumulated amortization on right-of-use asset	**P 10,468,169**	P 9,619,378
Allowance for impairment on trade and other receivables	**6,846,121**	8,371,696
Impairment losses on property and equipment	**3,586,563**	204,239
Allowance for inventory obsolescence	**3,320,960**	968,353
Unearned rent income	**2,917,794**	3,096,343
NOLCO	**799,683**	1,456,862
Deferred rent income	**689,402**	112,184
MCIT	**637,181**	406,477
Inventory losses due to obsolescence	**238,418**	-
Unamortized past service costs	**232,740**	3,586,563
Impairment losses on input VAT	**200,981**	-
Balance forwarded	**P 29,938,012**	P 27,822,095

	2022	2021
Balance carried forward	**P 29,938,012**	P 27,822,095
Deferred tax liabilities:		
Fair value gains on investment property – net	**(833,663,335)**	(765,261,090)
Retirement benefit asset	**(36,162,527)**	(30,264,597)
Accumulated depreciation on investment property	**(142,389,338)**	(134,128,664)
Excess of FV over cost of property	**(12,211,529)**	(12,211,529)
Amortization of lease liabilities	**(10,327,040)**	(10,454,819)
Unrealized foreign currency gains	**(3,164,219)**	(3,123,389)
Accrued rent income	**(3,038,728)**	(2,926,212)
PFRS 16	**(9,392)**	-
	(1,040,966,108)	(958,370,300)
Deferred tax liabilities – net	**(P 1,011,028,096)**	(P 930,548,205)

The components of net deferred tax expense reported in the consolidated statements of income are as follows:

	2022	2021	2020
Fair value gains investment property – net	**P 68,402,244**	P 1,255,188	P 79,378,245
Accumulated depreciation on investment property	**8,374,877**	(22,765,113)	9,704,604
Allowance for inventory obsolescence	**2,583,897**	13,415,250	271,454
NOLCO	**1,073,130**	5,693,393	(6,580,882)
Allowance for impairment on trade and other receivables	**1,232,228**	26,142,587	(5,084,406)
Unrealized foreign currency gains (losses) – net	**(1,141,070)**	5,763,611	(4,773,324)
Accumulated depreciation on right-of-use assets	**(848,793)**	(1,639,103)	(3,835,805)
Excess of MCIT over RCIT	**(805,171)**	177,410	(878,938)
Deferred rent income	**(539,017)**	340,962	(202,128)
PFRS 16 adoption	**494,475**	1,239,171	(1,596,837)
Retirement benefit asset	**399,274**	(2,923,419)	(1,790,639)
Accrued expenses	**350,271**	344,324	5,491,220
Impairment loss on investment in subsidiaries	**272,191**	(559,140)	-
Impairment loss on property and equipment	**(200,981)**	717,313	-
Unearned rent income	**178,549**	6,382,910	91,459
Amortization of lease liabilities	**(127,779)**	3,046,650	3,893,765
Provision for warranty claims	**106,336**	(227,794)	163,132
Accrued income	**(89,541)**	(48,148)	1,499,186
Impact of the acquisition	**(5,473)**	-	-
Fair value over deemed cost	**-**	(2,442,306)	-
Available for sale securities	**-**	(1,710,000)	-
Unamortized past service costs	**-**	89,590	59,829
	P 79,709,647	P 32,293,336	P 75,809,935

The deferred tax income in 2022 and 2020 amounting to P0.4 million and P7.1 million, respectively, and the deferred tax expense in 2021 amounting to P4.0 million, in the consolidated statements of comprehensive income pertains to the tax effect of the changes in fair value of financial assets at FVOCI and remeasurements of post-employment defined benefit plan (see Note 23.3).

Presented below are the details of NOLCO, which can be claimed as deductions from future taxable profit within three to five years from the year the tax loss was incurred. Specifically, NOLCO incurred in 2021 and 2020 can be claimed as a deduction from the gross income until 2026 and 2025, respectively, in accordance with R.A. No. 11494, *Bayanihan to Recover as One Act*. In 2022, the NOLCO carry-over period is reverted to three years from the year the tax loss was incurred.

Year Incurred	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid Until
2022	P 30,654,231	P -	P -	P 30,654,231	2025
2021	138,523,393	-	-	138,523,393	2026
2020	166,054,076	(8,533,204)	-	157,520,872	2025
2019	287,916,072	(1,164,001)	(286,752,071)	-	
	P 623,147,772	**(P 9,697,205)**	**(P 286,752,071)**	**P 326,698,496**	

The Group is subject to MCIT which is computed at 1% in 2022 and 2021 and 2% in 2020 of gross income, as defined under the tax regulations or RCIT, whichever is higher. The details of the Group's MCIT are as follows:

Year Incurred	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid Until
2022	P 612,193	P -	P -	P 612,193	2025
2021	686,785	-	-	686,785	2024
2020	1,360,982	(458,706)	-	902,276	2023
2019	1,524,840	-	(1,524,840)	-	
	P 4,184,800	**(P 458,706)**	**(P 1,524,840)**	**P 2,201,254**	

The Group did not recognize the deferred tax assets on NOLCO, MCIT and other deductible temporary differences of certain subsidiaries as management has assessed that those subsidiaries may not be able to realize their related tax benefits within the prescribed availment period. The NOLCO, MCIT and other deductible temporary differences as of December 31 for which the related deferred tax assets have not been recognized by certain entities in the Group are shown below.

	2022		2021		2020	
	Amount	**Tax Effect**	Amount	Tax Effect	Amount	Tax Effect
NOLCO	**P 93,688,945**	**P 23,383,846**	P 92,035,445	P 23,048,188	P 668,708,399	P 200,612,518
FVOCI	**20,600,000**	**5,150,000**	12,000,000	3,000,000	829,222,559	248,766,768
Allowance for inventory obsolescence	**5,127,564**	**1,281,891**	1,648,408	412,102	1,039,657	311,897
Unamortized past service cost	**1,883,419**	**470,855**	2,152,479	538,120	2,421,539	726,462
Retirement benefit obligation	**1,561,420**	**390,355**	1,028,908	257,227	3,671,863	1,101,559
Allowance for impairment of trade receivables	**1,080,176**	**270,044**	19,297,292	4,824,323	16,160,480	4,848,144
Allowance for impairment of intangible assets	**272,127**	**68,032**	272,127	68,032	272,127	81,638
MCIT	**128,427**	**128,427**	134,138	134,138	6,428,916	6,428,916
Unrealized foreign currency gains – net	**(49,372)**	**(13,105)**	(4,318,005)	(1,079,501)	22,218,627	6,665,588
Reserve for commission	**-**	**-**	1,281,128	320,282	1,067,607	320,282
Allowance for impairment of land and land development cost	**-**	**-**	-	-	644,800	193,440
	P 124,292,706	**P 31,130,345**	P 125,531,920	P 31,522,911	P 1,551,856,574	P 470,057,212

In 2022, the Group opted to use itemized deduction in computing for its income tax due, except for SBC, which still opted to claim OSD in the current year.

In 2021 and 2020, the Group claimed itemized deductions in computing for its income tax due, except for SBC and ZTC, which opted to claim OSD in those years.

23. EQUITY

23.1 Capital Stock

The Parent Company has a total authorized capital stock of P5.0 billion divided into 5,000,000,000 shares with P1 par value.

On June 18, 1996, the Commission issued an Order approving the Registration Statement covering the securities which comprised the Parent Company's entire authorized capital stock. On September 4, 1996, the Parent Company's shares were listed in the PSE and the trading of offer shares commenced.

The Parent Company offered to the public 665,000,000 shares at an offer price of P5.85 per share. The offer shares consist of 524,475,000 primary shares (new shares) and 140,525,000 secondary shares (existing shares).

As of December 31, 2022 and 2021, the Parent Company has issued shares of 2,030,975,000 (with P1 par value), of which, 468,787,704 shares are held by the public in 2022 and 2021, respectively. There are 4,221 and 4,231 holders of the listed shares which closed at P0.87 and P1.08 per share on December 31, 2022 and 2021, respectively.

23.2 Retained Earnings

The BOD approved the declaration of cash dividends in 2022 as follows:

Date of Declaration	Stockholders of Record as of	No. of Shares Outstanding	Amount per Share	Total
June 30, 2022	July 29, 2022	1,821,542,000	P 0.06	P 109,292,520

The dividends were paid within the year of declaration and approval. Retained earnings is restricted in the amount of P115.6 million as of December 31, 2022 and 2021, equivalent to the cost of 209,433,000 shares held in treasury. There was no dividend declaration to the Parent Company's stockholders in 2021 and 2020.

In 2022, Skyworld's BOD declared cash dividend to NCI amounting to P10.7 million. In 2021, Starworld's BOD declared cash dividend to NCI amounting to P40.1 million. The dividends were paid within the year of declaration and approval. There was no dividend declaration to NCI in 2020.

23.3 Revaluation Reserves

The components of this account and its movements are as follows:

	Notes	2022	2021	2020
Remeasurement of post-employment benefit:				
Balance at beginning of year		**P 66,450,526**	P 63,372,760	P 45,012,197
Actuarial gains during the year	21.2	**3,462,228**	2,277,975	25,613,280
Tax income (expense)	22.2	**(393,951)**	799,791	(7,252,717)
Balance at end of year		**69,518,803**	66,450,526	63,372,760
Cumulative translation adjustments:				
Balance at beginning of year		**(29,205,232)**	(58,983,217)	(34,848,736)
Currency exchange differences on translating financial statements of foreign operations		**86,245,201**	29,777,985	(24,134,481)
Balance at end of year		**57,039,969**	(29,205,232)	(58,983,217)
Unrealized fair value losses financial on financial assets at FVOCI:				
Balance at beginning of year		**13,006,719**	6,496,719	8,346,719
Fair value gains (losses) – net	7.1	**9,600,000**	3,300,000	(2,000,000)
Tax income	22.2	**-**	3,210,000	150,000
Balance at end of year		**22,606,719**	13,006,719	6,496,719
Other comprehensive income attributable to non-controlling interest		**35,000**	35,000	35,000
		P 149,200,491	P 50,287,013	P 10,921,262

23.4 Subsidiary with Material Non-controlling Interest

Noncontrolling interests (NCI) pertain to the 25.0%, 27.0%, 50.0% and 50.0% equity ownership of minority stockholders in Skyworld, Interstar, Starworld and LIIP, respectively. The selected financial information (before inter-company eliminations) of Starworld and LIIP, which are considered the material NCI are shown below and in the succeeding page.

	Starworld		**LIIP**	
	2022	2021	**2022**	2021
Current assets	**P 654,425,958**	P 819,897,751	**P 88,691**	P 90,191
Non-current assets	**95,928**	670,959	**-**	-
Total assets	**P 654,521,886**	P 820,568,710	**P 88,691**	P 90,191
Current liabilities	**P 935,495**	P 169,615,385	**P 8,039,271**	P 8,039,271
Non-current liabilities	**1,858,901**	1,368,661	**-**	-
Total liabilities	**P 2,794,369**	P 170,984,046	**P 8,039,271**	P 8,039,271
Equity (capital deficiency) attributable to owners of the parent	**P 325,863,745**	P 324,792,332	**(P 3,975,290)**	(P 3,974,540)
NCI	**P 325,863,745**	P 324,792,332	**(P 3,975,290)**	(P 3,974,540)

	Starworld 2022	Starworld 2021	LIIP 2022	LIIP 2021
Revenue	**P 35,376,782**	P 6,253,164	**P -**	P -
Profit (loss) for the year attributable to owners of the parent	**P 1,281,686**	P 1,466,785	**(P 750)**	(P 25,036)
Profit (loss) for the year attributable to NCI	**1,281,686**	1,466,785	**(750)**	(25,036)
Profit (loss) for the year	**2,563,372**	2,933,570	**(1,500)**	(50,072)
Other comprehensive loss for the year (all attributable to owners of the parent)	**(420,545)**	(112,045)	**-**	-
Total comprehensive income (loss) for the year attributable to owners of the parent	**861,141**	1,354,740	**(750)**	(25,036)
Total comprehensive income (loss) for the year attributable to NCI	**1,281,686**	1,466,785	**(750)**	(25,036)
Total comprehensive income (loss) for the year	**P 2,142,827**	P 2,821,525	**(P 1,500)**	(P 50,072)
Net cash used in operating activities	**(P 75,099,400)**	(P 3,262,472)	**(P 1,500)**	(P 18,992)
Net cash from (used in) investing activities	**757,184,293**	(47,589,787)	**-**	-
Net cash from financing activities	**(95,992,453)**	-	**-**	12,242
	586,092,440	(50,852,259)	**(1,500)**	(6,750)
Effect of exchange rate on cash and cash equivalent	**466,286**	4,267,267	**-**	-
Net cash inflow (outflow)	**P 586,558,726**	(P 46,584,992)	**(P 1,500)**	(P 6,750)

The corporate information of Starworld and LIIP, as well as the Parent Company's stockholding thereto, is provided in Note 1.2.

In 2022 and 2021, cash dividend amounting to P10.7 million and P40.1 million, respectively, was declared to NCI which were paid within the year of declaration and approval.

Management determined that the difference between the respective equity ownership of minority stockholders over the equity of the aforementioned subsidiaries and the amount of NCI recognized in the consolidated statements of financial position is not material to the consolidated financial statements.

24. EARNINGS PER SHARE

Basic and diluted earnings for profit attributable to the Parent Company's stockholders are computed as follows:

	2022	2021	2020
Net profit for the year attributable to the Parent Company's stockholders	**P 427,622,019**	P 666,154,358	P 220,149,500
Divided by weighted average shares outstanding:			
Number of shares issued	**2,030,975,000**	2,030,975,000	2,030,975,000
Treasury shares	**(209,433,000)**	(209,433,000)	(209,433,000)
	1,821,542,000	1,821,542,000	1,821,542,000
Earnings per share – basic and diluted	**P 0.23**	P 0.37	P 0.12

There were no outstanding convertible preferred shares and bonds or other stock equivalents as of December 31, 2022, 2021 and 2020; hence, diluted earnings per share is equal to the basic earnings per share.

25. RELATED PARTY TRANSACTIONS

The Group's related parties include other companies owned by the Parent Company's majority stockholders and the Group's key management personnel as described below and in the succeeding pages. The summary of the Group's significant transactions in 2022, 2021 and 2020 with its related parties and the outstanding balances as of December 31, 2022 and 2021 are presented below.

		Amounts of Transaction			Outstanding Receivable (Payable)	
Related Party Category	Notes	**2022**	2021	2020	**2022**	2021
Related Parties Under Common Ownership:						
Purchase of mobile phones	25.1	**P 213,100,301**	P 101,445,462	P 155,375,026	**P -**	(P 112,362,253)
Commissions	25.5	**-**	2,962,042	60,020,094	**-**	139,505,911
Purchase of supplies and services	25.1	**2,720,453**	505,342	610,210	**-**	234,884
Lease of real property	25.2	**5,502,329**	7,428,555	5,603,819	**-**	60,014
Rendering of services	25.9	**700,745**	3,505,631	3,350,449	**-**	203,778
Purchase of spare parts	25.1	**289,508**	995,878	2,406,636	**-**	(1,706,609)
Interest income	25.3	**331,250**	600,000	880,000	**-**	-
Refundable deposits	25.2	**67,000**	106,305	193,250	**(891,305)**	(824,305)
Advances to suppliers	25.1	**-**	4,029,423	195,702,637	**-**	66,665,995
Granting (collection) of business loans	25.3	**(5,500,000)**	(4,000,000)	(1,500,000)	**-**	5,500,000
Sale of goods	25.8	**-**	1,675,060	3,331,175	**-**	29,834
Cash advances granted (paid)	25.4	**-**	-	(5,661,017)	**2,386,851**	2,386,851
Cash advances obtained	25.4	**-**	-	-	**(1,881,570)**	(1,881,570)
Others:						
Key management personnel compensation	25.6	**56,529,290**	47,682,666	46,204,296	**-**	-

None of the companies under the Group is a joint venture. The Parent Company is not subject to joint control. Related parties that exercise significant influence over the Parent Company are AA Commercial, Inc. and AV Value Holdings Corporation.

Further, transactions with Avid, as disclosed on the succeeding pages, transpired before the acquisition of ownership of the Parent Company over Avid. Transactions after the acquisition between related parties were eliminated at consolidation level.

Unless otherwise stated, the Group's outstanding receivables from and payables to related parties arising from advances, sale and purchase of goods, management services and other services, are unsecured, noninterest-bearing and generally settled in cash within 12 months from the end of the reporting period.

Based on the management assessment, certain receivables were found to be impaired using the provision matrix; hence, adequate amount of allowance for impairment have been recognized as of December 31, 2022, 2021 and 2020 (see Note 25.4).

25.1 Purchase of Goods, Supplies and Services

In 2022, 2021 and 2020, My Solid purchased mobile phones, tablets and accessories at prevailing market prices from Solid Trading Limited (STL), a related party under common ownership which is based in Hong Kong, amounting to P213.4 million, P102.4 million and P157.8 million, respectively, and recorded as part of Net purchases under Cost of Sales in the consolidated statements of income (see Note 17.1). The outstanding liabilities from the purchases amounting to P114.1 million as of December 31, 2021 are shown as part of Trade payables under the Trade and Other Payables in the consolidated statements of financial position (see Note 15). No outstanding liabilities arising from this transaction as of December 31, 2022.

Further, My Solid also made advanced payments to STL, which remained outstanding as of December 31, 2021, and are presented as part of Advances to suppliers under the Trade and Other Receivables account in the 2021 consolidated statement of financial position (see Note 6.2). The advances were fully applied in 2022.

In 2022, 2021 and 2020, SEC and SVC purchased electronic devices from Avid, a newly acquired subsidiary of the Parent Company, totaling to P2.7 million, P0.5 million and P0.6 million, respectively. The related purchases were recorded as part of Net purchases under Cost of Sales in the consolidated statements of income (see Note 17.1). The outstanding liabilities for these purchases as of December 31, 2022 and 2021, are shown as part of Trade payables under the Trade and Other Payables in the consolidated statements of financial position (see Note 15).

25.2 Lease of Real Property

SMC and OSSI leases out certain land and buildings and office space, respectively, to Avid. Also, ZTC leases out its office space to TCL Sun Inc. Revenues arising from these transactions, aside from Avid after acquisition, are presented as part of Rentals under the Revenues of the consolidated statements of income. The outstanding balances arising from rentals and services charges are presented as part of Rental receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.5).

Further, SMC and ZTC bill service charges to its related parties for common usage and service area and consumption of utilities. Charges arising from these transactions are presented as Common usage service area under Other Operating Income (Expense) in the consolidated statements of income (see Note 19).

Deposits received from the related parties are refundable at the end of the lease term of the agreements. These are presented as part of Refundable deposits under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

25.3 Granting of Loans

In prior years, SMFI granted unsecured business loan to Avid with the original principal loan amounting to P80.0 million. This business loan bears an annual interest rate of 8.0% in 2022, 2021 and 2020. The loan matured on January 18, 2020, but was renewed on the same date, repayable until January 18, 2025, its new maturity date. Principal repayment related to this loan amounted to P5.5 million and P4.0 million in 2022 and 2021, respectively.

Total interest earned from these loans amounted P0.3 million, P0.6 million and P0.9 million in 2022, 2021 and 2020, respectively, and is shown as part of Interest under Revenues section of the consolidated statements of income. The outstanding balance of business loans granted as of December 31, 2021 is shown as part of Loans receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.3). There is no outstanding balance of business loans as of December 31, 2022 as the loans were collected in full in 2022.

Based on management's evaluation, there were no impairment losses recognized on the outstanding loans receivables granted to related parties in 2022, 2021 and 2020.

25.4 Advances to and from Related Parties

In the normal course of business, certain subsidiaries of the Group grants and obtains unsecured, noninterest-bearing cash advances to and from related parties under common ownership for working capital requirements and other purposes.

The reconciliation of the carrying amounts of advances to related parties account with movements during the reporting periods is shown below.

	2022	2021
Balance at beginning of year	**P 2,386,851**	P 3,386,851
Impairment losses for the year	**-**	(1,000,000)
Balance at end of year	**P 2,386,851**	P 2,386,851

SEC has an outstanding receivable from CPD Access Corporation, a related party under common ownership, for returns arising from purchases made in prior years and is presented as Advances to Related Parties in the consolidated statements of financial position.

In 2021, the Group recognized impairment loss from the advances amounting to P1.0 million, which is presented as Impairment losses on advances to related parties under General and Administrative Expenses in consolidated statements of income (see Note 18). There were no impairment losses recognized in 2022.

On the other hand, no significant movement on the Group's advances from related parties in 2022 and 2021. Outstanding balance amounted to P1.9 million as of December 31, 2022 and 2021.

Outstanding balances with related parties are unsecured, noninterest-bearing, have no fixed repayment and settlement terms, except as disclosed in Note 28.3, and are presented as Advances to and from Related Parties account in the consolidated statements of financial position.

25.5 Transactions with STL

In 2020, SVC earned commission from sales of STL to customers in the Philippines. Commissions earned are presented as part of Rendering of Services in the 2020 consolidated statement of income. In 2022 and 2021, SVC has not earned commission income as there were no related sales occurred on the same years. There was no outstanding receivable related to this transaction as of December 31, 2022 and 2021.

My Solid also earned commission income from STL at 10.7% of sales recognized by STL from its sale of My Solid's products in 2021 and 2020. Commission income is presented as part of Rendering of Services in the 2021 and 2020 consolidated statements of income. My Solid has not earned commission income in 2022. The outstanding receivables from these transactions, which are generally unsecured, noninterest-bearing and settled through cash are presented as part of Trade receivables under the Trade and Other Receivables account in the 2021 consolidated statement of financial position (see Note 6.1). There was no outstanding receivable as of December 31, 2022.

25.6 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows:

	2022	2021	2020
Short-term benefits	**P 54,166,870**	P 47,188,046	P 45,115,990
Post-employment benefit	**2,362,420**	494,620	1,088,306
	P 56,529,290	P 47,682,666	P 46,204,296

These amounts are shown as part of Salaries and employee benefits under General and Administrative Expenses in the consolidated statements of income (see Notes 18 and 21.1).

25.7 Transactions with the Retirement Fund

The Group has established a formal multi-employer retirement plan which is administered by a trustee bank, except for CBHI, GSHMI, My Solid, SGTC and ZTC, whose retirement fund remained unfunded as of December 31, 2022 and 2021.

The retirement fund consists of government securities and UITF with fair values totaling P252.8 million and P210.7 million as of December 31, 2022 and 2021, respectively. The retirement fund neither provides any guarantee or surety for any obligation of the Group. The retirement fund also has no investments in the Parent Company's shares of stock which are listed for trading at the PSE.

The details of the contributions of the Group and benefits paid out by the plan to employees are presented in Note 21.2.

25.8 Sale of Goods

My Solid and SVC sells mobile phones, tablets and accessories, tapes and equipment to Avid. Revenues from said transactions in 2021 and 2020 are presented as part of Sale of Goods under Revenues in the consolidated statements of income. As of December 31, 2021, the outstanding receivables from these transactions which are generally unsecured, noninterest-bearing and settled through cash within 30 to 45 days are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1). There were no remaining outstanding receivables arising from these transactions as of December 31, 2022 after the acquisition of Avid.

25.9 Rendering of Services

OSSI provides assembly, repair, warehousing and distribution services to Avid. Revenues from the said transactions amounting to P3.5 million and P3.4 million in 2021 and 2020, respectively, are presented as part of Rendering of Services under Revenues section of the consolidated statements of income. The outstanding receivables arising from these transactions, which are generally unsecured, noninterest-bearing and settled through cash amounted to P0.2 million as of December 31, 2021, and is presented as part of Trade receivables under the Trade and Other Receivables account in the 2021 consolidated statement of financial position (see Note 6.1). There were no remaining outstanding receivables arising from these transactions as of December 31, 2022 after the acquisition of Avid.

In 2022, ZTC bills TCL Sun Inc. (TCL) service charges for common usage and service area and consumption of utilities. Charges arising from these transactions amounting to P0.7 million are presented as part of Common usage and service area and utilities charges under Other Income (Charges) section in the statements of comprehensive income. As of December 31, 2022, there are no outstanding receivables arising from these transactions. There was no similar transaction in 2021.

25.10 Advances to Officers

In the ordinary course of business, the Group provided unsecured noninterest-bearing advances to its officers subject to liquidation. The outstanding receivable arising from these transactions are presented as part of Advances to officers and employees under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.2).

26. SIGNIFICANT CONTRACTS AND AGREEMENTS

26.1 Memorandum of Understanding with SPI

On July 1, 2003, SEC entered into a Memorandum of Understanding (MOU) with Sony for network support for Sony. Under the MOU, Sony authorized SEC to perform in-warranty and out-of-warranty services to customers in the Philippines for a fee calculated as a percentage of Sony's annual sales.

In-warranty services shall be rendered free of charge to customers. The actual cost of replacement parts related to in-warranty services shall be shouldered by Sony. Network support fees are billed at a fixed rate per month. The agreement is effective unless revoked by any of the parties.

Network support fees and in-warranty service fees relating to Sony products amounted to P101.1 million, P95.3 million and P71.3 million in 2022, 2021 and 2020, respectively and are presented as part of Rendering of Services in the consolidated statements of income. Outstanding balances arising from these transactions amounted to P20.4 million and P8.3 million as of December 31, 2022 and 2021, respectively, and are included as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

26.2 Distributorship Agreement with Sony Corporation of Hong Kong Limited (Sony HK)

SVC has a non-exclusive Distributorship Agreement (the Agreement) with Sony HK, a corporation organized and existing under and by virtue of the laws of Hong Kong. Under the Agreement, SVC was designated by Sony HK as its non-exclusive distributor of Sony products in the Philippines. In addition, SVC shall provide the customers in the Philippines with repair and parts replacement services, including but not limited to repair and parts replacement services rendered by SVC which are covered under the 12 month-warranty period at its own costs and expenses. Management believes that the Agreement continues to be effective although no formal renewal has been made since 2007.

26.3 Management Agreement with Sky Cable Corporation

SBC and Sky Cable Corporation (SCC) agreed that the management and administration of the sale, assignment and transfer of its assets, equipment, contracts, permits, licenses and subscriber base (the "Assets") of SBC be entrusted to SCC. SCC, as the manager of the Assets, was given the overall power and responsibilities to handle all aspects necessary to carry out the administration and operations of the Assets and SBC, to accord the necessary additional authorizations, should the need arise.

Revenues arising from these transactions amounted to P4.3 million in 2022 and P3.0 million in both 2021 and 2020, and is presented as part of Rendering of Services under Revenues in the consolidated statements of income. The outstanding receivable amounted to P0.4 million and P0.6 million as of December 31, 2022 and 2021, respectively, and is included as part of Trade receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1). The related expense is presented as part of Service fees under Cost of Services section of the consolidated statements of income (see Note 17.2). The outstanding payable amounted as of December 31, 2022 is included as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

27. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

27.1 Operating Lease Commitments – Group as Lessor

Certain subsidiaries are a lessor under various non-cancellable operating lease agreements covering certain real estate properties. These leases have terms ranging from one to 10 years, with renewal options, and include annual escalation rates ranging from 5% to 10%. These subsidiaries receive fixed monthly payments.

The Group is subject to risks associated with the rights it retains in the properties it leases, such as alterations made by the lessee that may impair the value of the leased properties. To manage the exposure on such risks, the Group exercises strict control over the fit-out process and no alterations are allowed to be made without prior approval of the Group. The Group also requires security deposits and advance rentals equivalent to at least three months of rent. Moreover, the Group retains its right to inspect the leased properties over the lease term. In case of expiration of lease term or early termination due to the default of the lessee, the Group is entitled to the improvements installed on the leased properties without an obligation to reimburse the lessee for the costs of improvements.

The future minimum lease receivables under these non-cancellable operating leases as of December 31 are presented below.

	2022	2021
Within one year	**P 120,876,257**	P 168,729,117
After one year but not more than two years	**87,959,542**	80,887,470
After two year but not more than three years	**47,027,813**	71,824,818
After three year but not more than four years	**32,105,872**	16,303,437
After four year but not more than five years	**23,629,227**	9,832,680
More than five years	**41,012,641**	44,908,164
	P 352,611,352	P 392,485,686

The total rent income recognized from these transactions amounted to P267.5 million, P240.8 million and P242.7 million, including rent income resulting from the application of the straight-line basis of revenue recognition in accordance with PFRS 16 in 2022, 2021 and 2020, respectively, and are presented as Rentals under Revenues section of the consolidated statements of income. There was no contingent rent (i.e., variable rent considerations) related to these operating leases.

27.2 Purchase Commitments

In 2007, ZTC has entered into several construction contracts with various subcontractors for the construction of Tri-Towers condominium building. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively, while the construction of Tower 3 has not yet started, yet it has incurred expenses for the planning phase as of December 31, 2022 and 2021 (see Note 9.2).

27.3 Deficiency Tax Assessments

In prior years, My Solid, SBC and SVC received tax assessments from the Bureau of Internal Revenue (BIR) indicating various deficiency taxes of those companies and MyTel Mobility Solutions, Inc. (MyTel). MyTel was absorbed by My Solid during its merger on 2012 resulting to the transfer of MyTel's assets and liabilities to My Solid by operations of law. These assessments are currently under protest with the BIR and/or these companies have filed for reinvestigation and/or review with the Court of Tax Appeals (CTA). In 2022, there are certain cases that have already been closed with the BIR.

Also, as of December 31, 2022, GSHMI has open tax assessments covering the taxable year 2018 indicating deficiency taxes on income taxes, VAT, and withholding taxes. This assessment was duly received with a Formal Letter of Demand and is currently being protested in the CTA as of December 31, 2022.

The management believes that My Solid, SBC, SVC and GSHMI have enough evidence to support their claims and that the outcome of such tax assessments will not have a material impact in the Group's consolidated financial statements; hence, no provision was recognized as of December 31, 2022 and 2021.

27.4 Purchase Agreement with Asia Travel Philippines, Inc. (ATPI)

In 2018, the amount of unearned portion amounting to P0.2 million with ATPI as of December 31, 2017 was offset against the remaining receivables from the ATPI when CBHI received a notice of liquidation and insolvency in February 2019 after numerous attempts to collect the amount due. As of December 31, 2022 and 2021, the unearned portion with ATPI is presented as part of Other Payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

27.5 Others

The Group has unused credit facilities amounting to P1.1 billion both in 2022 and 2021.

There are other commitments, guarantees, litigations and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. As of December 31, 2022 and 2021, management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Group's consolidated financial statements.

28. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 29. The main types of risks are market risk, credit risk, liquidity risk and operational risk.

The Group's risk management is coordinated with its BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate continuous returns.

The Group does not engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

28.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency denominated trade and other receivables and trade and other payables, which are primarily denominated in USD and HKD. The Group also holds USD-denominated and HKD-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate are as follows:

	2022		2021	
	USD	HKD	USD	HKD
Financial assets	P 77,309,095	P 13,944,081	P 192,856,742	P -
Financial liabilities	(1,115,666)	-	(115,319,567)	-
Short-term exposure	P 76,193,429	P 13,944,081	P 77,537,175	P -

The following table illustrates the sensitivity of the Group's profit before tax in 2022, 2021 and 2020 with respect to changes in the exchange rates of Philippine peso against foreign currencies. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months prior to the end of the reporting period at a 99% confidence level.

	2022		2021		2020	
	Reasonably Possible Change in Rate	Effect in Profit Before Tax	Reasonably Possible Change in Rate	Effect in Profit Before Tax	Reasonably Possible Change in Rate	Effect in Profit Before Tax
PHP – USD	15.77%	P 12,015,704	23.06%	P 17,880,073	23.79%	P 38,681,200
PHP – HKD	15.93%	2,221,292	-	-	-	-
		P 14,236,996		P 17,880,073		P 38,681,200

If the Philippine peso had strengthened against the USD and HKD, with all other variables held constant, the Group's profit before tax would have been lower by P14.2 million, P17.9 million and P38.7 million in 2022, 2021 and 2020, respectively. Conversely, if the Philippine peso had weakened against the USD and HKD by the same percentage, with all variables held constant, profit before tax and equity would have been higher in 2022, 2021 and 2020 by the same amount.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be a reasonable estimation of the Group's currency risk.

(b) Interest Rate Risk

As of December 31, 2022 and 2021, the Group is exposed to changes in market interest rates through its cash and cash equivalents and short-term placements, which are subject to variable interest rates (see Note 5). All other financial assets and financial liabilities have fixed rates.

The following illustrates the sensitivity of profit before tax for the year to a reasonably possible change in interest rates of +/-6.16% in 2022, +/-1.78% in 2021 and +/-1.49% in 2020. These changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at each reporting date, with effect estimated from the beginning of the year. All other variables held constant, if the interest rate increased by 6.16%, 1.78% and 1.49%, profit before tax in 2022, 2021 and 2020, would have increased by P235.9 million, P92.8 million and P260.2 million, respectively. Conversely, if the interest rate decreased by the same percentages, profit before tax in 2022, 2021 and 2020 would have been lower by the same amounts.

(c) Other Price Risk

The Group's market price risk arises from its investments carried at fair value (i.e., financial assets measured at FVOCI). The Group manages exposures to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

28.2 Credit Risk

Credit risk is the risk that the counterparties may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting loans and selling goods and services to customers including related parties, placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of real estate sales, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position and in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	**2022**	2021
Cash and cash equivalents	5.1	**P 3,832,058,109**	P 2,749,788,562
Short-term placements	5.2	**-**	1,702,458,454
Trade and other receivables – net*	6	**1,143,273,385**	1,051,111,525
Investment in bonds	7.2	**20,000,000**	20,000,000
Refundable deposits**	13	**36,543,947**	14,142,873
Advances to related parties	25.4	**2,386,851**	2,386,851
Deposit to suppliers**	13	**-**	3,347,774
Cash bond**	13	**15,635,346**	680,834
		P 5,049,897,638	P 5,543,916,873

** Except for Advances to supplier and Advances to officers and employees*
*** Presented as part of Other Assets*

The Group's management considers that all the above financial assets that are not impaired or past due at the end of each reporting period are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and short-term placements as described below and in the succeeding pages.

(a) Cash and Cash Equivalents and Short-term Placements

The credit risk for cash and cash equivalents and short-term placements in the consolidated statements of financial position, is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Included in the cash and cash equivalents are cash in banks and cash equivalent with maturities of less than three months, and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

The Group applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

With respect to other receivables from third parties, management assessed that these financial assets have low probability of default since the Group can apply the related payables to these counterparties in case it defaults.

For loans receivables, the Group is not exposed to significant credit risk to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about borrower default rates, management considers the credit quality of loans receivables that are not past due or impaired in assessing the credit risk.

To measure the ECL, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic value factor, which includes gross domestic product, inflation and consumer price index, affecting credit risk and ECL for the loan portfolio.

On that basis, the loss allowance as of December 31, 2022 and 2021 was determined based on months past due, for trade and other receivables (except advances to suppliers and officers and employees, interest receivables and cash surrender value of investment in life insurance) are as follows:

	Not more than 60 days	More than 60 days but not more than 90 days	More than 90 days but not more than 120 days	More than 120 days	Total
December 31, 2022					
Expected loss rate	**0.34%**	**12.07%**	**31.43%**	**84.10%**	
Gross carrying amount	**P 135,605,402**	**P 33,669,879**	**P 31,951,602**	**P 110,273,977**	**P 311,500,860**
Loss allowance	**457,268**	**4,064,326**	**10,042,916**	**92,741,038**	**107,305,548**
December 31, 2021					
Expected loss rate	0.37%	10.41%	25.51%	58.07%	
Gross carrying amount	P 128,065,823	P 25,480,821	P 16,300,700	P 172,837,705	P 342,685,049
Loss allowance	469,776	2,651,541	4,158,434	100,360,466	107,640,217

The reconciliation of allowance for impairment on trade and other receivables at the beginning and end of 2022 and 2021 is presented in Note 6.7.

(c) Advances to Related Parties

For intercompany receivables that are repayable on demand, the ECL is based on the assumption that repayment of the receivables is demanded at the reporting date. The management determines the probability of collection upon demand. If a related party is unable to make repayment, the management considers the manner of recovery (i.e., sustained operations, availability of liquid and illiquid asset, etc.) to measure the ECL.

In 2021, the Group recognized impairment losses on advances to related parties amounting to 1.0 million, which is presented as Impairment loss on advances to related parties under General and Administrative Expenses in 2021 consolidated statement of income (see Note 18). There were no impairment losses recognized in 2022 and 2020.

(d) Refundable and Other Deposits

With respect to refundable and other deposits, management assessed that these financial assets have low probability of default since these relate to reputable power and water distribution companies (i.e., with high quality external credit rating). Moreover, the Group has operating lease contracts as lessee with the counterparty lessors, wherein the Group can refund by the end of the term or can apply to future lease payments in case of defaults.

(e) Investment in Bonds

Investment in bonds measured at amortized cost are considered to have low credit risk, and therefore, the loss allowance during the period is determined to be equivalent to 12 months ECL. Management considers "low credit risk" for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

No impairment loss on investment in bonds has been recognized in 2022 and 2021 since the bonds are in good credit standing as of December 31, 2022 and 2021.

(f) Cash bond

With respect to cash bond, management assessed that this financial asset has low probability of default since this relates to refundable deposits made with Bureau of Customs for taxes and duties relative to importations.

28.3 Liquidity Risk

Liquidity risk is the risk that cash may not be available to meet operating requirements and to pay obligations when due at a reasonable cost. Prudent liquidity risk management requires maintaining sufficient cash and credit facilities at reasonable cost to satisfy current requirements whenever the need arises. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As of December 31, 2022 and 2021, the Group's financial liabilities [except for lease liabilities (see Note 10.2)] have contractual maturities, which are presented below.

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
2022			
Trade and other payables	P 396,205,147	P -	P -
Advances from related parties	1,881,570	-	-
Refundable deposits	-	-	184,885,593
	P 398,086,717	**P -**	**P 184,885,593**
2021			
Trade and other payables	P 394,653,448	P -	P -
Advances from related parties	1,881,570	-	-
Refundable deposits	-	-	26,244,550
	P 396,535,018	P -	P 26,244,550

The contractual maturities reflect the gross cash flows, which may differ with the carrying values of the financial liabilities at the end of reporting period.

28.4 Operational Risk

The Group's exposure to significant operational risk relates to SMFI's secondary license to operate as a financing company under R.A. No. 8556 (see Note 1.2). Also, SMFI is under the regulation of the Commission. Management is aware that the Group will always have operational risk, but seeks to minimize the probability and impact of such in its operations and financial statements.

The Group manages this risk through applicable controls, process and procedures, including effective organization structure. Internal controls ensure compliance with laws and regulations, including R.A. No. 8556 and SEC regulations, and the overall protection of SMFI's resources.

SMFI, as a financing company, is subject to, but not limited to, the following regulatory requirements under the implementing rules and regulations of the provisions of R.A. No. 8556:

(a) Total investment in real estate and in shares of stock in a real estate development corporation shall not exceed 25% of its net worth;

(b) More than 50% of the funds are invested in financing company activities;

(c) Total credit extended to its directors, officers, and stockholders shall not exceed 15% of its net worth; and,

(d) Total credit extended to any person, company, corporation or firm shall not exceed 30% of its net worth.

As of December 31, 2022 and 2021, the Group is compliant with the foregoing requirements.

29. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

29.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	Notes	**2022** Carrying Amounts	**2022** Fair Values	2021 Carrying Amounts	2021 Fair Values
Financial assets					
At amortized cost:					
Cash and cash equivalents	5	**P 3,832,058,109**	**P 3,832,058,109**	P 2,749,788,562	P 2,749,788,562
Short-term placements	5	**-**	**-**	1,702,458,454	1,702,458,454
Trade and other receivables – net	6	**1,143,273,385**	**1,143,273,385**	1,051,111,525	1,051,111,525
Investment in bonds	7.2	**20,000,000**	**16,412,000**	20,000,000	19,535,060
Refundable deposits	13	**36,543,947**	**36,543,947**	14,142,873	14,142,873
Advances to related parties	25.4	**2,386,851**	**2,386,851**	2,386,851	2,386,851
Deposit to suppliers	13	**-**	**-**	3,347,774	3,347,774
Cash bond	13	**15,635,346**	**15,635,346**	680,834	680,834
		5,049,897,638	**5,046,309,638**	5,543,916,873	5,543,451,933
Financial assets at FVOCI	7.1	**37,000,000**	**37,000,000**	27,400,000	27,400,000
		P 5,086,897,638	**P 5,083,309,638**	P 5,571,316,873	P 5,570,851,933
Financial liabilities					
At amortized cost:					
Trade and other payables	15	**P 396,205,147**	**P 396,205,147**	P 394,653,448	P 394,653,448
Refundable deposits	16	**184,885,593**	**184,885,593**	26,244,550	26,244,550
Lease liabilities	10.2	**3,539,747**	**3,539,747**	6,590,349	6,590,349
Advances from related parties	25.4	**1,881,570**	**1,881,570**	1,881,570	1,881,570
		P 586,512,057	**P 586,512,057**	P 429,369,917	P 429,369,917

See Note 2.6 for a description of the accounting policies for financial assets and financial liabilities, respectively, including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 28.

29.2 Offsetting of Financial Instruments

The Group has not set off financial instruments as of December 31, 2022 and 2021 and it does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) may have the option to settle all such amounts on a net basis in the event of default of the other party through approval by the respective BODs and stockholders of both parties.

The following financial assets presented as part of Advances to Related Parties account can be offset by the amount of outstanding Advances from Related Parties account in the consolidated statements of financial position (see Note 15.4).

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, certain agreements between the Group and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both parties 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.

30. FAIR VALUE MEASUREMENTS AND DISCLOSURES

30.1 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 as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the financial asset or financial liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial 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.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity 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.

30.2 Financial Instruments Measured at Fair Value

The Group's financial assets at FVOCI include proprietary golf club shares, which are categorized within Level 2 as their prices are not derived from market considered due to lack of trading activities among market participants at the end or close to the end of the reporting period. As of December 31, 2022 and 2021, the Group's financial assets at FVOCI measured at fair value amounted to P37.0 million and P27.4 million, respectively (see Note 7.1).

For unquoted equity securities classified as financial assets at FVOCI, the financial assets are measured at cost; hence, these assets are not included within the fair value hierarchy.

The Group has no financial liabilities measured at fair value as of December 31, 2022 and 2021. Also, there were neither transfers between Levels 1 and 3 nor changes in the carrying amount of Level 2 instruments in both years.

30.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables below summarize the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	Notes	Level 1	Level 3	Total
2022				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	5	P 3,832,058,109	P -	P 3,832,058,109
Trade and other receivables – net	6	-	1,143,273,385	1,143,273,385
Investment in bonds	7.2	16,412,000	-	16,412,000
Refundable deposits	13	-	36,543,947	36,543,947
Advances to related parties	25.4	-	2,386,851	2,386,851
Cash bond	13	-	15,635,346	15,635,346
		P 3,848,470,109	**P 1,197,839,529**	**P 5,046,309,638**
Financial Liabilities				
At amortized cost:				
Trade and other payables	15	P -	P 396,205,147	P 396,205,147
Refundable deposits	16	-	184,885,593	184,885,593
Lease liabilities	10.2	-	3,539,747	3,539,747
Advances from related parties	25.4	-	1,881,570	1,881,570
		P -	**P 586,512,057**	**P 586,512,057**
2021				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	5	P 2,749,788,562	P -	P 2,749,788,562
Short-term placements	5	1,702,458,454	-	1,702,458,454
Trade and other receivables – net	6	-	1,051,111,525	1,051,111,525
Investment in bonds	7.2	19,535,060	-	19,535,060
Refundable deposits	13	-	14,142,873	14,142,873
Advances to related parties	25.4	-	2,386,851	2,386,851
Deposit to suppliers	13	-	3,347,774	3,347,774
Cash bond	13	-	680,834	680,834
		P 4,471,782,076	P 1,071,669,857	P 5,543,451,933
Financial Liabilities				
At amortized cost:				
Trade and other payables	15	P -	P 394,653,448	P 394,653,448
Refundable deposits	16	-	26,244,550	26,244,550
Lease liabilities	10.2	-	6,590,349	6,590,349
Advances from related parties	25.4	-	1,881,570	1,881,570
		P -	P 429,369,917	P 429,369,917

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data. Further, management considers that the carrying amounts of these financial instruments approximate their fair values as the effect of discounting is insignificant.

30.4 Fair Value Measurements of Non-financial Assets

The fair value of the Group's land and improvements and building and improvements classified under Investment Properties (see Note 12) are determined on the basis of the appraisals performed by Royal Asia Appraisal Corporation, an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair value of these non-financial assets was determined based on the following approaches (see Note 12):

(a) *Fair Value Measurement for Land and Improvements*

The Level 3 fair value of land and improvements amounted to P4,775.6 million and P3,707.7 million as of December 31, 2022 and 2021, respectively, and was derived through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

(b) *Fair Value Measurement for Building and Building Improvements*

The Level 3 fair value of the buildings and improvements under Investment Property account amounted to P782.6 million and P818.9 million as of December 31, 2022 and 2021, respectively, and was derived through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

(c) Fair Value Measurement for Construction in Progress

The Level 3 fair value of the construction in progress under Investment Property account amounted to P50.4 million and P112.2 million as of December 31, 2022 and 2021, respectively. These fair values were determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change to the valuation techniques used by the Group during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2022 and 2021.

31. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities, excluding amounts advances from related parties. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group's goal in capital management is to maintain a debt-to-equity structure ratio of not higher than 1:1 on a monthly basis.

The computation of the Group's debt-to-equity ratio is presented below.

	2022	2021
Total liabilities (excluding advances from related parties)	**P 1,721,976,904**	P 1,450,097,560
Total equity	**11,941,014,865**	11,533,191,326
	0.14 : 1.00	0.13 : 1.00

As of December 31, 2022 and 2021, the Group is not subject to any externally imposed capital requirements, except for SMFI. Under Section 6 of R.A. No. 8556, SMFI is required to maintain a minimum paid-up capital of not less than P10.0 million. SMFI is in compliance with the minimum paid-up capital requirement as of December 31, 2022 and 2021.

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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Solid Group Inc. and Subsidiaries
2285 Don Chino Roces Avenue
Makati City, Philippines

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Solid Group, Inc. and Subsidiaries (the Group) for the year ended December 31, 2022, on which we have rendered our report dated April 13, 2023. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards, as modified by the financial reporting reliefs issued and approved by the Securities and Exchange Commission. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 9566632, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 97048-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-032-2022 (Until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 13, 2023

SOLID GROUP INC. AND SUBSIDIARIES
List of Supplementary Information
December 31, 2022

Solid Group Inc. and Subsidiaries
Schedule A - Financial Assets
December 31, 2022

Name of Issuing Entity and Assocation of each Issue	Number of Shares of Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income Received and Accrued
Financial Assets at Fair Value Through Other Comprehensive Income – Non-Current				
The Country Club	3	P 12,000,000	P 12,000,000	P -
Sta. Elena Golf Club	1	8,500,000	8,500,000	-
Alabang Country Club	2	10,500,000	10,500,000	-
Tagaytay Midlands Golf Club	4	6,000,000	2,800,000	-
		P 37,000,000	**P 33,800,000**	**P -**

Solid Group Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related Parties)
December 31, 2022

			Deductions		*Ending Balance*		
Name and Designation of debtor	***Balance at beginning of period***	***Additions***	***Amounts collected***	***Amounts assigned or set - off***	***Current***	***Non-current***	***Balance at end of period***

NOT APPLICABLE

Solid Group Inc. and Subsidiaries
Schedule C - Amounts Receivable/Payable from/to Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31, 2022

			Deductions		*Ending Balance*			
Name and Designation of Debtor	***Balance at Beginning of Period***	***Additions***	***Amounts Collected***	***Conversion***	***Amounts Written-off***	***Current***	***Non-current***	***Balance at End of Period***
Trade Receivables:								
My Solid Devices & Technologies Corporation	P 1,378,633	P -	P 1,221,368	P -	P -	P 157,265	P -	P 157,265
Kita Corporation	13,600,000	-	-	-	-	13,600,000	-	13,600,000
Green Sun Hotel Management Inc.	2,559,559	-	2,559,559	-	-	-	-	-
Omni Solid Services Inc.	45,952,957	-	45,952,957	-	-	-	-	-
SolidService Electronics Corporation	266,777		85,218	-	-	181,558	-	181,558
Solid Manila Corporation	50,183,258	-	50,000,000	-	-	183,258	-	183,258
Solid Video Corporation	41,986	-	41,986	-	-	-	-	-
Zen Towers Corporation	-	20,000,000	-	-	-	20,000,000	-	20,000,000
	P 113,983,170	**P 20,000,000**	**P 99,861,088**	**P -**	**P -**	**P 34,122,081**	**P -**	**P 34,122,081**
Advances to and From								
My Solid Devices & Technologies Corporation	P -	P -	P -	P -	P -	P -	P -	P -
Kita Corporation	12,000,000	-	-	5,000,000	-	7,000,000	-	7,000,000
Casa Bacobo Hotel, Inc.	925,701	-	-	-	-	-	-	-
Zen Towers Corporation	50,000,000	-	-	-	-	-	-	-
Brilliant Reach Limited	276,053,870	-	-	-	-	-	-	-
	P 338,979,571	**P -**	**P -**	**P 5,000,000**	**P -**	**P 7,000,000**	**P -**	**P 7,000,000**

Solid Group Inc. and Subsidiaries
Schedule C - Amounts Receivable/Payable from/to Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31, 2022

			Deductions		Ending Balance		
Name and Designation of Creditor	*Balance at Beginning of Period*	*Additions*	*Amounts Collected*	*Amounts Written-off*	*Current*	*Non-current*	*Balance at End of Period*
Trade payables:							
My Solid Devices & Technologies Corporation	P 190,714	P -	P 187,162	P -	P 377,876	P -	P 377,876
Omni Solid Services Inc.	1,109,580	-	1,109,580	-	-	-	-
SolidGroup Technologies Corporation	312,646	-	312,646	-	-	-	-
Solid Manila Corporation	3,770,230	-	3,626,025	-	144,205	-	144,205
Solid Group Inc.	108,600,000	20,000,000	95,000,000	-	33,600,000	-	33,600,000
	P 113,983,170	**P 20,000,000**	**P 100,235,414**	**P -**	**P 34,122,081**	**P -**	**P 34,122,081**

Solid Group Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2022

Description	*Beginning Balance*	*Additions at Cost*	*Deduction*		*Other Changes Additions (Deductions)*	*Ending Balance*
			Charged to Cost and Expenses	*Charged to Other Accounts*		
Intangible assets						
Cost:						
Licenses and softwares	P 31,305,702	P -	P -	P -	P -	P 31,305,702
Non-proprietary club shares	2,222,127	-	-	-	-	2,222,127
	P 33,527,829	P -	P -	P -	P -	P 33,527,829
Accumulated Amortization and Impairment Losses:						
Licenses and softwares	(P 18,351,930)	P -	(P 14,899)	P -	P -	(P 18,366,829)
Non-proprietary club shares	(2,122,127)	-	-	-	-	(2,122,127)
	(P 20,474,057)	P -	(P 14,899)	P -	P -	(P 20,488,956)
Net Book Value:	**P 13,053,772**	**P -**	**(P 14,899)**	**P -**	**P -**	**P 13,038,873**

Solid Group Inc. and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2022

Title of issue and type of obligation	*Amount shown under caption"Current portion of long-term debt" in related balance sheet*	*Amount shown under caption"Long-Term Debt" in related balance sheet*

NOT APPLICABLE

Solid Group Inc. and Subsidiaries
Schedule F - Indebtedness to Related Parties
December 31, 2022

Name and designation of debtor	***Balance at beginning of period***	***Balance at end of period***

NOT APPLICABLE

Solid Group Inc. and Subsidiaries
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2022

Name of issuing entity of securities guaranteed by the company for which this statement is filed	*Title of issue of each class of securities guaranteed*	*Total amount guaranteed an outstanding*	*Amount owned by person for which statement is filed*	*Nature of guarantee*

NOT APPLICABLE

Solid Group Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2022

				Number of shares held by		
Title of Issue	***Number of shares authorized***	***Number of shares issued and outstanding as shown under the related balance sheet caption (A)***	***Number of shares reserved for options, warrants, conversion and other rights***	***Related parties (B)***	***Directors, officers and employees***	***Others***
Common shares - P1 par value						
Authorized - P5,000,000,000 shares	5,000,000,000					
Issued		2,030,975,000				
Outstanding		1,821,542,000		1,083,377,816	269,376,480	468,787,704

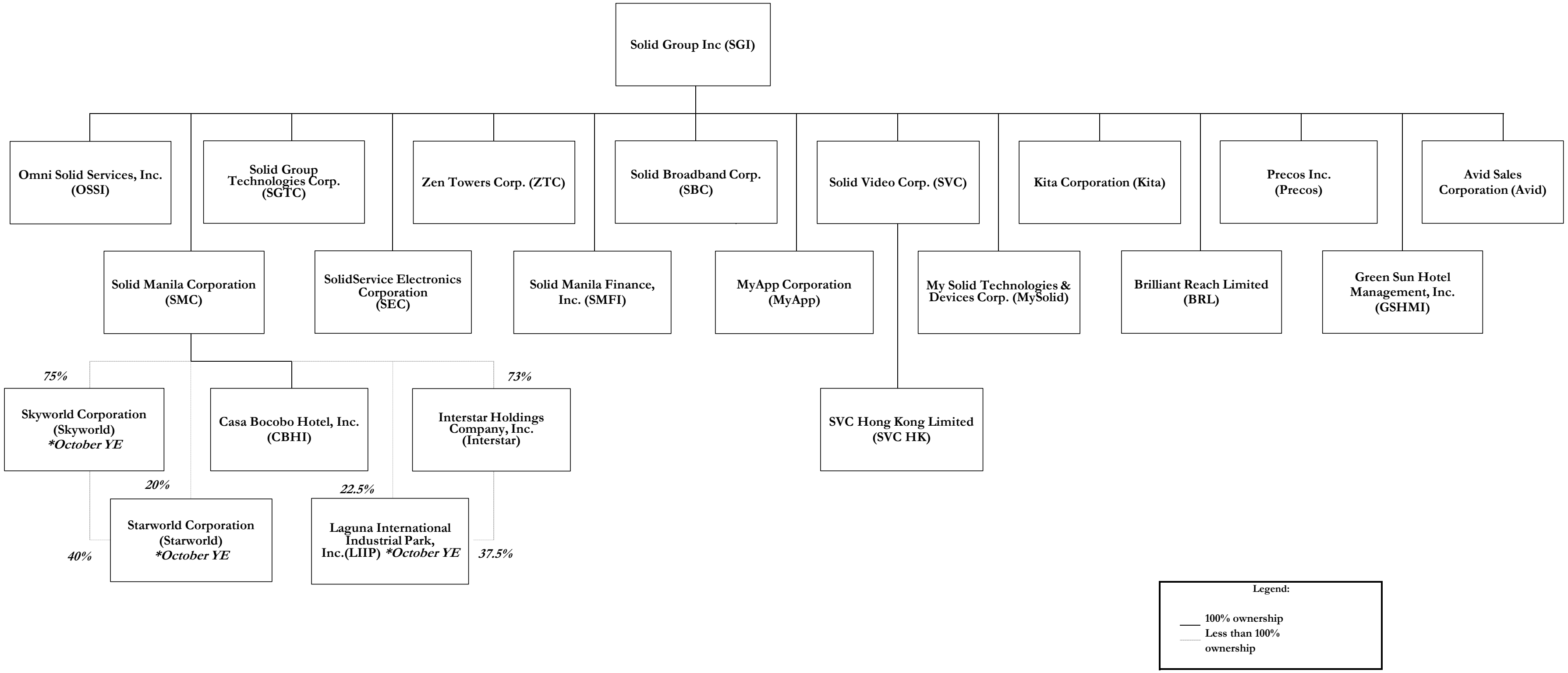
A: Number of shares issued and outstanding = 2,030,975,000 issued shares less 209,433,000 treasury shares
B: This represents shares held by AA Commercial and AV Value Holdings Corp., related parties which are ultimately owned by the Lim Family.

SOLID GROUP INC.
2285 Don Chino Roces Avenue, Makati City
Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2022

Unappropriated Retained Earnings at Beginning of Year	P	1,256,687,573
Retained Earnings Restricted for Treasury Shares		(115,614,380)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		1,141,073,193
Net Profit Realized during the Year		
Net profit per audited financial statements		203,855,734
Cash dividends declared and paid during the year		(109,292,520)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**1,235,636,407**

Solid Group Inc. and Subsidiaries

Map Showing the Relationships Between and Among the Company and its Related Parties



P&A Grant Thornton

YEARS 35
Shaping a Vibrant Tomorrow
#BoldPerspectives #DivergentThinking #ForgingPaths

Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
Solid Group Inc. and Subsidiaries
2285 Don Chino Roces Avenue
Makati City, Philippines

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Solid Group, Inc. and Subsidiaries (the Group) for the years ended December 31, 2022 and 2021, on which we have rendered our report dated April 13, 2023. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission (SEC), and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for the years then ended and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 9566632, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 97048-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-032-2022 (Until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 13, 2023

SOLID GROUP INC. AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2022 and 2021

Ratio	Formula	2022	Formula	2021
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets P 5,180,830,604 Divide by: Total Current Liabilities 511,351,701 Current ratio 10.13	10.13	Total Current Assets divided by Total Current Liabilities Total Current Assets P 5,581,405,320 Divide by: Total Current Liabilities 472,513,931 Current ratio 11.81	11.81
Acid test ratio	Quick Assets (Cash and cash equivalents + Short-term placements + Trade and other receivables - net) divided by Total Current Liabilities Cash and cash equivalent P 3,832,058,109 Short-term placements - Trade and other receivables - 242,779,722 Quick Assets 4,074,837,831 Divide by: Total Current Liabilities 511,351,701 Acid test ratio 7.97	7.97	Quick Assets (Cash and cash equivalents + Short-term placements + Trade and other receivables - net) divided by Total Current Liabilities Cash and cash equivalent P 2,749,788,562 Short-term placements 1,702,458,454 Trade and other receivables - 327,047,374 Quick Assets 4,779,294,390 Divide by: Total Current Liabilities 472,513,931 Acid test ratio 10.11	10.11
Solvency ratio	Total Liabilities divided by Total Assets Total Liabilities P 1,723,858,474 Divide by: Total Assets 13,664,873,339 Solvency ratio 0.13	0.13	Total Liabilities divided by Total Assets Total Liabilities P 1,451,979,130 Divide by: Total Assets 12,985,170,456 Solvency ratio 0.11	0.11
Debt-to-equity ratio	Total Liabilities (excluding Advances from related parties) divided by Total Equity Total Liabilities (excluding Advances from related parties) P 1,721,976,904 Divide by: Total Equity 11,941,014,865 Debt-to-equity ratio 0.14	0.14	Total Liabilities (excluding Advances from related parties) divided by Total Equity Total Liabilities (excluding Advances from related parties) P 1,450,097,560 Divide by: Total Equity 11,533,191,326 Debt-to-equity ratio 0.13	0.13
Gearing ratio	Financial Debt devided by Total Equity Financial Debt P - Divided by: Total Equity 11,941,014,865 Gearing ratio -	0.00	Financial Debt devided by Total Equity Financial Debt P - Divided by: Total Equity 11,533,191,326 Gearing ratio -	0.00
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets P 13,664,873,339 Divide by: Total Equity 11,941,014,865 Assets-to-equity ratio 1.14	1.14	Total Assets divided by Total Equity Total Assets P 12,985,170,456 Divide by: Total Equity 11,533,191,326 Assets-to-equity ratio 1.13	1.13
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT P 592,425,116 Divide by: Interest expense 317,405 Interest rate coverage ratio 1,866.46	1866.46	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT P 762,132,920 Divide by: Interest expense 596,418 Interest rate coverage ratio 1,277.85	1277.85

SOLID GROUP INC. AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2022 and 2021

Ratio	Formula			2022	Formula			2021
Operating margin	Operating Profit divided by Total Revenue			0.29	Operating Profit divided by Total Revenue			0.43
	Operating Profit	P	471,613,476		Operating Profit	P	661,468,965	
	Divide by: Total Revenue		1,634,506,083		Divide by: Total Revenue		1,539,952,521	
	Operating margin		0.29		Operating margin		0.43	
Net profit margin	Net Profit divided by Total Revenue			0.26	Net Profit divided by Total Revenue			0.44
	Net Profit	P	428,926,648		Net Profit	P	677,589,405	
	Divide by: Total Revenue		1,634,506,083		Divide by: Total Revenue		1,539,952,521	
	Net profit margin		0.26		Net profit margin		0.44	
Return on assets	Net Profit divided by Total Assets			0.03	Net Profit divided by Total Assets			0.05
	Net Profit	P	428,926,648		Net Profit	P	677,589,405	
	Divide by: Total Assets		13,664,873,339		Divide by: Total Assets		13,662,191,598	
	Return on assets		0.03		Return on assets		0.05	
Return on equity	Net Profit divided by Total Equity			0.04	Net Profit divided by Total Equity			0.06
	Net Profit	P	428,926,648		Net Profit	P	677,589,405	
	Divide by: Total Equity		11,941,014,865		Divide by: Total Equity		11,533,191,326	
	Return on equity		0.04		Return on equity		0.06	

SUSTAINABILITY REPORT OF SOLID GROUP INC. AND SUBSIDIARIES

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

Company Details	
Name of Organization	**Solid Group Inc.**
Location of Headquarters	2285 Don Chino Roces Avenue, Makati City
Location of Operations	Philippines
Report Boundary: Legal entities included in this report*	Solid Group Inc. (parent company) and Subsidiaries
Business Model, including Primary Activities, Brands, Products, and Services	Solid Group Inc. (SGI) is a publicly listed holding company composed of various subsidiaries and joint venture companies operating under the following segments: ➤ Property & Related Services (property development and leasing, condominium sales, hotel operations) ➤ Distribution/Retail (mobile devices under the MyPhone brand, modular housing, professional equipment and consumer electronics retail) ➤ Logistics &Technical Support (electronics servicing, logistics) ➤ Investments & Others (investment, financing)
Reporting Period	December 31, 2022
Highest Ranking Person responsible for this report	Mellina T. Corpuz SVP and Chief Accounting Officer/SEC Compliance Officer

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
The Company outlined its disclosures about environmental, social and governance (ESG) impacts specific to the topics deemed material to the Company. It defined its performance goals and metrics that were of primary importance and critical to management and stakeholders with significant repercussions and contributions to its operations and activities towards a sustainable future. Guided by our sustainability framework and code of conduct, aligned with the ESG global practices and in concurrence with GRI standards, the content of this report applies to the principle of materiality conducted based on collected data from the parent company and its subsidiaries with focus on issues that substantively influence the decisions of stakeholders strategic to its businesses, promotes

[1] See *GRI 102-46* (2016) for more guidance.

sustainable business practices, manages impacts and minimizes risks as it fulfills its corporate goals strengthened by its commitment to the environment and the community.
We determined our material sustainability issues based on SASB Materiality Map and its impact to the Company.

- Leadership and Governance – We conduct our businesses in an ethical and responsible manner
- Economic, Environment & Social Capital – We manage our key impacts
- Corporate Values – Non-financial risks that will substantively create value, growth and sustainable future deeply ingrained in our operations, guiding our people's decisions

These are the Company's focus on having a strong foundation of leadership and good governance across all areas of operations while giving importance to strengthening relationships with its people and the community.

In addition, the report describes how the Company supports the United Nations Sustainable Development Goals (UNSDGs).

Note: The term "Company" as used in this report refers collectively to SGI and its subsidiaries.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	1,634,506,083	PhP
Direct economic value distributed:		
a. Operating costs	1,058,207,167	PhP
b. Employee wages and benefits	241,806,699	PhP
c. Payments to suppliers, other operating costs	448,487,210	Php
d. Dividends given to stockholders and interest payments to loan providers	109,292,520	PhP
e. Taxes given to government	136,984,691	PhP
f. Investments to community (e.g., donations, CSR)	1,029,200	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company is a publicly listed holding company composed of various subsidiaries and joint	*(e.g., employees, community, suppliers, government, vulnerable groups)* Government (and its agencies), owners	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

venture companies with operations in the Property & Related Services (real estate, property development, sales and leasing, condominium sales and hotel operations); Distribution/Retail of MyPhone mobile phones, professional equipment, MyHouse modular housing and home appliances and electronic products; Logistics and Technical Solutions (support services, electronics servicing, logistics and sale of professional equipment); and, Investment & Others (investments and financing). *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	(shareholders), suppliers, contractors, customers, directors, employees, and the local community	The Philippine economy is well on its way to full recovery. The strong rebound from the COVID-19 pandemic during 2022 pushed real economic growth where the company achieved remarkable business breakthrough in 2022. It demonstrated steady operations in most of its business segments whilst challenges and prospects brought by the pandemic and embarked into its biggest real estate development project. The Company maintained a successful focus on recurring revenue streams as it managed its business operations with the fundamental business practices which resulted to a strong financial position and year-on-year profitable operations. Operational improvement, cost management and implementation of strict health and safety protocols in the workplace consistent with regulatory standards have influenced approach to sustainability while creating short-term to long-term value for all stakeholders. While the Company kept a sharper focus on optimizing returns from existing businesses and a disciplined process on capital deployment, it also actively explores opportunities for value realization to fund ongoing and future investments of the Company.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization The most significant economic risk factors are the increasing competition, changing market conditions, costs, soaring interest rates, exchange rates, recession, inflation, taxes, and changes in	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers, and the local community	The Company identified potential risks in advance, analyzing them and taking precautionary steps to reduce/curb the risk. The Company constantly reviews the risk mitigation strategies to improve resilience to critical drivers of risk: economic, political, technological and societal.

demand and supply that influence the conduct of the businesses.		Major risks and threats are addressed through the corporate planning process, which defines appropriate strategic directions and actions that are managed by regular audit and management review of the operations and financial results of the Company and its subsidiaries. It monitors developments in technology advances to keep it stay abreast and up-to-date. Significant issues, impacts and appropriate responses as a result of management review, are then presented to the Board of Directors for resolution.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Constant demand for property leasing, new ventures and market opportunities and value creation.	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers, and the community	The Company's approach is consistent and clear focusing on the most innovative measures in areas of economic growth, health, human resources management, work organization, social and environmental responsibility, and crisis management. The Company set forth visions in the midst of economic recovery to attain balanced revenue and profitability growth that consistently deliver total stakeholder returns with the right strategy and plans in place.

Climate-related risks and opportunities[2]

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts[3] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.
[3] For this disclosure, impact refers to the impact of climate-related issues on the company.

Recommended Disclosures			
a) Describe the board's oversight of climate-related risks and opportunities The Company has integrated risks and opportunities into the Company's governance framework with specific emphasis on board-level engagement and accountability. It includes risk assessment and risk management, review, evaluation, monitoring and actions to address the identified risk. The Board of Directors oversees the implementation of an effective risk culture and internal control framework across the Company. As part of its mandate, the Board oversees controls and risks including risks related to climate change issues and its stakeholders, and it accomplishes its mandate through its committees, including the Risk Management Committee and the Corporate Governance and Nominations Committee. The Risk Management Committee oversees risk management, including climate-	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term The Company faces both significant climate-related business opportunities and significant financial risks in different parts of its value chain. Climate change affects the availability of water resources, fertility of soil and in general living conditions of the people. Business solutions that replace emissions-intensive products and services, or that are net emission negative, are in increasing demand as efforts intensify to keep climate change at a tolerable level. There's a need for the Company to have a comprehensive assessment where `we are exposed to potential climate-related market risks that could arise from current and emerging regulations and legislations involving us and our clients, as well	a) Describe the organization's processes for identifying and assessing climate-related risks The business implications of climate change are complex and vary across sectors. Accurate and timely disclosure of current and past operating and financial results is fundamental to this function, but it is increasingly important to understand the governance and risk management context in which financial results are achieved. Worse financial performance due to untimely action on the business risks and opportunities following from climate change	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process Financial metrics help us manage our climate-related risks and opportunities related to our finance and investing activities, our business operations, our employee and community activities. Selectively, we managed to use metrics on climate-related risks associated with water, energy, and waste management based on available data provided to us by our subsidiaries and stakeholders.

related transition and physical risks, while the Corporate Governance and Nomination Committee provides oversight and direction on the Company's commitments, targets, and performance. The Board and its committees also consider all risks in reviews of major action plans and policies to address the identified risks and seize opportunities.	as more extreme weather events causing property and asset damage that will have impact to the company, its owners and directors, our customers and suppliers.		
b) Describe management's role in assessing and managing climate-related risks and opportunities The management shall assign climate-related responsibilities to management-level positions or committee and reports to the board or committee of the board its responsibilities which include assessing and managing climate-related issues.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning. The Company considers climate change for strategic planning and analysis, work with existing processes and allow these to develop and mature over time by integrating short, medium and long-term climate change considerations into its business, including direct impacts to operations as well as indirect impacts associated with the customers.	b) Describe the organization's processes for managing climate-related risks Integrating relevant climate considerations into our business decisions continues to support our long-term growth strategy taking into consideration the useful life of the organization's assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms,	b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets The Company did not have the targets yet to manage climate-related risks and opportunities and performance against targets but will do so in the future.
	c) Describe the resilience of the organization's strategy, taking	c) Describe how processes for identifying, assessing, and	

	into consideration different climate-related scenarios including a 2°C or lower scenario The Company's resilience strategy focuses on sustainable operations but it does not include yet the different climate related scenarios including a 2°C or lower scenario.	managing climate-related risks are integrated into the organization's overall risk management The Company's risk management in identifying potential risks in advance, analyzing them and taking precautionary steps to reduce or curb climate related risks is embodied in the Company's charter which is integral into the organization's overall risk management.	

Reference:
https://www.solidgroup.com.ph/sites/default/files/downloadables/SGI_Amended%20Risk%20Management%20Committee%20Charter.pdf

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	-	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Electronic products were sourced from Sony and other known brands. Purchases from local suppliers were prioritized to	Employees, suppliers, customers and government regulatory body	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

support the economy. Imported purchased were made mainly when supplies are only available in the country. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Most of the products sold by the Company were sourced outside of the country direct from the manufacturer which are cheaper and still provide higher value to consumers.		The Company has no written policy on procurement but it has a practice of buying locally available goods and services for most of its requirements in its day-to-day operations involving property and related services, technical support and solutions; and, investment and others business segments. The Company prioritized buying locally available goods and services from companies or suppliers offering best value at reasonable and competitive prices such as office supplies, furniture, fixtures & equipment, building construction materials; and, transportation equipment used for its servicing and distribution businesses.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization Low quality products. Single-source procurement brings a greater risk of corruption, resource scarcity, legislation and reputational risk .	Employees, suppliers, government	The Company ensures that procurement is made after thorough assessment and evaluation of different supplier and vendors based on prices, delivery and quality of offered products and services. The Company also checks that partner vendors and suppliers are reliable, professional and compliant to existing government regulations.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Wide range of business contacts in sourcing of quality materials and supplies locally and internationally enabled the Company with reasonable prices and products in accordance with global standards.	Employees and suppliers/vendors	The Company adopts a procurement process in accordance with best practices generating benefits not only to the organization but to the consumers and the government.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	0	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	0	%
Percentage of directors and management that have received anti-corruption training	0	%
Percentage of employees that have received anti-corruption training	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Corruption undermines competition. It increases inequality, decreases popular accountability and political responsiveness, and thus produces rising frustration and hardship within and outside the organization who are then more likely to accept (or even demand) oppressive and unrefined tactics. There are losses that may have a long-term impact and may be almost immeasurable such as loss of public trust, damage to the brand, low employee morale, and credit loss. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* It is the policy of the Company to ensure its employees are aware and well-informed about its Code of Business Conduct. The board disseminated the policy and program to employees across the organization through the Audit department where it conducted a series of orientation seminar within the Group. http://www.solidgroup.com.ph/sites/default/files/downloadables/SGI%20Amended%20Manual%20on%20Corporate%20Governance%20as%20of%20June%209%2C%202017.pdf The Company has embarked on a group wide program dubbed as S.O.S Speak Out Safely. This enables all concerned to give information regarding fraud, abuse,

		waste and/or misconduct activities where anonymity is protected and all information are confidential. The reports can be given through email or letter, phone call or text and/or personal appointment. https://www.solidgroup.com.ph/sites/default/files/downloadables/SGI%20Code%20of%20Business%20Conduct.pdf
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization Employees/personnel who underwent training may still commit corruption	Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers	The Management is aware that corruption is equated with a set of vulnerabilities within the organization. Enforcement of a good governance through participation, transparency, responsiveness and accountability are being adhered by everyone from the board of directors, the business owner, employees and its compliance function. They made it clear that they won't tolerate bribery and corruption and that anyone found guilty will face the highest sanctions.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Develop a culture of good governance and proper conduct within the organization. Empowering staff to play a role in the Code of Conduct by outlining whistleblowing procedures and red flags. Occasional training will also make them aware of their	Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers	The Company implements adequate systems and controls (policies and procedures) in corruption prevention embedded and understood by everyone in the organization. The management supports good quality anti-corruption training program critical in understanding the human impact of corruption and their specific responsibilities for helping to prevent corruption in everyday situations they may come across. Everybody in the organization will be much more likely to

responsibilities, proper conduct, company's expectations and the consequences of committing corruption.		remember their duties and act in the right way.

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	_	#
Number of incidents in which employees were dismissed or disciplined for corruption	_	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	_	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) No incidents of corruption were reported during the year. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* No incidents of corruption were reported during the year.	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company promotes the culture of awareness and education which are a vital and necessary component of any sustainable anti-corruption efforts. Everybody in the organization is aware of the various risk mitigation measures adopted by the Company to protect the integrity and efficiency of business processes with the support of a strong and effective organizational and accountability structure.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization	Directors, employees, government (and its agencies), owners	A risk management approach to corruption prevention is a good way to ensure that the risks of corruption are identified, understood and effectively managed. It is the policy of the company

No incidents of corruption were reported during the year. Corruption, however, may occur in any business process within the organization involving human resources, financial management, procurement, construction and infrastructure development, among others.	(shareholders), suppliers and customers	to mitigate these risks through identification of structural weaknesses that may facilitate corruption, providing a framework for every level of authority to take part in identifying risk factors and risk mitigation measures, embedding corruption prevention within the authority's governance framework and implementation of well-defined policies and effective platforms to proactively manage and oversee all aspects of the business.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Enhancing company's reputation	Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers	The Company is being prepared for corruption risks by protecting or even enhancing the company's reputation adopting a smart, long-term strategic solution with our CEO and the board proactively leading the anti-corruption effort in a broader, holistic manner, investing in creating a sustainable culture of integrity – with all the right policies, incentives and performance metrics in place for the long term.

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	-	GJ
Energy consumption (gasoline)	461	GJ
Energy consumption (LPG)	-	GJ
Energy consumption (diesel)	18,268	GJ
Energy consumption (electricity)	764,287	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	1,172	GJ
Energy reduction (LPG)	-	GJ
Energy reduction (diesel)	-	GJ
Energy reduction (electricity)	-	kWh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Energy consumption within the organization is from company service and delivery vehicles, generators and stationary equipment and electricity consumed within the buildings used in company operations. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company's energy management through control and reduction of energy consumption enabled it to reduce costs, carbon emissions and health risk thereby promoting a culture of responsible resource use, sustainable practices and genuine care for the environment. Environmental stewardship is at the core of its commitment to go green and help in building a better working world.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization Increased costs, carbon emissions and risks.	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company continually implements efficient use of energy through consumption reduction in all aspects within the organization taking into consideration the savings it can generate and the benefits of lesser carbon emission in the environment that will safeguard nature from potentially damaging business operations, benefitting the economy, the environment and the people.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Cleaner environment, reduced energy cost	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	Managing energy effectively is an ongoing process in the company. Energy management is key to energy conservation. It reduced the operating costs and improved the bottom line. This systematic management cut carbon

		emissions, enabling to meet sustainability goals and regulatory requirements in creating cleaner environment.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	64,889	Cubic meters
Water consumption	64,889	Cubic meters
Water recycled and reused	–	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Water consumed within the properties used for hotel operations, condominium units, real estate for leasing and offices used in company operation and its supply chain. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* ---	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public community	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company encourages water conservation and raises awareness (with posters and signs within the premises as reminder to observe proper water usage). It promotes wastage avoidance that will contribute to reducing water consumption and, consequently, to delaying the need for new resources.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization Risk impacts to diminishing resources, public health, rising water demand, aging	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company adopted water quality management using of a set of technical and non-technical measures and activities, to maintain and improve quality according to the requirements of water uses as well as the protection of the ecosystems.

infrastructure, business and the environment.		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Conservation of water quality, access and the risk of scarcity are all issues of concern to industry leaders because they are vital to the success of their businesses	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company will work for a comprehensive and detailed management approach in the future

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• renewable	1,948	kg/liters
• non-renewable	90,240	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	-	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company's materials used came from its real estate business of leasing, hotel operation, condominium sales and development projects. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company is working on materials management through waste reduction and disposal; use of environmentally friendly materials as part of its environmental, health and social responsibility; and. proper segregation and disposal of material wastes.

The Company has no data for this period as projects were pushed back or operations slowed down due to pandemic.		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization The Company has no data for this period but will provide when applicable.	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company is working on materials management including reducing waste as part of its environmental, health and social responsibility.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization The Company has no data for this period but will provide when applicable.	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company is consistent in its strategy to increase the efficient and sustainable use of resources and reduce waste generation.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites) N/A	
Habitats protected or restored	N/A	ha
IUCN[4] Red List species and national conservation list species with habitats in areas affected by operations	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**

[4] International Union for Conservation of Nature

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) This is not applicable to the present operation of the company. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* This is not applicable to the present operation of the company.	*(e.g. employees, community, suppliers, government, vulnerable groups)* This is not applicable to the present operation of the company.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* This is not applicable to the present operation of the company.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization This is not applicable to the present operation of the company.	This is not applicable to the present operation of the company.	This is not applicable to the present operation of the company.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization This is not applicable to the present operation of the company.	This is not applicable to the present operation of the company.	This is not applicable to the present operation of the company.

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions Gasoline (11,652) Diesel (7,054)	31	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	1,249	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	-	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Direct GHG emissions are from owned or controlled sources such as fuel consumed by vehicles and LPG consumption. Indirect GHG emissions are from electricity purchased from energy company like Meralco. This comprises energy consumptions within the Group.	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company's strategy related to air quality includes specific techniques and measures identified and implemented to achieve reductions in air pollution to attain air quality standard or goal.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization Air pollution	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company is consistent in its strategy to increase the efficient and sustainable use of resources and reduce waste generation which entails measuring emissions and understanding their sources, setting a goal for reducing emissions, developing a plan to meet this goal, and implementing the plan to achieve reductions in emissions.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Improving air quality can deliver substantial health benefits; reducing air pollution levels means reducing premature deaths and diseases from stroke, heart disease, lung cancer, and both chronic and acute respiratory diseases, including asthma.	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company is consistent in its strategy to increase the efficient and sustainable use of resources and reduce waste generation which entails measuring emissions and understanding their sources, setting a goal for reducing emissions, developing a plan to meet this goal, and implementing the plan to achieve reductions in emissions.

Air pollutants

Disclosure	Quantity	Units
NO_x	-	kg
SO_x	-	kg
Persistent organic pollutants (POPs)	-	kg
Volatile organic compounds (VOCs)	-	kg
Hazardous air pollutants (HAPs)	-	kg
Particulate matter (PM)	-	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company has no data for the period but will work on it in the future. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The Company has no data for the period but will work on it in the future.	*(e.g. employees, community, suppliers, government, vulnerable groups)* The Company has no data for the period but will provide in the future.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company will work for a comprehensive and detailed management approach in the future
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization The Company has no data for the period but will work on it in the future.	The Company has no data for the period but will provide in the future.	The Company will work for a comprehensive and detailed management approach in the future
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

Identify the opportunity/ies related to material topic of the organization The Company has no data for the period but will work on it in the future.	The Company has no data for the period but will work on it in the future.	The Company will work for a comprehensive and detailed management approach in the future

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	-	kg
Reusable	200	kg
Recyclable	2,248	kg
Composted	-	kg
Incinerated	-	kg
Residuals/Landfilled	90,740	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Real estate business of the company *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Managing waste and its impact on the environment	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers, tenants, guests and the public.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* Controlling material flows in the overall industrial and economic systems is the company's management approach to minimize waste.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**

Identify risk/s related to material topic of the organization Proper waste disposal that will not damage the environment	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	Controlling material flows in the overall industrial and economic systems is the company's management approach to minimize waste.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Vigilance in reducing waste, reusing items and recycling materials	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	Controlling material flows in the overall industrial and economic systems is the company's management approach to minimize waste.

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	24	kg
Total weight of hazardous waste transported	24	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company has no data right now but it will be working on it in the future. Administrative and office related works within the group have electrical and electronics waste like laptops, UPS, busted lights, cable wire and the like. Operation related wastes from the cleaning solutions for hotel business, electronic waste	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company will work for a comprehensive and detailed management approach in the future.

for logistics business and repair services of electronic products. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization The Company has no data for this period but will provide in the future**.**	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company has no policy on hazardous waste but will work on it in the future.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization The Company has no data for this period but will provide in the future	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company has no policy on hazardous waste but will work on it in the future.

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	-	Cubic meters
Percent of wastewater recycled	-	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Businesses involving hotel, leasing and condominium	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship) Hotel operations, leasing and condominium have significant water discharges due to their business activities involving its tenants, costumers, and guests water consumptions	Employees, tenants, customers/clients, guests, suppliers	The Company continues to innovate in water utilization to conserve the resource without compromising the needs of its business operations and of its customers and clientele.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization Scarce resources of clean and sustainable water supply	Employees, tenants, customers/clients, guests, suppliers	The Company will work for a comprehensive and detailed management approach in the future
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization None identified	Employees, tenants, customers/clients, guests, suppliers	The Company will work for a comprehensive and detailed management approach in the future

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	–	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	–	#
No. of cases resolved through dispute resolution mechanism	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company has no data for this period but will provide in the future. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The Company has no data for this period but will provide in the future.	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company is committed to comply with the government mandate to follow environmental laws and regulations.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization The Company has no data for this period but will provide in the future.		The Company will work for a comprehensive and detailed management approach in the future.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization The Company has no data for this period but will provide in the future.		The Company will work for a comprehensive and detailed management approach in the future.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[5]		

[5] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

a. Number of female employees	143	#
b. Number of male employees	191	#
Attrition rate[6]	-0.781	rate
Ratio of lowest paid employee against minimum wage	1%	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	19	17
PhilHealth	Y	11	12
Pag-ibig	Y	20	20
Parental leaves	Y	.01	0
Vacation leaves	Y	44	54
Sick leaves	Y	19	27
Medical benefits (aside from PhilHealth))	Y	19	27
Housing assistance (aside from Pag-ibig)	N	0	0
Retirement fund (aside from SSS)	Y	0	3
Further education support	N	0	0
Company stock options	N	0	0
Telecommuting	Y	12	19
Flexible-working Hours	Y	3	4
(Others)	Y	0	0

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The well-being of the employees is the top priority of the Company by providing competitive compensation and benefit package. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* With the right platform, the Company, amidst the pandemic, provided employees' need and deliver benefits packages that enable them to
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	

[6] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

There is a risk of good employees leaving the Company caused by opportunities outside of the Company. There is also an effect of the pandemic on the mental health of the employees.	Employees' loyalty will benefit the company by not having to continuously spend time, money, and energy recruiting new employees. As such, the Company has a procedure within the organization to provide assessment of employees' competence and provide support to those not at par through training and coaching. Furthermore, feedbacks are provided and more applicable and relevant programs and trainings are conducted. From the company's point of view, the focus has been and continues to be on stabilizing business activity.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Opportunity to employ and cultivate an employee's skills and competence	The company provides the employees with improved mental health advisories, whether it be to improve their physical health or to successfully deal with mental overload and stress providing or creating programs that lean towards employee enhancement and development including technical, mechanical, environmental, occupational health and safety, quality control, and mental health awareness.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	341	hours
b. Male employees	1,186	hours
Average training hours provided to employees		
a. Female employees	2.38	hours/employee
b. Male employees	6.21	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Enable and empower employees through continuous training, development, and upskilling, for succession in various and key roles for sustainability. Engagement through development instills loyalty and increases retention.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company ensures that its employees are provided with face-to-face and online training programs in technical, technological, quality, skills, professional and other relevant fields to keep abreast with recent developments

Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship) Awareness/compliance to government and company's policies, regulations and health protocols.	applicable in the workplace. The company benefits from increased employee productivity, instills loyalty and higher retention rate.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Training needs for the undertrained and underdeveloped employees to improve productivity, avert high turnover rates, maintain safe environment, and manage human resources effectively.	The Company is consistently providing training programs to strengthen skills and knowledge of all the employees.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization The continuous training and orientation to all employees and giving importance to excellent performers through rewards and recognition.	There are development programs like online trainings, task and job rotations, coaching, mentoring, workshops and conferences that bring all employees to a higher level so they all have similar skills and knowledge. This helps reduce any weak links within the company who rely heavily on others to complete basic work tasks

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	270	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship) Adherence to existing labor laws and standard as well as maintaining good labor-management relationships to avoid disruptions and instability that would impact the performance and reputation of the Company.	The company has the policy of a comprehensive worker-management relationship which is a vital component to the long-term sustainability and good working environment within the organization
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Discontented employees, unionized organization and poor labor-management relations brings the risk of business disruption, high attrition rates and higher costs to the Company.	The Company has good labor practices which avoids combative relationship between labor and management.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Lower turn-over of personnel, greater efficiency and higher productivity and growth within the Company.	The Company has sound labor-management practices to ensure employees productivity and satisfaction which generally contributes to economic growth and development and increased efficiency within the organization.

Diversity and Equal Opportunity GRI 405

Disclosure	Quantity	Units
% of female workers in the workforce	43	%
% of male workers in the workforce	57	%
Number of employees from indigenous communities and/or vulnerable sector*	1 solo parent 3 elderlies	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company provides equal opportunity to diverse group of people regardless of gender, race or religion,	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

preferences or beliefs who could perform assigned tasks and work-life balance. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	It's been the policy of the Company to implement equality and diversity into hiring practices for all who are qualified for the position. The Company adheres to creating a workforce that is fair and inclusive and seeks to retain and attract the best people to do the job through diversity and equal opportunity for all.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Employees from different backgrounds such as age, gender and cultural backgrounds have different needs and feel the urge to be respected in their workplace. Distinct workforce belonging to diverse cultures with different characteristics, aspirations, and expectations in the workplace	Management implements work standards and code of ethics to address the needs of these diverse groups of people to maintain and promote harmony in the workplace, increase productivity and equality within the organization.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Diversity in the workplace promotes improvement and advancement	The Company's diverse team can produce more creative, innovative ideas and skills diversity that promotes good business performance. Diversity in the work place creates more innovative and advanced business outputs.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	638,512	Man-hours
No. of work-related injuries	8	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	15	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Mitigating hazards and keeping a safe workplace across the organization. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company provides a safe workplace for the employees with health and safety protocols in place to help prevent injuries and illness on the job; raise awareness of safety and health matters among workers, formulate policies and programs for a safe and healthy environment.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Incidence of illness and injury especially during the pandemic	The Company has occupational safety and health standards and protocols across the organization. There are safety trainings conducted, safety signages, warnings and restrictions posted in designated areas to promote awareness of hazards in the workplace.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Improve safety and well-being of the human resources	It is the policy of the Company to adhere to occupational safety and health standard across the organization.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	Section III on Employee's Handbook Employment conditions of the Company
Child labor	Y	Section III on Employee's Handbook Employment conditions of the Company
Human Rights	Y	Section III on Employee's Handbook Employment conditions of the Company Code of Conduct

		Pertains to all sanctions imposed upon committing a violation or negative action

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Positive impact on personnel and the organization *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Not applicable	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* Maintaining the credibility of the Company and continuity in upholding the organization's policies and core values in accordance with the standards set forth locally or internationally. https://www.solidgroup.com.ph/sites/default/files/downloadables/SGI_Policy%20and%20Data%20relating%20to%20Health%2C%20Safety%20and%20Welfare.pdf
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Possibilities of outdated or misaligned policies and human rights issues	Continuously reviewing and realigning policies according to national or international standards while maintaining its stability in accordance with its core values.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Updating policies according to the organization and society's standards	By being aware of changes in society as well as the norms by reviewing laws or standards and applying it to the organization's system

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	N/A
Forced labor	N	N/A
Child labor	N	N/A
Human rights	N	N/A
Bribery and corruption	N	N/A

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company's business operations have not identified this material topic but will be considered when applicable. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The Company's business operations have not identified this material topic but will be considered when applicable.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* There is no impact identified for the reporting year. The Company will work for a comprehensive and detailed management approach in the future, when applicable.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization The Company's business operations have not identified this material topic but will be considered when applicable.	There is no identified risk for 2022. The Company will work for a comprehensive and detailed management approach in the future, when applicable.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization The Company's business operations have not identified this material topic but will be considered when applicable.	There is no identified opportunity for 2022. The Company will work for a comprehensive and detailed management approach in the future, when applicable.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or	Location	Vulnerable groups (if applicable)*	Does the particular operation	Collective or individual rights that have been	Mitigating measures (if negative) or

negative) impacts on local communities (exclude CSR projects; this has to be business operations)			**have impacts on indigenous people (Y/N)?**	**identified that or particular concern for the community**	**enhancement measures (if positive)**
N/A	N/A	N/A	N/A	N/A	N/A

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____________

Certificates	Quantity	Units
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

What are the Risk/s Identified?	Management Approach
Identify risk/s related to material topic of the organization The Company's business operations have not identified this material topic but will be considered when applicable.	This will be addressed in the future, when applicable to the Company's operation.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization The Company's business operations have not identified this material topic but will be considered when applicable.	This will be addressed in the future, when applicable to the Company's operation.

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	N/A	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company's distribution segment sells MyPhone mobile phones, tablets and accessories to major distributors and prefabricated modular housing. The Company has not conducted any survey for the period but will do so in the future when applicable. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* MyPhone device has been tested and passed according to the standards in compliance with the essential requirements in the specified directive. It is safe, secure and efficient to use. Every new smartphone has been Google certified and granted the approval for manufacturing and shipment. Our MyHouse prefabricated modular housing can withstand natural disasters.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Myphone experienced a downward trajectory in smartphone market share due to stiff competition.	The Company imports, distributes and sells mobile phones, gadgets and accessories to dealers and retailers. It shifts in business model in 2019 earning service income equivalent to percentage of sales of MyPhone products when it assigned the distribution of MyPhone products to its local distributors/importers, subsequently reducing sales thereafter.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization MyPhone offers affordable quality phones to Filipino masses who can hardly afford high-end mobile phones, with features not behind the high-end mobile phones. MyHouse offers affordable prefabricated modular housing fast to build at a lower cost.	The Company commits to constantly study, understand and keep up with the latest technological advancements, demands, and trends, while we constantly remind ourselves to put the changing and evolving needs of our customers in the face of the changing times, always on top of our priority.

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company has no available information for the period. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The Company has no available information for the period.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company adopts the use of appropriate practices, means, methods, operations or processes, and working conditions reasonably necessary to ensure safe and healthful employment.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization The Company has no available information for the period.	The Company adopts the use of appropriate practices, means, methods, operations or processes, and working conditions reasonably necessary to ensure safe and healthful employment.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization The Company has no available information for the period.	The Company adopts the use of appropriate practices, means, methods, operations or processes, and working conditions reasonably necessary to ensure safe and healthful employment.

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company's distribution/retail segment sells MyPhone tablets and accessories to customers. It also distributes pre-fabricated modular housing technology under MyHouse. The company is not involved in any marketing and labeling activities. Therefore, no impacts are identified as this disclosure is not deemed applicable to the Company. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The Company has no available information for the period.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* This will be addressed in the future, when applicable.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization The Company has no available information for the period.	This will be addressed in the future, when applicable.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization The Company has no available information for the period.	This will be addressed in the future, when applicable.

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) There is no identified impact in the Company for the reporting period. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The Company has no available information for the period.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company upholds the proper handling and protection of the sensitive personal information provided by customers/clients in the course of everyday transactions by handling their sensitive personal data responsibly, minimizing data collection and retention gathering information limited to what is needed by the company to deliver its product and services.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization There are no risks identified for the reporting period.	The Company sees to it that it has a secured network, databases and website as the internet has evolved into a medium of commerce, making consumer data privacy a growing concern.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization It can create customer goodwill and even lift sales, while reducing business and legal risks. Strong security increases overall customer satisfaction and customers have shown they are willing to spend more with us whom they trust to protect their privacy and data.	The Company developed and maintained its privacy policy protecting customer privacy which enables the company to drive more revenues and gain more customers as they believe that privacy practices of the company can be trusted, in addition to its products and services dependability and pricing practices.

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company's business segments namely distribution/retail, property and related services, logistics and technical solutions and investment & others deal with stakeholders and customers (private and government) requiring data information for its business transactions. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The Company is exposed to cyber threats that need sustainable security solutions in today's increasingly digital marketplace because the need for data protection is more critical than ever The company commits to the protection of privacy and security of personal information	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company is compliant with the Data Privacy Act of 2012. It continuously conducted trainings to maintain zero incidence of data breaches, accidental or deliberate, and actively implements security controls and policies on data privacy. The employees were trained to watch out for social engineering tactics, introduced with guidelines on proper handling of threats if encountered and awareness of the corresponding laws applicable to data breaches. The company identified the probable areas of problems, risks and threats related to data privacy and adopted safeguards that would prevent any financial loss and reputational damage due to unexpected attacks. IT administrator made sure all systems in the network are patched and updated to prevent attackers from exploiting vulnerabilities in unpatched or outdated software.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the Cyberattack that may include information theft, financial gain, espionage or sabotage.	The Company was able identify the probable areas of problems, risks and threats related to data privacy and security by understanding its full life cycle of data. As breaches become more frequent and more severe, security that worked yesterday may not address today's issues, hence, the Company implemented sustainable security solutions to fortify all data that are rooted in proactively evolving to meet new challenges.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization A sustainable environment and proactive effort to employ sustainable security technologies in resolving hazards with the constantly changing security challenges of today and continue to identify solutions against data privacy breaches.	The proactive effort of resolving these hazards protects the interest of the individuals and the company adopting safeguards that would prevent financial loss and pose reputational damage due to unexpected cyberattacks. It adopts a sustainable environment both in physical and digital aspect to ensure that resources remain accessible.

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UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Distribution/retail of phones and accessories, modular housing, broadcast, professional equipment, medical supplies, home appliances and electronic products	#9 Industry, Innovation #8 Decent work and economic growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. #11 Sustainable Cities and Communities Ensure sustainable consumption and production patterns and sustainable operation	Waste accumulation pollution	The Company commits to constantly study, understand and keep up with the latest technological advancements, innovations, demands, and trends towards a sustainable growth respectful of the environment.
Key Products and Services	**Societal Value / Contribution to UN SDGs**	**Potential Negative Impact of Contribution**	**Management Approach to Negative Impact**
Property and related services (development, sale, leasing and hotel operation)	#9 Industry, Innovation and Infrastructure Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. Make cities and human settlements inclusive, safe and resilient	Soil exploitation, air pollution and overbuilding	We use technology, innovations and cooperation to change the development trend towards a sustainable growth respectful of the environment.

Rendering of services from project integration	#9 Industry Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Waste accumulation, pollution	We use technology, innovations and cooperation to change the development trend towards a sustainable growth respectful of the environment.
Warehousing, Logistics, distribution and product testing of consumer electronic products	#9 Industry, Innovation # 11 Sustainable Cities and Communities #12 Responsible Consumption and Production Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Waste accumulation, pollution	We help increase resource-use efficiency and the adoption of cleaner and environmentally sound technologies. Developing and providing quality, reliable, sustainable and resilient mobility solutions and infrastructure with a particular focus on smart mobility, urban green infrastructure and resilience, we were able to offer clients all-encompassing sustainable transport and technical solutions.

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

COVER SHEET

SEC Registration Number

								8	4	5

Company Name

S O L I D G R O U P I N C .

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

2 2 8 5 D O N C H I N O R O C E S A V E N U E

M A K A T I C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CGFD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N/A	8843-1511	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
4,221	Last Thursday of June (Per AOI)	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MELLINA T. CORPUZ	meline_c@solidgroup.com.ph	8843-1511	N/A

Contact Person's Address

2285 DON CHINO ROCES AVENUE MAKATI CITY

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

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

Gmail **Ana Maria Lacuesta <amlacuesta2010@gmail.com>**

Your BIR AFS eSubmission uploads were received

1 message

eafs@bir.gov.ph <eafs@bir.gov.ph> Fri, Apr 28, 2023 at 7:09 PM
To: ANNA_O@solidgroup.com.ph
Cc: AMLACUESTA2010@gmail.com

Hi SOLID GROUP INC.,

Valid files

- EAFS000508536TCRTY122022-01.pdf
- EAFS000508536ITRTY122022.pdf
- EAFS000508536AFSTY122022.pdf
- EAFS000508536OTHTY122022.pdf
- EAFS000508536RPTTY122022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-PT3TYWNS03Y2YVX32QTT1Y22T04N4ZSYXV**
Submission Date/Time: **Apr 28, 2023 07:09 PM**
Company TIN: **000-508-536**

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.

Original Signed

SOLID GROUP INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has 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.

JASON S. LIM	**SUSAN L. TAN**	**VINCENT S. LIM**
Chairman of the Board	President & Chief Executive Officer	SVP & Chief Financial Officer
Passport No.	Passport No.	Passport No.
Date/Place Issued:	Date/Place Issued:	Date/Place Issued:

Signed this 25 day of APR 2023 2023.

SUBSCRIBED AND SWORN to before me this 25 day of APR 2023, affiants exhibiting to me their passport with details shown above.

Doc No. 394;
Page No. 80;
Book No. XVI;
Series of 2023

ATTY. RENE MA. M. VILLA
Notary Public of Makati City
Appointment No. M-111
Until December 31, 2024
PTR No. MKT 9565544; 01-03-2023; Makati City
IBP Lifetime No. 013695; 12-27-2013; I.C.
Roll No. 37226
MCLE Compliance No. VII-0024195; 11-15-2022
Ground Floor, Makati Terraces Condominium
3650 Davila St., Brgy. Tejeros, Makati City 1204

P&A Grant Thornton

FOR SEC FILING

Financial Statements and Independent Auditors' Report

Solid Group Inc.

December 31, 2022, 2021 and 2020

P&A Grant Thornton

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors and Stockholders
Solid Group Inc.
2285 Don Chino Roces Avenue
Makati City, Philippines

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Solid Group Inc. (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and the notes to 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 Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 for the year ended December 31, 2022 required by the Bureau of Internal Revenue as disclosed in Note 22 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. The supplementary information has been subjected to the auditing procedures applied in the 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.

The engagement partner on the audits resulting in this independent auditors' report is Nelson J. Dinio.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 9566632, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 97048-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-032-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 13, 2023

SOLID GROUP INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	4	**P 1,527,999,228**	P 1,581,797,731
Short-term placements	4	**-**	747,721,302
Trade and other receivables - net	5	**24,040,315**	98,978,168
Other current assets	6	**46,061,639**	43,098,925
Total Current Assets		**1,598,101,182**	2,471,596,126
NON-CURRENT ASSETS			
Investments in subsidiaries - net	8	**6,205,157,400**	5,238,751,000
Investments in an associate	8	**88,022,714**	76,512,000
Investment in bonds	7	**20,000,000**	20,000,000
Property and equipment - net	9	**399,358**	909,429
Intangible assets - net	10	**100,000**	100,000
Post-employment defined benefit asset	13	**26,255,314**	27,850,648
Other non-current assets		**54,498**	54,498
Total Non-current Assets		**6,339,989,284**	5,364,177,575
TOTAL ASSETS		**P 7,938,090,466**	P 7,835,773,701
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and other current liabilities	11	**P 8,216,715**	P 8,322,264
Subscriptions payable	8	**10,000,000**	-
Total Current Liabilities		**18,216,715**	8,322,264
NON-CURRENT LIABILITY			
Deferred tax liabilities - net	14	**6,566,432**	6,963,261
Total Liabilities		**24,783,147**	15,285,525
EQUITY			
Capital stock	16	**2,030,975,000**	2,030,975,000
Additional paid-in capital	2	**4,641,701,922**	4,641,701,922
Treasury shares - at cost	2	**(115,614,380)**	(115,614,380)
Revaluation reserves	16	**4,993,990**	6,738,061
Retained earnings	16	**1,351,250,787**	1,256,687,573
Total Equity		**7,913,307,319**	7,820,488,176
TOTAL LIABILITIES AND EQUITY		**P 7,938,090,466**	P 7,835,773,701

See Notes to Financial Statements.

SOLID GROUP INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
REVENUES				
Dividend income	8, 15	**P 195,000,000**	P 135,000,000	P 200,000,000
Interest income	4, 7	**48,122,816**	19,206,324	53,806,650
Management fees	15	**20,640,000**	18,060,000	21,240,000
		263,762,816	172,266,324	275,046,650
OPERATING EXPENSES				
Salaries and employee benefits	13	**41,760,108**	40,913,067	41,407,413
Impairment loss on investments in subsidiaries	8	**5,000,000**	809,751,854	53,053,611
Professional fees		**4,255,509**	2,706,594	3,019,969
Rentals	15	**1,216,607**	1,216,607	1,071,607
Transportation and travel		**743,933**	311,294	297,947
Depreciation and amortization	9	**602,821**	927,248	846,579
Dues and fees		**468,532**	274,113	318,014
Taxes and licenses		**466,501**	2,012,443	804,536
Utilities and communication		**372,017**	213,778	221,347
Entertainment and recreation		**252,215**	300,564	68,574
Supplies		**165,751**	154,824	111,375
Impairment loss on intangible assets	10	**-**	-	272,127
Miscellaneous		**1,151,104**	951,583	836,030
		56,455,098	859,733,969	102,329,129
OPERATING PROFIT (LOSS)		**207,307,718**	(687,467,645)	172,717,521
OTHER INCOME (CHARGES) – Net				
Gain on reversal of allowance for impairment on advances to related parties	15	**5,000,000**	809,751,854	-
Finance income (costs) - net	12	**1,394,979**	13,083,289	(13,278,218)
Miscellaneous income		**-**	80,814	-
		6,394,979	822,915,957	(13,278,218)
PROFIT BEFORE TAX		**213,702,697**	135,448,312	159,439,303
TAX EXPENSE	14	**9,846,963**	237,961	11,984,488
NET PROFIT		**P 203,855,734**	P 135,210,351	P 147,454,815

See Notes to Financial Statements.

SOLID GROUP INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
NET PROFIT		**P 203,855,734**	P 135,210,351	P 147,454,815
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss:				
Remeasurements of post-employment defined benefit plan	13	**(2,325,428)**	477,983	1,574,546
Tax income (expense)	14	**581,357**	305,809	(472,364)
		(1,744,071)	783,792	1,102,182
TOTAL COMPREHENSIVE INCOME		**P 202,111,663**	P 135,994,143	P 148,556,997

See Notes to Financial Statements.

SOLID GROUP INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Capital Stock (see Note 16)	**Additional Paid-in Capital** (see Note 2)	**Treasury Shares** (see Note 2)	**Revaluation Reserves** (see Note 16)	**Retained Retained** (see Note 16)	**Total**
Balance at January 1, 2022	P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 6,738,061	P 1,256,687,573	P 7,820,488,176
Cash dividends declared	-	-	-	-	(109,292,520)	(109,292,520)
Total comprehensive income (loss) for the year	-	-	-	(1,744,071)	203,855,734	202,111,663
Balance at December 31, 2022	**P 2,030,975,000**	**P 4,641,701,922**	**(P 115,614,380)**	**P 4,993,990**	**P 1,351,250,787**	**P 7,913,307,319**
Balance at January 1, 2021	P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 5,954,269	P 1,121,477,222	P 7,684,494,033
Total comprehensive income for the year	-	-	-	783,792	135,210,351	135,994,143
Balance at December 31, 2021	P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 6,738,061	P 1,256,687,573	P 7,820,488,176
Balance at January 1, 2020	P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 4,852,087	P 974,022,407	P 7,535,937,036
Total comprehensive income for the year	-	-	-	1,102,182	147,454,815	148,556,997
Balance at December 31, 2020	P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 5,954,269	P 1,121,477,222	P 7,684,494,033

See Notes to Financial Statements.

SOLID GROUP INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 213,702,697**	P 135,448,312	P 159,439,303
Adjustments for:				
Dividend income	8, 15	**(195,000,000)**	(135,000,000)	(200,000,000)
Interest income	4, 7	**(48,122,816)**	(19,206,324)	(53,806,650)
Impairment losses on investments in subsidiaries	8	**5,000,000**	809,751,854	53,053,611
Gain on reversal of allowance for impairment on advances to related parties	15	**(5,000,000)**	(809,751,854)	-
Depreciation and amortization	9	**602,821**	927,248	846,579
Unrealized foreign currency losses (gains) - net	15	**(8,016)**	(17,452,536)	14,213,435
Impairment loss on intangible assets	10	**-**	-	272,127
Operating loss before working capital changes		**(28,825,314)**	(35,283,300)	(25,981,595)
Decrease (increase) in short-term placements		**747,721,302**	1,371,434,016	(1,383,265,444)
Decrease (increase) in trade and other receivables		**(4,345)**	255,192	(187,352)
Decrease in advances to related parties		**5,000,000**	668,007,826	51,462,065
Increase in other current assets		**(3,000,586)**	(2,723,586)	(3,038,711)
Increase in post-employment defined benefit asset		**(730,094)**	(174,856)	(3,786,790)
Decrease in accounts payable and other current liabilities		**(105,549)**	(77,136)	(2,173,990)
Cash generated from (used in) operations		**720,055,414**	2,001,438,156	(1,366,971,817)
Cash paid for final tax		**(9,624,563)**	(3,841,265)	(10,761,315)
Net Cash From (Used in) Operating Activities		**710,430,851**	1,997,596,891	(1,377,733,132)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additional investments in subsidiaries	8	**(961,406,400)**	(392,500,000)	(99,518,750)
Dividends received	5, 8	**270,000,000**	90,000,000	160,000,000
Interest received		**48,065,014**	23,507,194	50,609,344
Additional investments in an associate	8	**(11,510,714)**	(58,326,400)	(18,185,600)
Acquisitions of property and equipment	9	**(92,750)**	(447,161)	(286,537)
Payment of subscription payable	8	**-**	(79,797,900)	-
Investment in bonds	7	**-**	(20,000,000)	-
Net Cash From (Used in) Investing Activities		**(654,944,850)**	(437,564,267)	92,618,457
CASH USED IN A FINANCING ACTIVITY				
Dividends paid	16	**(109,292,520)**	-	-
Effect of Exchange Rate Changes on Cash and Cash Equivalents		**8,016**	5,241	(1,074)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(53,798,503)**	1,560,037,865	(1,285,115,749)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,581,797,731**	21,759,866	1,306,875,615
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 1,527,999,228**	P 1,581,797,731	P 21,759,866

Supplemental Information on Non-cash Investing Activities:

1) In 2022, 2021 and 2020, the Company earned cash dividend income amounting to P195.0 million, P135.0 million and P200.0 million, respectively, from its investments in subsidiaries (see Note 15). Dividends receivable which amounts to P20.0 million and P95.0 million as of December 31, 2022 and 2021, respectively, is presented as part of Trade and Other Receivables account in the statements of financial position (see Note 5).

2) In 2022, 2021 and 2020, the Company earned interest income amounting to P48.1 million, P19.2 million and P53.8 million, respectively, arising from its cash in banks, short-term placements and investment in bonds (see Notes 4 and 7). Interest receivable which amounts to P4.0 million as of December 31, 2022 and 2021 is presented as part of Trade and Other Receivables account in the statements of financial position (see Note 5).

3) In 2022, the Company made additional investments in its subsidiaries' shares of stock totaling to P971.4 million. Out of the total additional investments, P10.0 million remains unpaid as of December 31, 2022. The outstanding balance is presented as Subscriptions Payable in the 2022 statement of financial position (see Note 8).

4) In 2021, the Company's advances to related parties amounting to P1,138.1 million were converted into investments in subsidiaries (see Notes 8 and 15). There was no similar transaction in 2022 and 2020.

See Notes to Financial Statements.

SOLID GROUP INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

Solid Group Inc. (the Company) is a publicly-listed company incorporated in the Philippines on October 16, 1933. On February 22, 1982, the Philippine Securities and Exchange Commission (the Commission) approved the extension of the Company's corporate life for another 50 years. The Company currently conducts business as an investment holding company. The Company's shares of stock are publicly traded at the Philippine Stock Exchange (PSE).

In 2022, the Company acquired 100% ownership over Avid, a company incorporated and domiciled in the Philippines (see Note 8).

In 2021, SVC acquired 100% ownership over SVC HK, a foreign private entity domiciled and incorporated under the laws of Hong Kong.

As of December 31, 2022 and 2021, the Company holds ownership interests in the following companies:

Subsidiaries / Associate	Percentage of Ownership		Notes	Nature of Business
	2022	2021		
Subsidiaries:				
Avid Sales Corporation (Avid)	**100%**	-		Distribution, wholesale and retail of home appliances and electronic products
Brilliant Reach Limited (BRL)	**100%**	100%	a	Investment company
Casa Bocobo Hotel, Inc. (CBHI)	**100%**	100%	b	Hotel and restaurant operations
Green Sun Hotel Management, Inc (GSHMI)	**100%**	100%		Hotel and restaurant operations
Kita Corporation (Kita)	**100%**	100%		Leasing of real estate properties
My Solid Technologies & Devices Corporation (My Solid)	**100%**	100%		Sale of mobile phones and accessories
MyApp Corporation (MyApp)	**100%**	100%	c	Investment holding company
Omni Solid Services Inc. (OSSI)	**100%**	100%		Logistics and assembly of consumer electronic products
Precos, Inc. (Precos)	**100%**	100%	d	Real estate
Solid Broadband Corporation (SBC)	**100%**	100%		Broadband cable and satellite services
SolidService Electronics Corporation (SEC)	**100%**	100%		Repair services for audio and video products
Solid Group Technologies Corporation (SGTC)	**100%**	100%		Trading of pre-fabricated modular house and office units
Solid Manila Corporation (SMC)	**100%**	100%		Real estate
Solid Manila Finance, Inc. (SMFI)	**100%**	100%		Financing
Solid Video Corporation (SVC)	**100%**	100%		Trading of professional audio/video equipment
Zen Towers Corporation (ZTC)	**100%**	100%		Real estate
SVC Hong Kong Limited (SVC HK)	**100%**	100%	d, g	Trading of professional audio/ video equipment
Skyworld Corporation (Skyworld)	**75%**	75%	b, d	Investment holding company

Subsidiaries / Associate	Percentage of Ownership 2022	2021	Notes	Nature of Business
Interstar Holdings Company, Inc. (Interstar)	**73%**	73%	b, d	Investment holding company
Starworld Corporation (Starworld)	**50%**	50%	b, e	Real estate
Laguna International Industrial Park, Inc. (LIIP)	**50%**	50%	b, f	Real estate
Associate –				
Fekon Solid Motorcycle Mfg. Corp. (Fekon)	**44%**	44%	8.5	Sale of motorcycle, motor parts and products

Notes:

(a) Incorporated and domiciled in the British Virgin Islands
(b) Indirectly owned through SMC
(c) Incorporated on October 23, 2014; has not yet started commercial operations as of December 31, 2022
(d) Pre-operating or non-operating
(e) Starworld is 20% owned by SMC and 40% owned by Skyworld
(f) LIIP is 22.5% owned by SMC and 37.5% owned by Interstar
(g) Indirectly owned through SVC

The subsidiaries and associate are all incorporated in the Philippines, except for BRL and SVC HK, which are incorporated in the British Virgin Islands and Hong Kong, respectively. The principal place of business of these domestic subsidiaries and associate is within Metro Manila, Philippines (see Note 8).

The Company's registered office address, which is also its principal place of business, is located at 2285 Don Chino Roces Avenue, Makati City, Philippines.

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 December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Company's Board of Directors (BOD) on April 13, 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 and in the succeeding pages. 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 with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

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

(b) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents the statement of comprehensive income separate from the statement of income.

The Company presents 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.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of Amended Standards

(a) *Effective in 2022 that are Relevant to the Company*

The Company adopted for the first time the following amendments and annual improvements to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PFRS 3 (Amendments)	:	Business Combinations – Reference to the Conceptual Framework
PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Costs of Fulfilling a Contract
Annual Improvements to PFRS 2018-2020 Cycle		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 percent' Test for Derecognition of Financial Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below is the relevant information about these pronouncements.

(i) PFRS 3 (Amendments), *Business Combinations – Reference to the Conceptual Framework*. The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard. The amendments did not significantly impact the Company's financial statements.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit 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 cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Company's financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

(iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Company's financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact, and which are effective from January 1, 2022, are relevant to the Company's financial statements:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) *Effective in 2022 that are not Relevant to the Company*

Among the amendments and annual improvements to existing standards which are mandatorily effective for annual periods beginning on or after January 1, 2022, only the following annual improvements to PFRS 2018-2020 Cycle are not relevant to the Company's financial statements:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*

- PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) *Effective Subsequent to 2022 but not Adopted Early*

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

(v) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between and Investor and its Associates or Joint Venture* (effective date deferred indefinitely)

2.3 Separate Financial Statements and Investments in Subsidiaries and in an Associate

These financial statements are prepared as the Company's separate financial statements. The Company also prepares consolidated financial statements as required under PFRS.

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when: (i) it has power over the entity; (ii) it is exposed, or has rights to, variable returns from its involvement with the entity; and, (iii) it has the ability to affect those returns through its power over the entity.

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 accumulated impairment losses (see Note 2.13), where dividend income is recognized when the Company's right to receive payment is established.

On the other hand, associates are those entities over which the Company is able to exert significant influence, but which are neither subsidiaries nor interests in a joint venture. Investment in associates is initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the Company's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within Share in Net Profit of an Associate account in the statement of profit or loss. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities. Dividends received are accounted for as a reduction in the carrying value of the investment.

2.4 Current versus Non-current Classification

The Company presents assets and liabilities in the statement of financial position based on current or non-current classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after the reporting period; or,
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or,
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and deferred tax liabilities are classified as non-current assets and non-current liabilities, respectively.

2.5 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the financial instrument.

(a) Financial Assets

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. 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).

(i) Classification, Measurement and Reclassification of Financial Assets

The classification, measurement and reclassification of financial assets are driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below and in the succeeding pages.

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 solely payments of principal and interest (SPPI) on the principal amount outstanding.

Except for trade and other 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 are presented in the statement of financial position as Cash and Cash Equivalents, Short-term Placements, Trade and Other Receivables, Advances to Related Parties and Investment in Bonds.

For purposes of cash flow reporting and presentation, cash and cash equivalents include demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Company for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Company has irrevocably designated equity instruments as at FVOCI on initial recognition.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss, when the Company's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

Interest income on financial assets measured at amortized cost and debt financial assets measured at FVOCI is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

If applicable, interest income 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 and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate 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.

Interest income earned is recognized under Revenues in the statement of income.

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 FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL 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.

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.

(ii) Impairment of Financial Assets

At the end of the reporting period, the Company assesses and recognizes its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may 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 instruments evaluated based on a range of possible outcome.

The Company recognizes ECL for intercompany receivables which is measured and recognized using the liquidity approach by determining 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.

For deposits in bank, which includes cash in banks, cash equivalents and short-term placements, 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.

The Company determines 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 making this assessment, the Company considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

If applicable, an impairment loss is recognized 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, except for debt instruments measured at FVOCI, for which the loss allowance is recognizes in other comprehensive income and accumulated in Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(iii) 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 nor 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.

(b) *Financial Liabilities*

Financial liabilities, which include accounts payable and other current liabilities (excluding government-related and other tax liabilities) and subscriptions payable, are recognized initially at their fair values and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments. All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Income (Costs) – Net under Other Income (Charges) – Net in the statement of income.

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

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) *Offsetting of 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.

2.6 Other Assets

Other assets, which are generally non-financial assets, pertain to other resources controlled by the Company as a result of past events. They are recognized at cost 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. These are subsequently charged to profit or loss as utilized or reclassified to another asset account, if capitalizable.

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.

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 2.13).

2.7 Property and Equipment

Property and equipment are initially measured at cost and are subsequently stated at cost less accumulated depreciation and amortization and any impairment in value.

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

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

Transportation equipment	5 years
Computer software	3 years
Office furniture, fixtures and equipment	3 years

Fully depreciated and 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 those assets.

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 2.13).

The residual values, 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.

An item of property and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Intangible Assets

Intangible assets include non-proprietary club shares which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition.

These 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. The Company's non-proprietary club shares is assessed as having indefinite useful life and is tested annually for any impairment. 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 2.13).

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.9 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.

2.10 Revenue and Expense Recognition

Revenue comprises revenue from rendering general management services measured by reference to the fair value of consideration received or receivable by the Company for services rendered, excluding value-added taxes (VAT).

To determine whether to recognize revenue, the Company follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

The Company determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

(i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
(iii) the payment terms for the goods or services to be transferred or performed can be identified;
(iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

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 entity has an enforceable right to payment for performance completed to date.

The Company enters into transactions involving the performance of general management services. The significant judgments in determining the timing of satisfaction of the performance obligation are disclosed in Note 3.1(b). If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Company uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Company's contracts with customers have original expected duration of one year or less.

Specifically, revenue from general management services is recognized by the amount in which the Company has a right to invoice that corresponds directly with the value of services rendered to its affiliates that is completed over a period of time.

In obtaining customer contracts, the Company incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Company uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Company also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Company accounts for those costs in accordance with accounting policies related to those financial reporting standards.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred.

2.11 Leases – Company as Lessee

For any new contracts entered into the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;

- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

In 2022 and 2021, the Company only has short-term lease agreements with lease term of one year or less. The Company has elected to account for its short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

2.12 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. 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.

2.13 Impairment of Non-financial Assets

The Company's investments in subsidiaries and in an associate, property and equipment, intangible assets and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount 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 asset's 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 asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.14 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan and defined 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 defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The asset recognized in the statement of financial position for post-employment defined benefit pension plans is the fair value of plan asset less the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero-coupon government bond using the reference rates published by Bloomberg [using its valuation technology, Bloomberg Valuation (BVAL)], 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. BVAL provides evaluated prices that are based on market observation 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 other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance Income (Costs) – Net under Other Income (Charges) – Net section of the statement of 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 Plan

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. 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 and 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) Termination Benefits

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

(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 Accounts Payables and Other Current Liabilities account in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

(e) Short-term Employee Benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in the Accounts Payables and Other Current Liabilities account in the statement of financial position measured at the undiscounted amount the Company expects to pay as a result of the unused entitlement.

2.15 Income Taxes

Tax expense recognized in the statement of income 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 current tax 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 the 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 for 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 assets 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.

2.16 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless 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; and, (d) the Company's funded retirement plan.

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 requirements of SEC Memorandum Circular No. 10, Series of 2019, *Rules on Material Related Party Transactions for Publicly-Listed Companies*, transactions amounting to ten (10%) or more of the total assets based on the latest audited financial statements that were entered into with the related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the board of directors, 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 director's 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 12-month period that breaches the materiality threshold of ten percent (10%) of the Company's consolidated total assets, whichever is lower, based on the latest audited financial statements, the same board approval would be required for the transactions that meet and exceeds the materiality threshold covering the same related party.

2.17 Equity

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

Additional paid-in capital (APIC) includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

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 of.

Revaluation reserves comprise of remeasurements of post-employment defined benefit plan, net of tax and any accumulated changes in fair value of financial assets at FVOCI.

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

2.18 Events After the End of the Reporting Period

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 JUDGEMENTS 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, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

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 leases of office space, 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 lease of office space. The renewal option in this case is not enforceable as both parties still need to agree to renew, including the terms of the renewal, even if both parties have historically always come to a mutual agreement. Thus, the non-cancellable period is only one year since there is no enforceable contract after the one-year period.

The lease term is reassessed if an option is actually exercised or not exercised or the Company becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is 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.

(b) Determination of Timing of Satisfaction of Performance Obligations

The Company determines that its revenue from general management services shall be recognized over time. In making its judgment, the Company considers the timing of receipt and consumption of benefits provided by the Company to its subsidiaries. The Company provides the general management services without the need of reperformance of other companies. This demonstrates that the subsidiaries simultaneously receive and consume the benefits of the Company's rendering of general management services as it performs.

In determining the best method of measuring the progress of the Company's rendering of general management services, management considers the output method under PFRS 15 because it directly measures the value of the services transferred to the customer.

(c) Determination of ECL on Trade and Other Receivables, Investment in Bonds and Advances to Related Parties

The Company uses liquidity approach to calculate ECL for its outstanding receivables with related parties. Using the liquidity approach, management considers the counterparties' ability to repay receivables upon demand at the reporting period.

Significant portion of the Company's financial asset at amortized cost are receivables from related parties. In relation to this, the maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Company's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties.

If the Company cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

The Company also uses external benchmarking approach to calculate ECL for investment in bonds. The provision rates are derived from published credit ratings by external rating agencies. As referenced to these external credit benchmarks, the Company defines the credit ratings based on certain financial ratios and appropriately determine the equivalent internal credit ratings. Referenced probability of default is then derived from the latest annual global corporate default study published by the external rating agency. The Company makes an annual re-assessment of the applicability and reliability of the reference rates used.

The Company has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Details about the ECL on the Company's trade and other receivables, investment in bonds and advances to related parties are disclosed in Note 18.2 (b, c and d).

(d) Evaluation of Business Model Applied in Managing Financial Instruments

The Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Company evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Company's investment trading strategies.

(e) *Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model*

In determining the classification of financial assets, the Company assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Company assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Company considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Company considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessary inconsistent with a held-to-collect business model if the Company can explain the reasons for those sales and why those sales do not reflect a change in the Company's objective for the business model.

(f) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition provision and contingencies are discussed in Note 2.9 and disclosures on other relevant provisions and contingencies are presented in Note 17.

3.2 Key Sources of Estimation Uncertainty

The following are 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:

(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). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 18.2.

(b) Estimation of Useful Lives of Property and Equipment and Intangible Assets

The Company estimates the useful lives of property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. Intangible assets were determined to have indefinite useful lives as these are non-proprietary club shares.

The carrying amount of property and equipment and intangible assets are analyzed in Notes 9 and 10, respectively. Based on management's assessment as of December 31, 2022 and 2021, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) Fair Value Measurement of Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying value of the Company's financial assets at FVOCI are disclosed in Note 7.1.

(d) Determination of Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets 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. Generally, management assessed that the deferred tax assets recognized as of December 31, 2022 and 2021 will be fully utilized in the coming years. However, there are certain deferred tax assets that were not recognized since management believes that there is no assurance that the related tax benefits will be realized in the coming years (see Note 14).

(e) *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 2.13). Though management believes that the assumptions used in the estimation of recoverable values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

In 2022, 2021 and 2020, the Company recognized additional impairment losses amounting to P5.0 million, P809.8 million and P53.1 million, respectively, on certain investment in subsidiaries due to the downturn in the business prospects of these subsidiaries (see Note 8.3). Also, in 2020, the Company recognized additional impairment loss on its intangible assets amounting to P0.3 million (see Note 10). There is no impairment loss recognized in relation with intangible assets in 2022 and 2021.

(f) *Valuation of Post-employment Defined Benefit*

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by an independent actuary in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 13.2.

4. CASH AND CASH EQUIVALENTS AND SHORT-TERM PLACEMENTS

4.1 Cash and Cash Equivalents

Cash and cash equivalents include the following components as of December 31:

	2022	2021
Cash in banks	**P 5,169,188**	P 10,836,481
Cash equivalents	**1,522,830,040**	1,570,961,250
	P 1,527,999,228	P 1,581,797,731

Cash in banks generally earn interest based on daily bank deposit rates. Cash equivalents pertain to highly liquid short-term investment with maturity periods varying from 21 to 72 days in 2022 and 35 to 63 days in 2021, and earn effective interests ranging from 0.30% to 5.63% in 2022 and 0.25% to 1.38% in 2021.

Interest earned from cash and cash equivalents are presented as part of Interest Income account in the statements of income. The outstanding balance of such interest is presented as part of Interest receivable under Trade and Other Receivables account in the statements of financial position (see Note 5).

4.2 Short-term Placements

Short-term placements, presented separately in the statements of financial position, pertain to time deposits amounting to P747.7 million as of December 31, 2021 with maturity periods varying between 91 to 185 days and earn effective interests ranging from 1.20% to 1.38%. On the other hand, maturity periods of short-term placements during 2020 varies between 182 to 294 days and earn effective interests ranging from 0.52% to 1.80%. There were no outstanding time deposits with maturity of more than three months in 2022.

Interest earned from short-term placements are presented as part of Interest Income account in the statements of income. The outstanding balance of such interest is presented as part of Interest receivable under Trade and Other Receivables account in the 2021 statement of financial position (see Note 5).

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	2022	2021
Dividends receivable	15.2	**P 20,000,000**	P 95,000,000
Management fees receivable	15.1	**13,600,000**	13,600,000
Interest receivable	4, 7	**4,027,685**	3,969,883
Others		**12,630**	8,285
		37,640,315	112,578,168
Allowance for impairment	15.1	**(13,600,000)**	(13,600,000)
		P 24,040,315	P 98,978,168

All of the Company's trade and other receivables have been assessed for impairment based on the ECL model. The fair value of these short-term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value. Certain trade receivables were found to be impaired as determined by management; hence, adequate amounts of allowance for impairment have been recognized [see Note 18.2(b)].

There were no additional impairment losses necessary to be recognized for the years ended December 31, 2022, 2021 and 2020.

6. OTHER CURRENT ASSETS

The composition of this account is as follows:

		2022		2021
Creditable withholding taxes	**P**	**46,054,903**	P	42,996,775
Deferred input VAT		**6,736**		47,150
Others		**-**		55,000
	P	**46,061,639**	P	43,098,925

Based on management's assessment, there are no impairment losses required to be recognized on the Company's other current assets in 2022 and 2021.

7. INVESTMENT SECURITIES

7.1 Financial Assets at Fair Value Through Other Comprehensive Income

This account pertains to the Company's 33% equity ownership interest in the common stock of Sony Philippines, Inc. (SPI). This investment is related to the Joint Venture Agreement (JVA) executed in 1997 with Sony Corporation of Japan which expired on May 8, 2005. On April 11, 2005, the Company received a formal notice of the expiry of the JVA. The Company and Sony Corporation have both agreed to pursue negotiations for an equitable settlement of all matters relating to the JVA and its expiration.

As a result of the above events, the Company determined that it no longer has significant influence over the investee company. Consequently, it reclassified its remaining investment in shares of stock of SPI with total cost of P8.6 million to available-for-sale (AFS) financial assets in 2005. In 2018, in accordance with PFRS 9, the Company reclassified such investment from AFS financial assets to financial assets at FVOCI.

The Company determined that the fair value of this investment is nil as of December 31, 2022 and 2021.

7.2 Investment in Bonds

In 2021, the Company invested in held-to-collect corporate bonds classified and measured at amortized cost amounting to P20.0 million, which bear fixed interest rate of 4.34% per annum and will mature on October 12, 2027. The amount of investment is presented as Investment in Bonds in the statements of financial position.

Interest income generated from investment in bonds in 2022 and 2021 amounted to P0.9 million and P0.2 million, respectively, which is presented as part of Interest Income in the statements of income. There was no interest income generated in 2020. The outstanding interest amounting to P0.2 million as of December 31, 2022 and 2021 is presented as part of Interest receivable under Trade and Other Receivables account in the statements of financial position (see Note 5).

The Company's investment in bonds, which are subject to credit risk exposure [see Note 18.2(c)], have been reviewed for impairment. Based on such review, the management determines that no impairment loss is needed to be recognized in 2022 and 2021 as the bonds were in good credit standing as of December 31, 2022 and 2021.

8. INVESTMENTS IN SUBSIDIARIES AND AN ASSOCIATE

The components of the carrying values of investments in wholly owned subsidiaries and an associate accounted for under the cost method are as follows:

	Note	2022	2021
Subsidiaries:			
SMC	8.1	**P 3,446,362,077**	P 3,446,362,077
Kita	8.1	**648,656,549**	648,656,549
BRL	8.1	**562,232,201**	562,232,201
My Solid	8.1	**473,099,100**	473,099,100
ZTC	8.1	**368,239,416**	318,239,416
OSSI		**284,258,015**	284,258,015
Precos		**120,725,072**	120,725,072
SVC	8.1, 8.2	**116,991,725**	66,991,725
Avid	8.1	**100,200,100**	-
SMFI		**100,000,000**	100,000,000
SGTC		**88,379,789**	88,379,789
SEC		**60,325,027**	60,325,027
SBC		**49,585,655**	49,585,655
GSHMI	8.1	**37,500,000**	25,000,000
MyApp		**10,000,000**	10,000,000
		6,466,554,726	6,253,854,626
Deposits for future stock subscription	8.1	**1,053,225,050**	294,518,750
		7,519,779,776	6,548,373,376
Allowance for impairment	8.3	**(1,314,622,376)**	(1,309,622,376)
		P 6,205,157,400	P 5,238,751,000
Associate –			
Investment in Fekon	8.5	**P 88,022,714**	P 76,512,000

Except for the subsidiaries and associate listed below, the place of incorporation of the other subsidiaries, which is similar to the place of operation, is located at 2285 Don Chino Roces Avenue, Makati City:

(a) SMC – 1000 J. Bocobo corner T.M. Kalaw Street, Ermita, Manila
(b) Kita – N7175 Gil Puyat Ave. cor. Feati St., Clark Freeport Zone, Clarkfield, Pampanga
(c) BRL – 2nd Floor, Abbott Building, Road Town, P.O. Box 933, Tortola, British Virgin Islands
(d) ZTC – 1111 Natividad A. Lopez St., Brgy. 659-A, District 5, Ermita, Manila
(e) OSSI – Solid St., LIIP, Mamplasan, Biñan, Laguna
(f) Avid – 1000 J. Bocobo cor. T.M. Kalaw Street, Ermita, Manila
(g) SEC – 145 G. Araneta Avenue, Brgy. Tatalon, Quezon City
(h) Fekon – Block 7, Lot 8B San Simon Industries Park, San Isidro, San Simon, Pampanga

8.1 Additional Investments in Shares

The movements in the investments in subsidiaries (at gross) recognized in the statements of financial position as of December 31, 2022 and 2021 are as follows:

	Notes	Investments	Deposits for Future Stock Subscriptions	Total
2022:				
Balance at beginning of year		P6,253,854,626	P 294,518,750	P 6,548,373,376
Additional investments		100,200,100	861,206,300	961,406,400
Reclassification from deposits for future stock subscriptions		102,500,000	(102,500,000)	-
Subscriptions payable	8.2, 15.4	10,000,000	-	10,000,000
Balance at end of year		**P6,466,554,726**	**P1,053,225,050**	**P7,519,779,776**
2021:				
Balance at beginning of year		P4,985,746,874	P 32,018,750	P5,017,765,624
Conversion from advances	15.3	988,107,752	150,000,000	1,138,107,752
Additional investments		280,000,000	112,500,000	392,500,000
Balance at end of year		P6,253,854,626	P 294,518,750	P6,548,373,376

In November 2022, the Company acquired the outstanding shares of Avid from the latter's former stockholders for a total consideration of P100.2 million for 100% ownership over Avid (see Note 1.1). Management assessed that it has control over Avid and was considered as a subsidiary as of December 31, 2022. In 2021, the Company made additional cash investments in the shares of ZTC and SMC amounting to P180.0 million and P100.0 million, respectively.

In 2022, the Commission approved the application of ZTC, SVC and GSHMI for the increase in their authorized capital stock. As a result, the Company's subscriptions to ZTC, SVC and GSHMI's shares of stock amounting to P50.0 million, P40.0 million and P12.5 million, respectively, have been considered as additional investments through the application of deposits for future stock subscriptions.

In 2021, the Company converted its advances to related parties into investments in subsidiaries as presented below.

	Investments	Deposits for future stock subscriptions
Kita	P 400,000,000	P -
My Solid	300,000,000	100,000,000
BRL	288,107,752	-
ZTC	-	50,000,000
	P 988,107,752	**P 150,000,000**

There were no conversions in 2022.

The details of the additional investments in the shares made by the Company presented as part of deposit for future stock subscriptions are shown below.

	2022	2021
Precos	**P 861,206,300**	P 60,000,000
SVC	**-**	40,000,000
GSHMI	**-**	12,500,000
	P 861,206,300	P 112,500,000

Since MyApp and My Solid are yet to apply for the planned increase in authorized capital stock to the Commission, while Precos' application is still pending for approval of the Commission as of December 31 2022, the investments were presented under deposits for future stock subscription. The total deposits for future stock subscriptions as of December 31 are presented below.

	2022	2021
Precos	**P 921,206,300**	P 60,000,000
My Solid	**100,000,000**	100,000,000
MyApp	**32,018,750**	32,018,750
GSHMI	**-**	12,500,000
ZTC	**-**	50,000,000
SVC	**-**	40,000,000
	P 1,053,225,050	P 294,518,750

8.2 Subscriptions Payable

As of December 31, 2022, the Company has an outstanding subscriptions payable to SVC amounting to P10.0 million and is presented as Subscriptions Payable in the 2022 statement of financial position (see Note 15.4). There was no similar transaction in 2021.

In 2007, the Company assumed the outstanding subscriptions payable of Solid Corporation (merged with SMC) to Precos amounting P88.2 million as of December 31, 2010. The outstanding balance of subscriptions payable as of December 31, 2020 amounting to P79.8 million has been fully settled in 2021 resulting in nil balance as of December 31, 2021.

8.3 Allowance for Impairment

A reconciliation of the allowance for impairment on investments in subsidiaries at the beginning and end of 2022, 2021 and 2020 is shown below.

	2022	2021	2020
Balance at beginning of year	**P 1,309,622,376**	P 499,870,522	P 446,816,911
Impairment loss during the year	**5,000,000**	809,751,854	53,053,611
Balance at end of year	**P 1,314,622,376**	P 1,309,622,376	P 499,870,522

In 2022, 2021 and 2020, the Company recognized additional allowance for impairment on investment in subsidiaries which are presented under Operating Expenses in the statements of income.

8.4 Dividend Income

The Company earned cash dividend amounting to P195.0 million, P135.0 million and P200.0 million in 2022, 2021 and 2020, respectively, from its subsidiaries, and is presented as Dividend Income in the statements of income (see Note 15.2). Dividends receivable which amounts to P20.0 million and P95.0 million as of December 31, 2022 and 2021, respectively, is presented under Trade and Other Receivables account in the statements of financial position (see Note 5).

8.5 Investment in an Associate

In 2022 and 2021, the Company made additional deposits in the share of Fekon, totaling to P11.5 million and P58.3 million, respectively, in relation to the planned increase in authorized capital stock of the latter. As of December 31, 2022 and 2021, Fekon is still on the process of completing its documents on its application to increase its authorized capital stock with the Commission. Management believes that upon approval by the Commission, the Company will have significant influence with 44% ownership interest over Fekon.

Accordingly, the deposits are recorded as Investment in an Associate in the statements of financial position with total outstanding balance of P88.0 million and P76.5 million as of December 31, 2022 and 2021, respectively. Total equity interest of the Company is at 44% as of December 31, 2022 and 2021.

Initially, the Company's investment is measured at cost and subsequently, upon approval of the application with the Commission, will be measured using equity method.

The summarized financial information for Fekon is shown below.

	2022	2021
Current assets	**P 142,664,730**	P 151,068,368
Non-current assets	**43,615,185**	29,933,236
Total assets	**P 186,279,915**	P 181,001,604
Current liabilities	**P 39,541,843**	P 20,498,507
Non-current liabilities	**29,919,111**	175,016,563
Total liabilities	**P 69,460,954**	P 195,515,070
Revenue	**P 94,082,830**	P 61,424,400
Net loss for the year	**(P 71,531,196)**	(P 17,704,384)

Fekon is a private company and there are no quoted prices available for its shares of stocks.

Fekon is incorporated and domiciled in the Phillippines. Fekon's primary purpose is to engage business of manufacturing, selling, distributing, marketing, trading and assembling of all kinds of goods such as but not limited to motorcycles, e-bicycles, motor parts and products, electronic devices and other electronic merchandise. Fekon's registered office address and principal place of business is located at Block 7, Lot 8B, San Simon Industries Park, San Isidro, San Simon, Pampanga.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2022 and 2021 are shown below.

	Office Furniture, Fixtures and Equipment	Computer Software	Transportation Equipment	Total
December 31, 2022				
Cost	P 5,372,939	P 1,627,994	P 1,683,929	P 8,684,862
Accumulated depreciation and amortization	(5,110,622)	(1,575,150)	(1,599,732)	(8,285,504)
Net carrying amount	**P 262,317**	**P 52,844**	**P 84,197**	**P 399,358**
December 31, 2021				
Cost	P 5,280,189	P 1,627,994	P 1,683,929	P 8,592,112
Accumulated depreciation and amortization	(4,926,849)	(1,492,888)	(1,262,946)	(7,682,683)
Net carrying amount	P 353,340	P 135,106	P 420,983	P 909,429
January 1, 2021				
Cost	P 4,937,385	P 1,523,637	P 1,683,929	P 8,144,951
Accumulated depreciation and amortization	(4,676,322)	(1,152,952)	(926,161)	(6,755,435)
Net carrying amount	P 261,063	P 370,685	P 757,768	P 1,389,516

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2022 and 2021 is shown below and in the succeeding page.

	Office Furniture, Fixtures and Equipment	Computer Software	Transportation Equipment	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 353,340	P 135,106	P 420,983	P 909,429
Additions	92,750	-	-	92,750
Depreciation and amortization charges for the year	(183,773)	(82,262)	(336,786)	(602,821)
Balance at December 31, 2022, net of accumulated depreciation and amortization	**P 262,317**	**P 52,844**	**P 84,197**	**P 399,358**
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 261,063	P 370,685	P 757,768	P 1,389,516
Additions	342,804	104,357	-	447,161
Depreciation and amortization charges for the year	(250,527)	(339,936)	(336,785)	(927,248)
Balance at December 31, 2021, net of accumulated depreciation and amortization	P 353,340	P 135,106	P 420,983	P 909,429

	Office Furniture, Fixtures and Equipment	Computer Software	Transportation Equipment	Total
Balance at January 1, 2020, net of accumulated depreciation and amortization	P 330,452	P 524,553	P 1,094,553	P 1,949,558
Additions	105,487	181,050	-	286,537
Depreciation and amortization charges for the year	(174,876)	(334,918)	(336,785)	(846,579)
Balance at December 31, 2020, net of accumulated depreciation and amortization	P 261,063	P 370,685	P 757,768	P 1,389,516

Depreciation and amortization amounting to P0.6 million in 2022, P0.9 million in 2021, and P0.8 million in 2020 is presented under Operating Expenses in the statements of income.

The cost of fully depreciated and amortized property and equipment still used in operations amounted to P6.2 million and P5.5 million as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, none of the Company's property and equipment were held as collateral for loans. Further, no impairment losses were recognized in 2022, 2021 and 2020 as the management believes that the carrying amount of property and equipment is recoverable in full.

10. INTANGIBLE ASSETS

The gross carrying amount and allowance for impairment of intangible assets as of December 31, 2022 and 2021 are shown below.

Cost	P 2,222,127
Allowance for impairment	(2,122,127)
	P 100,000

The Company's non-proprietary club shares is assessed as having indefinite useful life and is tested annually for any impairment. In 2020, certain non-proprietary club shares were assessed to be impaired as determined by the management; hence, adequate amount of allowance for impairment has been recognized. The related loss amounting to P0.3 million is presented under Operating Expenses in the 2020 statement of income. Based on management's assessment, no additional allowance is required to be recognized in 2022 and 2021.

11. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

This account consists of:

	Note	2022	2021
Non-trade payables	15.5	**P 5,953,349**	P 6,138,765
Withholding taxes payable		**1,455,932**	1,346,199
Accrued expenses		**671,600**	714,725
Others		**135,834**	122,575
		P 8,216,715	P 8,322,264

Others include contributions to government agencies and social security costs.

Management considers the carrying amounts of trade and other payables recognized in the statements of financial position to be reasonable approximation of their fair values.

12. FINANCE INCOME (COSTS)

Finance income (costs) – net is presented under Other Income (Charges) – Net in the statements of income. The breakdown of this account includes the following:

	Notes	2022	2021	2020
Net interest income on post-employment benefit assets	13.2	**P 1,386,963**	P 1,025,358	P 1,096,191
Foreign currency gains (losses) - net	15.3	**8,016**	12,057,931	(14,374,409)
		P 1,394,979	P 13,083,289	(P 13,278,218)

13. EMPLOYEE BENEFITS

13.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2022	2021	2020
Short-term benefits		**P 41,103,239**	P 40,062,565	P 40,080,997
Post-employment benefit	13.2	**656,869**	850,502	1,326,416
	15.8	**P 41,760,108**	P 40,913,067	P 41,407,413

13.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Company maintains a fully-funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Company. The trustee bank managed the fund in coordination with the Company's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The Company's post-employment benefit plan provides retirement benefits ranging from 100% to 115% of the final monthly covered compensation as of the date of retirement for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2022 and 2021.

The components of the post-employment defined benefit asset at the end of the reporting periods are shown below.

	2022	2021
Fair value of plan assets	**P 33,607,778**	P 33,825,475
Present value of the obligation	**(7,352,464)**	(5,974,827)
	P 26,255,314	P 27,850,648

The movements in the fair value of plan assets are presented below.

	2022	2021
Balance at beginning of year	**P 33,825,475**	P 33,674,452
Interest income	**1,684,509**	1,269,527
Loss on plan assets (excluding amounts included in net interest)	**(1,902,206)**	(1,118,504)
Balance at end of year	**P 33,607,778**	P 33,825,475

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below (see Note 15.7).

	2022	2021
Debt securities – Philippine government bonds	**P 33,347,111**	P 33,597,756
Unit investment trust funds (UITF)	**303,660**	260,774
Others	**(42,993)**	(33,055)
	P 33,607,778	P 33,825,475

The fair value of the debt securities is determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). UITF is classified as Level 2 while others are classified as Level 3 in the fair value hierarchy.

The plan assets incurred loss amounting to P0.2 million in 2022 and earned return of P0.2 million and P1.9 million in 2021 and 2020, respectively.

Plan assets do not comprise any of the Company's own financial instruments or any of its assets occupied and/or used in its operations.

The movements in the present value of the obligation recognized in the books are as follows:

	2022	2022
Balance at beginning of year	**P 5,974,827**	P 6,476,643
Current service cost	**656,869**	850,502
Interest cost	**297,546**	244,169
Actuarial loss (gains) arising from:		
Experience adjustments	**606,623**	(982,249)
Financial assumptions	**(183,401)**	(614,238)
Balance at end of year	**P 7,352,464**	P 5,974,827

The components of amounts of post-employment benefit expense (income) recognized in the statements of income and statements of comprehensive income in respect of the post-employment defined benefit plan are presented below.

	2022	2021	2020
Reported in statements of income:			
Current service cost	**P 656,869**	P 850,502	P 1,326,416
Net interest income	**(1,386,963)**	(1,025,358)	(1,096,191)
	(P 730,094)	(P 174,856)	P 230,225
Reported in statements of other comprehensive income:			
Return (loss) on plan assets (excluding amounts included in net interest expense)	**(P 1,902,206)**	(P 1,118,504)	P 241,765
Actuarial gains (losses) arising from changes in:			
Experience adjustments	**(606,623)**	982,249	807,909
Financial assumptions	**183,401**	614,238	524,872
	(P 2,325,428)	P 477,983	P 1,574,546

Current service cost is presented as part of Salaries and Employee Benefits account in the statements of income (see Note 13.1). The net interest income is included as part of Finance Income (Costs) – Net under Other Income (Charges) – Net section of the statements of income (see Note 12).

Amounts recognized in other comprehensive income, net of tax, were classified within items that will not be reclassified subsequently to profit or loss in the statements of comprehensive income.

In determining the post-employment defined benefit obligation, the following actuarial assumptions were used:

	2022	2021
Discount rates	**7.13%**	4.98%
Expected rate of salary increases	**5.00%**	5.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is nine years for males and 14 years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan's investments are generally concentrated in debt securities although the Company also has investments in UITF.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Company's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding page.

(i) Sensitivity Analysis

The table presented in the succeeding page summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2022 and 2021.

		Impact on Post-Employment Defined Benefit Obligation			
	Change in Assumption		Increase in Assumption		Decrease in Assumption
December 31, 2022					
Discount rate	**+0.5%/-0.5%**	**(P**	**25,365)**	**P**	**27,662**
Salary increase rate	**+1.0%/-1.0%**		**73,962**	**(**	**51,049)**
December 31, 2021					
Discount rate	+0.5%/-0.5%	(P	130,408)	P	190,968
Salary increase rate	+1.0%/-1.0%		442,100	(	237,629)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the post-employment defined benefit asset recognized in the statements of financial position.

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

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Company through its Management Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as of December 31, 2022 and 2021 consists of debt securities, although the Company also invests in UITF. The Company believes that debt securities offer the best returns over the long term with an acceptable level of risk.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P26.3 million based on the latest actuarial valuation.

The Company does not expect to make any contribution to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2022	2021
One year and less	**P 1,885,419**	P 1,438,284
More than one year to five years	**1,262,226**	1,202,328
More than five years to 10 years	**8,624,649**	4,114,881
More than 10 years to 15 years	**9,698,732**	4,132,858
More than 15 years to 20 years	**-**	9,069,173
More than 20 years	**16,399,353**	14,741,142
	P 37,870,379	P 34,698,666

The weighted average duration of the defined benefit obligation at the end of the reporting period is 16 years.

14. CURRENT AND DEFERRED TAXES

On March 26, 2021, Republic Act (R.A.) No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and has been effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Company:

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense was reduced from 33% to 20% of the interest income subjected to final tax.

The components of tax expense (income) reported in the statements of income and statements of comprehensive income for the years ended December 31 are as follows:

	2022	2021	2020
Reported in statements of income:			
Current tax expense:			
Final tax at 20% and 15%	**P 9,624,563**	P 3,841,265	P 10,761,315
MCIT at 1% in 2022 and 2021 and 2% in 2020	**37,872**	29,252	81,738
Effect of the change in income tax rate	**-**	(20,435)	-
	9,662,435	3,850,082	10,843,053
Deferred tax expense (income) arising from:			
Origination and reversal of temporary differences	**184,528**	(2,223,894)	1,141,435
Effect of the change in income tax rate	**-**	(1,388,227)	-
	184,528	(3,612,121)	1,141,435
	P 9,846,963	P 237,961	P 11,984,488

	2022	2021	2020
Reported in statements of comprehensive income:			
Deferred tax expense (income) arising from remeasurements of post-employment defined benefit asset	**(P 581,357)**	P 119,496	P 472,364
Effect of the change in income tax rate	**-**	(425,305)	-
	(P 581,357)	(P 305,809)	P 472,364

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of income is as follows:

	2022	2021	2020
Tax on pre-tax profit at 25% in 2022 and 2021 and 30% in 2020	**P 53,425,674**	P 33,862,078	P 47,831,791
Adjustment for income subjected to lower tax rates	**(2,406,141)**	(960,316)	(5,380,680)
Tax effects of:			
Non-taxable income	**(48,750,000)**	(33,750,000)	(60,000,000)
Unrecognized deferred tax assets on temporary differences	**7,562,019**	683,584	29,533,377
Non-deductible expenses	**15,411**	1,811,277	-
Effect of the change in income tax rate	**-**	(1,408,662)	-
Tax expense	**P 9,846,963**	P 237,961	P 11,984,488

The net deferred tax liabilities in the statements of financial position relates to the following as of December 31:

	2022	2021
Post-employment defined benefit asset	**P 6,563,829**	P 6,962,662
Unrealized foreign currency gains – net	**2,603**	599
	P 6,566,432	P 6,963,261

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

	Statements of Income			Statements of Comprehensive Income		
	2022	2021	2020	**2022**	2021	2020
Post-employment defined benefit asset	**P 182,524**	(P 890,872)	P 1,136,037	**(P 581,357)**	(P 305,809)	P 472,364
Unrealized foreign currency gains – net	**2,004**	(2,721,249)	-	**-**	-	-
Unamortized past service cost	**-**	-	5,398	**-**	-	-
Net deferred tax expense (income)	**P 184,528**	(P 3,612,121)	P 1,141,435	**(P 581,357)**	(P 305,809)	P 472,364

The Company did not recognize the deferred tax assets on net operating loss carry-over (NOLCO), MCIT and certain temporary differences as of December 31, 2022 and 2021 as shown in the succeeding page since management assessed that the Company may not be able to realize their related tax benefits within the prescribed period.

As of December 31, 2022 and 2021, the net unrecognized deferred tax assets relate to the following:

	2022		2021	
	Amount	**Tax Effect**	Amount	Tax Effect
Allowance for investment in subsidiaries	**P 1,314,622,376**	**P 328,655,594**	P1,309,622,376	P 327,405,594
NOLCO	**87,986,419**	**21,996,605**	85,390,193	21,347,548
Allowance for impairment of receivables	**13,600,000**	**3,400,000**	13,600,000	3,400,000
Allowance for impairment of advances	**7,000,000**	**1,750,000**	12,000,000	3,000,000
Unamortized past service cost	**1,883,419**	**470,855**	2,152,479	538,120
Allowance for impairment of intangible assets	**272,127**	**68,032**	272,127	68,032
MCIT	**128,427**	**128,427**	134,138	134,138
	P 1,425,492,768	**P 356,469,513**	P1,423,171,313	P 355,893,432

Presented below are the details of NOLCO, which can be claimed as deductions from future taxable profit within three to five years from the year the tax loss was incurred. Specifically, NOLCO incurred in 2021 and 2020 can be claimed as a deduction from the gross income until 2026 and 2025, respectively, in accordance with R.A. No. 11494, *Bayanihan to Recover as One Act*. In 2022, the NOLCO carry-over period is reverted to three years from the year the tax loss was incurred.

Year Incurred	Amount	Expired Amount	Remaining Balance	Valid Until
2022	P 30,365,646	P -	P 30,365,646	2025
2021	29,409,356	-	29,409,356	2026
2020	28,211,417	-	28,211,417	2025
2019	27,769,420	(27,769,420)	-	
	P 115,755,839	**(P 27,769,420)**	**P 87,986,419**	

The Company is subject to MCIT which is computed at 1% in 2022 and 2021 and 2% in 2020 of gross income net of allowable deductions, as defined under the tax regulations, or to RCIT, whichever is higher. The Company reported MCIT in 2022, 2021 and 2020 as the Company incurred taxable losses in those years.

The amounts of MCIT, which can be applied as deduction from the Company's future regular income tax payable within three years from the year the MCIT was incurred, are shown below.

Year Incurred	Amount	Expired Amount	Remaining Balance	Valid Until
2022	P 37,872	P -	P 37,872	2025
2021	29,252	-	29,252	2024
2020	61,303	-	61,303	2023
2019	43,583	(43,583)	-	2022
	P 172,010	**(P 43,583)**	**P 128,427**	

In 2022, 2021, and 2020, the Company opted to claim itemized deductions in computing for its income tax due.

15. RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries, related party under common ownership, the Company's majority stockholders, key management personnel and others as described below and in the succeeding pages. The summary of the Company's significant transactions with its related parties for the years ended December 31, 2022, 2021 and 2020 and the related outstanding balances as of December 31, 2022 and 2021 are as follows:

		Amounts of Transaction			Outstanding Balance	
Related Party Categories	Note	**2022**	2021	2020	**2022**	2021
Subsidiaries:						
Dividend income	15.2	**P 195,000,000**	P 135,000,000	P 200,000,000	**P 20,000,000**	P 95,000,000
Management fees	15.1	**20,640,000**	18,060,000	21,240,000	**-**	-
Subscriptions payable	15.4	**10,000,000**	(79,797,900)	-	**10,000,000**	-
Rentals	15.6	**1,216,607**	1,216,607	1,071,607	**-**	-
Purchase of goods and services	15.5	**223,283**	729,157	5,884	**(1,778)**	(235,630)
Net collection/conversion from cash advances	15.3	**-**	(978,916,429)	65,674,426	**-**	-
Retirement Fund	15.7	**(217,697)**	151,023	(338,638)	**33,607,778**	33,825,475
Key Management Personnel – Compensation	15.8	**33,593,622**	29,896,186	29,618,520	**-**	-

The Company's outstanding receivables were subjected to impairment using the ECL model. There were no additional impairment losses recognized for the receivables from related parties in 2022, 2021 and 2020 [see Note 18.2 (b) and (d)].

15.1 Management Fees

The Company provides general management services to its subsidiaries in accordance with various management contracts. In consideration for these services provided by the Company, its subsidiaries pay the latter with management fees based on the amount billed on a monthly basis. The management agreement is renewable for successive periods of six months subject to such terms and conditions as may be mutually agreed upon by the parties.

Management fee billings are shown as Management Fees in the statements of income. The outstanding balance as of December 31, 2022 and 2021 is shown as Management fee receivable under Trade and Other Receivables account in the statements of financial position, of which, P13.6 million have been provided with allowance for impairment as of December 31, 2022 and 2021 (see Note 5).

Management fee receivables are unsecured, normally due within 30 days and do not bear any interest.

15.2 Dividend Income

The details of cash dividends earned from the investments in subsidiaries in 2022, 2021 and 2020, presented under Revenues in the statements of income, are shown below.

	2022	2021	2020
SMC	**P175,000,000**	P 50,000,000	P 100,000,000
ZTC	**20,000,000**	-	20,000,000
OSSI	**-**	80,000,000	80,000,000
SMFI	**-**	5,000,000	-
	P195,000,000	P135,000,000	P 200,000,000

The details of dividends receivable, presented under Trade and Other Receivables account in the statements of financial position, are as follows (see Note 5):

		2022		2021
ZTC	P	20,000,000	P	-
SMC		-		50,000,000
OSSI		-		45,000,000
	P	20,000,000	P	95,000,000

15.3 Advances to Related Parties

The Company grants unsecured, noninterest-bearing cash advances to its subsidiaries for working capital requirements and other purposes. These advances are generally receivable in cash upon demand.

The components of the Advances to Related Parties as of December 31 are as follows:

		2022		2021
Advances to Kita	P	7,000,000	P	12,000,000
Allowance for impairment	(	7,000,000)	(	12,000,000)
	P	-	P	-

The movements in Advances to Related Parties are as follows:

	Note		2022		2021
Balance at beginning of year		P	-	P	978,916,429
Reversal of allowance for impairment			5,000,000		809,751,854
Collections		(	5,000,000)	(	662,785,347)
Conversions	8		-	(	1,138,107,752)
Additions			-		170,934
Effect of changes in foreign currency			-		12,053,882
Balance at end of year		P	-	P	-

Effect of changes in foreign currency are presented as part of Finance Income (Costs) – Net under Other Income (Charges) – Net in the statements of income (see Note 12).

A reconciliation of the allowance for impairment on advances to related parties at the beginning and end of 2022 and 2021 is shown below.

		2022		2021
Balance at beginning of year	P	12,000,000	P	821,751,854
Reversal of allowance for impairment	(	5,000,000)	(	809,751,854)
Balance at end of year	P	7,000,000	P	12,000,000

Based on management's assessment of the ECL using the simplified approach, no additional impairment loss was recognized on the outstanding balance of Advances to Related Parties in 2022 and 2021 [see Note 18.2(d)]. Also, in 2022 and 2021, the Company collected certain advances, which were previously provided with allowance for impairment. In 2021, several advances were converted into investments. Accordingly, the Company recognized reversal of allowance for impairment which is presented as Gain on reversal of allowance for impairment under Other Income (Charges) – Net in the 2022 and 2021 statements of income. There was no similar transaction in 2020.

15.4 Subscriptions Payable

In 2022, the Company subscribed in SVC's shares of stock amounting to P50.0 million. Out of the subscribed amount, P10.0 million remains unpaid as of December 31, 2022. The outstanding balance is presented as Subscriptions Payable in the 2022 statement of financial position (see Note 8.2). There was no similar transaction in 2021.

In 2007, the Company assumed the outstanding subscriptions payable of Solid Corporation (merged with SMC) to Precos amounting P88.2 million as of December 31, 2010. The outstanding balance of subscriptions payable as of December 31, 2020 amounting to P79.8 million has been fully settled in 2021 resulting in nil balance as of December 31, 2021.

15.5 Purchase of Goods and Services

Goods and services are purchased from subsidiaries on the basis of the price lists in force with non-related parties. The related outstanding payables for goods and services as of December 31, 2022 and 2021 are presented as part of Non-trade payables under Accounts Payable and Other Current Liabilities account in the statements of financial position (see Note 11). The outstanding payables from purchase of goods and services are generally noninterest-bearing, unsecured and settled through cash within three months.

15.6 Rentals

The Company has incurred rental expense for short-term office space leases from SMC wherein business services are located. Rental expense related to this is presented as part of Rentals in the statements of income.

In addition, the Company has also incurred rental expense to OSSI, for storage spaces of document boxes with a rate of P50 per box on a monthly basis. Rental expense related to these transactions is presented as part of Rentals in the statements of income. No outstanding balance related to this transaction as of December 31, 2022 and 2021.

15.7 Retirement Fund

The Company's retirement fund is a multi-employer retirement plan which is administered by a trustee bank. The retirement fund includes investments in government securities, corporate bonds and UITF with fair value totaling P33.6 million and P33.8 million as of December 31, 2022 and 2021, respectively [see Note 13.2(b)].

The plan assets do not comprise any of the Company's own financial instruments. Further, the retirement fund neither provides any guarantee or surety for any obligation of the Company nor its investments covered by any restrictions or liens.

15.8 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows:

	2022	2021	2020
Short-term benefits	**P 33,406,010**	P 29,771,110	P 29,470,966
Post-employment benefit	**187,612**	125,076	147,554
	P 33,593,622	P 29,896,186	P 29,618,520

These amounts are shown as part of Salaries and Employee Benefits account under Operating Expenses section in the statements of income (see Note 13.1). There were no outstanding balances as of December 31, 2022 and 2021.

15.9 Others

The Company handles the administrative and accounting functions of certain subsidiaries without any monetary consideration.

16. EQUITY

16.1 Capital Stock

On June 18, 1996, the Commission issued an Order approving the Registration Statement covering the securities which comprised the Company's entire authorized capital stock. On September 4, 1996, the Company's shares were listed in the PSE and the trading of offer shares commenced. The Company offered to the public 665,000,000 shares at an offer price of P5.85 per share. The offer shares consist of 524,475,000 primary shares (new shares) and 140,525,000 secondary shares (existing shares).

As of December 31, 2022 and 2021, the Company has issued shares of 2,030,975,000 (with P1 par value), of which, 468,787,704 and 462,782,704 are held by the public in 2022 and 2021, respectively. There are 4,221 and 4,231 holders of the listed shares which closed at P0.87 and P1.08 per share on December 31, 2022 and 2021, respectively.

16.2 Retained Earnings

The BOD approved the declaration of cash dividends in 2022 as follows:

Date of Declaration	**Stockholders of Record as of**	**No. of Shares Outstanding**	**Amount per Share**	**Total**
June 30, 2022	July 29, 2022	1,821,542,000	P 0.06	P 109,292,520

The dividends were paid within the year of declaration and approval. Retained earnings is restricted in the amount of P115.6 million as of December 31, 2022 and 2021, equivalent to the cost of 209,433,000 shares held in treasury. There was no dividend declaration in 2021 and 2020.

16.3 Revaluation Reserves

The component and reconciliation of item of other comprehensive income presented in the statements of changes in equity at its aggregate amount under Revaluation Reserves account are shown below.

	Notes	**2022**	2021	2020
Balance at beginning of year		**P 6,738,061**	P 5,954,269	P 4,852,087
Remeasurements of post-employment defined benefit asset	13.2	**(2,325,428)**	477,983	1,574,546
Tax income (expense) (including effect of change in income tax rate)	14	**581,357**	305,809	(472,364)
		(1,744,071)	783,792	1,102,182
Balance at end of year		**P 4,993,990**	P 6,738,061	P 5,954,269

17. COMMITMENTS AND CONTINGENCIES

There are commitments and contingencies that arise in the normal course of business that are not recognized in Company's financial statements. As of December 31, 2022 and 2021, the Company's management is of the opinion that losses, if any, from these commitments and contingencies will not have any material effects on the Company's financial statements.

18. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to financial instruments. The Company's financial assets and financial liabilities by category are summarized in Note 19. The main types of risks are interest rate risk, credit risk and liquidity risk.

The Company's risk management is coordinated with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described as follows:

18.1 Interest Rate Risk

As of December 31, 2022, 2021 and 2020, the Company is exposed to changes in market interest rates through its cash in banks, cash equivalents and short-term placements, which are subject to variable interest rates (see Note 4). All other financial assets and financial liabilities have fixed rates.

The table below illustrates the sensitivity of the Company's profit before tax and equity to a reasonably possible change in interest rates of +/-6.16% in 2022, +/-1.78% in 2021 and +/-4.00% in 2020. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	2022		2021		2020	
	+6.16	**-6.16**	+1.78	-1.78	+4.00	-4.00
Profit before tax	**P 94,124,752**	**(P 94,124,752)**	P 41,465,439	(P 41,465,439)	P 85,636,607	(P 85,636,607)
Equity	**75,299,802**	**(75,299,802)**	33,172,351	(33,172,351)	68,509,286	(68,509,286)

18.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example by rendering services to related parties and granting cash advances and placing deposits with banks.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate 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 (or in the detailed analysis provided in the notes to the financial statements), as summarized below.

	Notes	**2022**	2021
Cash and cash equivalents	4	**P 1,527,999,228**	P 1,581,797,731
Short-term placements	4	**-**	747,721,302
Trade and other receivables – net	5	**24,040,315**	98,978,167
Investment in bonds	7	**20,000,000**	20,000,000
		P 1,572,039,543	P 2,448,497,200

None of Company's the financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and short-term placements as described below and in the succeeding pages.

(a) Cash and Cash Equivalents and Short-term Placements

The credit risk for cash and cash equivalents and short-term placements is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

ECL for trade and other receivables is measured and recognized using the liquidity approach. Management determined that the Company's management fee receivables presented as part of Trade and Other Receivables account indicates possible impairment based on the counterparties' ability to repay the receivables upon demand at the reporting date taking into consideration the capital deficiency from the counterparties.

The Company has assessed the specific management fee receivable to be credit-impaired, wherein an impairment loss was already provided for the full amount of those receivables amounting to P13.6 million both in 2022 and 2021. After segregating these credit-impaired receivables, the Company has assessed that there are no significant increase in the credit risk for the remaining receivables since its initial recognition.

(c) Investment in Bonds

Investment in bonds measured at amortized cost is considered to have low credit risk, and therefore, the loss allowance during the period is determined to be equivalent to 12 months ECL. Management considers "low credit risk" for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

No impairment loss on debt securities classified as financial assets at amortized cost has been recognized in 2022 and 2021 as all of the bonds were in good credit standing as of December 31, 2022 and 2021.

(d) Advances to Related Parties

ECL for advances to 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 capital deficiency from the counterparties. An impairment loss was already provided for the full amount of the outstanding balance of advances to related parties amounting to P7.0 million and P12.0 million as of December 31, 2022 and 2021, respectively (see Note 15.3).

In 2022 and 2021, the Company collected certain advances, which were previously provided with allowance for impairment. In 2021, the Company converted several advances into investments. Accordingly, the Company recognized reversal of allowance for impairment which is presented as Gain on reversal of allowance for impairment on advances to related parties under Other Income (Charges) – Net in the 2022 and 2021 statements of income.

18.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Company's maximum liquidity risk is the carrying amount of accounts payable and other current liabilities (excluding VAT and other taxes payable) and subscriptions payable amounting to P16.8 million and P7.0 million as of December 31, 2022 and 2021, respectively, which have contractual maturities of within six months from the end of the reporting period and are shown as current liabilities in the statements of financial position.

19. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

19.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

		2022		2021	
	Notes	**Carrying Amounts**	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets					
At amortized cost:					
Cash and cash equivalents	4	**P 1,527,999,228**	**P 1,527,999,228**	P 1,581,797,731	P 1,581,797,731
Short-term placements	4	**-**	**-**	747,721,302	747,721,302
Trade and other receivables - net	5	**24,040,315**	**24,040,315**	98,978,167	98,978,167
Investment in bonds	7	**20,000,000**	**16,412,000**	20,000,000	19,535,060
		P 1,572,039,543	**P 1,568,451,543**	P 2,448,497,200	P 2,448,032,260
Financial Liabilities					
At amortized cost:					
Accounts payable and other current liabilities	11	**P 6,760,783**	**P 6,760,783**	P 6,976,065	P 6,976,065
Subscriptions payable	8.2	**10,000,000**	**10,000,000**	-	-
		P 16,760,783	**P 16,760,783**	P 6,976,065	P 6,976,065

See Note 2.5 for a description of the accounting policies for each category of financial instruments. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 18.

Management determined that the carrying amounts of these financial instruments to approximate or equal to their fair values as at December 31, 2022 and 2021.

19.2 Offsetting of Financial Assets and Financial Liabilities

The Company has not set off financial instruments and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) may have the option to settle all such amounts on a net basis in the event of default of the other party through approval by the respective BOD and stockholders of both parties.

20. FAIR VALUE MEASUREMENT DISCLOSURES

20.1 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 financial assets and financial 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 different levels have been defined as follows:

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

The level within which the financial asset or financial 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.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

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 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.

20.2 Financial Instruments Measured at Fair Value

As of December 31, 2022 and 2021, the Company determined that the fair value of the financial asset at FVOCI is nil. More so, the Company has no other financial assets and financial liabilities measured at fair value as of December 31, 2022 and 2021.

20.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table presented below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statement of financial position but for which fair value is disclosed.

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2022					
Financial Assets:					
Cash and cash equivalents	4	P 1,527,999,228	P -	P -	P 1,527,999,228
Trade and other receivables - net	5	-	-	24,040,315	24,040,315
Investment in bonds	7	16,412,000	-	-	16,412,000
		P 1,544,411,228	**P -**	**P 24,040,315**	**P 1,568,451,543**
Financial Liabilities:					
Accounts payable and other current liabilities	11	P -	P -	P 6,760,783	P 6,760,783
Subscriptions payable	8.2	-	-	10,000,000	10,000,000
		P -	**P -**	**P 16,760,783**	**P 16,760,783**
December 31, 2021					
Financial Assets:					
Cash and cash equivalents	4	P 1,581,797,731	P -	P -	P 1,581,797,731
Short-term placements	4	747,721,302	-	-	747,721,302
Trade and other receivables - net	5	-	-	98,978,167	98,978,167
Investment in bonds	7	19,535,060	-	-	19,535,060
		P 2,349,054,093	P -	P 98,978,167	P 2,448,032,260
Financial Liabilities:					
Accounts payable and other current liabilities	11	P -	P -	P 6,976,065	P 6,976,065

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

21. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities, excluding amounts due to related parties. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

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

	2022	2021
Total liabilities, excluding subscriptions payable	**P 14,783,147**	P 15,285,525
Total equity	**7,913,307,319**	7,820,488,176
Debt-to-equity ratio	**0.002 : 1**	0.002 : 1

The Company's goal in capital management is to maintain a debt-to-equity structure ratio of not higher than 1:1.

As of December 31, 2022 and 2021, the Company is not subject to any externally imposed capital requirements.

22. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding page is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year required by the Bureau of Internal Revenue (BIR) under Revenue Regulations No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) Output VAT

In 2022, the Company declared output VAT of P2,476,800 arising from management services rendered amounting to P20,640,000. The tax bases for the management services are based on the Company's gross receipts for the year. There is no outstanding output VAT as of December 31, 2022.

(b) Input VAT

The movements in input VAT in 2022 are summarized below.

Balance at beginning of year	P -
Purchases of domestic services	774,452
Goods other than for resale or manufacture	142,549
Change in deferred input VAT	40,414
Capital goods not subject to amortization	11,130
Applied against output VAT	(968,545)
Balance at end of year	P -

(c) Taxes on Importation

The Company did not pay landed cost, tariff duties and import taxes as it did not have any importations in 2022.

(d) Excise Tax

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

(e) Documentary Stamp Tax (DST)

In 2022, the Company paid DST amounting to P266,513 mainly arising from the acquisition of shares of stock of Avid.

(f) Taxes and Licenses

The details of Taxes and Licenses account is broken down as follows:

DST	P	266,513
Business permits and municipal fees		166,263
Fringe benefit tax		29,615
VAT registration		500
Miscellaneous		3,610
	P	466,501

(g) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2022 are shown below.

Compensation	P	9,565,319
Final		4,080,267
Expanded		222,055
	P	13,867,641

The outstanding payable on these withholding taxes amounted to P1,455,932 as of December 31, 2022.

(h) Deficiency Tax Assessment and Tax Cases

As of December 31, 2022, the Company does not have any pending final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.