

COVER SHEET

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SEC Registration Number

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			H	O	L	D	I	N	G	S		C	O	R	P	O	R	A	T	I	O	N	

(Company's Full Name)

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8	7	4	1		P	A	S	E	O		D	E		R	O	X	A	S		M	A	K	A	T	I

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

Atty. Anne Jaycelle C. Sacramento

Contact Person

88927133 • 88927137

Company Telephone Numbers

1	2		3	1
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Month Day Fiscal Year

0	4		1	2
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Month Day Annual Meeting

SEC FORM 17-Q  
(As of June 30, 2024)

QUARTERLY REPORT PURSUANT TO SECTION  
17 OF THE SECURITIES REGULATION CODE  
AND SRC RULE 17.1(1) (A) (ii) THEREUNDER

Form Type

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Number of Stockholders

Total Amount of Borrowings

Domestic	Foreign
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File Number

LCU

Document I.D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **30 June 2024**
2. SEC Identification Number **43370** 3. BIR Tax Identification No. **000-829-097**
4. *F & I Prince Holdings Corporation*  
Exact name of registrant as specified in its charter
5. **Philippines**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. **5th Floor, BDO Towers Paseo  
8741 Paseo de Roxas, Makati City** **1226**  
Address of principal office Postal Code
8. **(632) 8-892-7133**  
Registrant's telephone number, including area code
9.   
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA

TITLE OF CLASS	NUMBER OF SHARES OF COMMON STOCK OUTSTANDING AND AMOUNT OF DEBT OUTSTANDING
<b>Class "A" Common</b>	<b>292,610,118 Shares</b>
<b>Class "B" Common</b>	<b>189,217,535 Shares</b>

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

Yes [ ☒ ] No [ ☐ ]

If yes, state the name of such Stock Exchange and class/es of securities listed therein:

**Philippine Stock Exchange      Common Shares, Class "A" and "B"**

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12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and RSA Rule 17(2)-(b) thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes [ ☒ ] No [ ☐ ]

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

Yes [ ☒ ] No [ ☐ ]

## **PART I**

### **FINANCIAL INFORMATION**

#### **Item 1. Financial Statements**

The following financial statements, presented in a comparative format, are submitted:

- (1) Unaudited Consolidated Interim Balance Sheet as of 30 June 2024 and Audited Consolidated Balance Sheet as of 31 December 2023 as Annex “A”;
- (2) Unaudited Consolidated Interim Statement of Income and Summary of General and Administrative Expenses for the six (6) month period ending 30 June 2024 and the six (6) month period ending 30 June 2023 as Annex “B”;
- (3) Unaudited Consolidated Interim Statement of Income and Summary of General and Administrative Expense for the three (3) month period from April 01 – June 30, 2024 and for the three (3) month period from April 01 – June 30, 2023 as Annex “C”;
- (4) Unaudited Consolidated Interim Statement of Changes in Stockholders’ Equity for the six (6) month periods ending 30 June 2024 and 30 June 2023 and Audited Consolidated Statement of Changes in Stockholders’ Equity for the year ending 31 December 2023 as Annex “D”;
- (5) Unaudited Consolidated Interim Cash Flow Statement for the six (6) month period ending 30 June 2024 and the six (6) month period ending 30 June 2023 as Annex “E”;
- (6) Interim Consolidated Cash Flow Statement for the three (3) month periods ending 30 June 2024 and 30 June 2023 as Annex “F”; and
- (7) Consolidated Balance Sheet as of 30 June 2024 and December 31, 2023 with vertical and horizontal percentage analysis as Annex “G”.



## **ITEM 2. MANAGEMENTS DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

### **(1) Management's Discussion and Analysis**

The Registrant's consolidated revenue in 2023 increased to P164.3 million from P162.1 million in 2022. Equity in net earnings of associates increased to P45.3 million in 2023 from P26.2 million in 2022. Interest income increased to P18.5 million in 2023 from P14.6 million in 2022 as interest levels have stabilized. A net foreign exchange gain of P3.1 million was recorded in 2023 versus a gain of P74.5 million in 2022 as the Peso stabilized against foreign currencies compare to last year. Rent decreased slightly from P23.9 million in 2022 to P22.1 million in 2023. Loss on AFS, HTM and FVPL Financial Assets of P0.3 million was recorded in 2023 versus a gain of P5.6 million in 2022. Dividend income decreased to P4.2 million in 2023 from P5.7 million in 2022.

Total consolidated expenses of the Registrant decreased to P107.3 million in 2023 compared to P136.4 million in 2022 due mainly to incurring no losses from legal settlements.

As a result of the above, total consolidated income before tax in 2023 totaled P56.9 million compared to P25.7 million in 2022. After provision for income tax, total consolidated net income after tax totaled P56.9 million in 2023 compared to P19.7 million in 2022.

Net income attributable to non-controlling interest, namely minority shareholders of Magellan Capital Holdings Corporation, totaled to a gain of P1.4 million in 2023 compared to a loss of P0.6 million in 2022.

Net income attributable to equity holders of the Registrant totaled P62.2 million in 2023 compared to P20.3 million in 2022.

The Registrant's financial position is very strong as it has substantial cash resources available to undertake its planned projects. As of December 31, 2023, the Registrant's consolidated cash and cash equivalent totaled P429.9 million compared to P467.7 million as of December 31, 2022. The Registrant and its subsidiary are planning to undertake development of MCHC's land in Fort Bonifacio into an office building as well as to acquire income producing properties as well as additional land for development. The Registrant and its subsidiary are debt free with total consolidated liabilities of P65.8 million at year-end 2023 compared to P58.1 million at year-end 2022. Total equity amounted to P1.89 billion as of the end of 2023 compared to P1.88 billion at the end of 2022.

The Registrant and its subsidiary and affiliates are substantially debt free except for MUDC which has loans and advances from its principal shareholders. The Registrant and its subsidiaries have more than enough cash resources to meet any expected requirements in the next twelve months. Consolidated cash and cash equivalents at the end of 2023 totaled P429.9

million compared to P467.7 million at the end of 2022 while total current assets totaled P810.3 million at year-end 2023 compared to P750.2 million at year-end 2022. Other than the normal fluctuation of the Peso exchange rate as well as the effect of the normal market fluctuations on the value of stock and bond holdings owned by the Registrant and its subsidiary, the Registrant is not aware of any trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in its liquidity increasing or decreasing in any material way. Likewise, the Registrant does not know of any trends, events or uncertainties that have or that are reasonably expected to have a material favorable or unfavorable impact on the revenues or income from continuing operations.

**(a) Operating Results and Financial Condition for the Second Quarter of 2024**

- (i) There are no known trends, demands, events or uncertainties that would have a material effect on the Issuer's liquidity.
- (ii) There are no known or anticipated events that would trigger direct or contingent financial obligation that is material to the Company including any default or acceleration of any obligation.
- (iii) There are no material off-balance sheet transaction, arrangements, obligations (including contingent obligations) and other relationship of the Company with unconsolidated entities or other persons created during second quarter of 2024 or in prior periods.
- (iv) There are no material commitments for capital expenditures, by the Company or its majority owned subsidiary and equity in net earnings of associates.
- (v) There are no trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable impact on net revenues/income from continuing operations except for possible unrealized or realized foreign exchange gains from the dollar denominated investments of the Company and its majority owned subsidiary and unrealized gains on trading securities and equity in net earnings of associates. These are generally recognized in the year-end Audited Financial Statements except for realized foreign exchange gain which are reported in the period realized.
- (vi) The Company did not realize any non-operating income in the second quarter of 2024 or in the second quarter of 2023 aside from unrealized gain on trading securities, gain on disposal of AFS/HTM investments and net realized and unrealized foreign exchange gains.



The following is a detailed discussion of the Registrant's operations and financial condition during the second quarter of 2024 and second quarter of 2023.

## Operating Results

Breakdown of Revenue for the Three-Month Periods Ending June 30, 2024 and June 30, 2023 with Vertical and Horizontal Percentage Analysis is shown below:

P(000)	Second Quarter 2024	Vertical percentage analysis	Second Quarter 2023	Vertical Percentage analysis	Increase (Decrease) Amount	Increase (Decrease) Percentage
INTEREST INCOME FROM BANKS	PHP 594	0.8%	PHP 2,646	6.3%	(2,052)	(77.6%)
FROM SECURITIES	PHP 1,659	2.3%	PHP 1,802	4.2%	(143)	(7.9%)
TOTAL	PHP 2,253	3.1%	PHP 4,448	10.5%	(2,195)	(49.3%)
UNREALIZED GAIN ON TRADING SECURITIES	PHP 30,206	41.2%	PHP 25,926	61.6%	4,280	16.51%
REALIZED GAIN ON REDEMPTION OF AFS /HTM INVESTMENTS	-	-	-	-	-	-
DIVIDEND INCOME	PHP 320	0.4%	PHP 1,364	3.2%	(1,044)	(76.5%)
RENT INCOME	PHP 7,026	9.6%	PHP 4,845	11.5%	2,181	45%
REALIZED GAIN ON DISPOSAL OF FVOCI	PHP 17,303	23.6%	-	-	17,303	100%
UNREALIZED FX GAIN	PHP 16,216	22.1%	PHP 4,955	11.8%	11,261	227.2%
REALIZED FX GAIN	-	-	-	-	-	-
MISCELLANEOUS	-	-	PHP 563	1.4%	(563)	(100%)
TOTAL:	PHP 73,324	100%	PHP 42,101	100%	31,223	74.1%

**Revenues.** Consolidated revenues, during the 3-month period ended June 30, 2024 increased by 74.1% to P73.2 million compared to P42.1 million during the same 3-month period in 2023 as shown in Annex "C". The higher revenue was due mainly to higher unrealized foreign exchange gain and realized gain on disposal of FVOCI.

**Expenses.** Consolidated expenses in the second quarter of 2024 totaled P14.5 million compared to P33.5 million in the second quarter of 2023. As shown in Annex "C", the decrease was mainly accounted for by the decrease in realized loss on disposal/redemption of bonds/FVOCI.

**Operating Income.** Due to the factors discussed above, consolidated operating income in the second quarter of 2024 totaled P58.9 million compared to the consolidated operating income of P8.5 million in the second quarter of 2023.

**Net Income.** Net income totaled P58.9 million during the second quarter of 2024 compared to net income of P8.5 million in the second quarter of 2023. This is due to the substantial decrease in expenses.

## BALANCE SHEET ACCOUNTS

Annex “G” shows the Vertical and Horizontal Percentage Analysis of Balance Sheet Account for June 30, 2024 compared to December 31, 2023.

### Assets

**Current Assets.** Consolidated current assets as of June 30, 2024 totaled ₱752.8 million compared to ₱810.3 million as of December 31, 2023. The decrease was due to lower cash and cash equivalents which decreased by ₱65 million as of June 30, 2024.

**Investments in Associates.** This account which consists of investment in Pointwest Technologies Corporation and BPO International, Inc. remained at the same level at year-end 2023 and at June 30, 2024 at ₱302.2 million as equity in net earnings of associates are not taken up until year end.

**Financial Assets at FVOCI – Net of Current Portion.** This account which consists mostly of medium-term bonds and listed equities increased from ₱354.2 million at year-end 2023 to ₱484.7 million at June 30, 2024.

**Property and Equipment.** This account totaled ₱4.4 million as of June 30, 2024 compared to ₱3.3 million as of December 31, 2023 due to increase in acquisition of fixed assets.

**Investment in Property.** This Account totaled ₱337.5 million at June 30, 2024 compared to ₱354.2 million at year end 2023 due to depreciation allowance provided in the second half of 2024.

**Other Non-Current Assets.** This account remained unchanged at ₱19.8 million as of June 30, 2024, compared to December 31, 2023.

**Total Assets.** As a result of the foregoing, total assets increased to ₱1,951.2 million as of June 30, 2024 from ₱1,885.3 million as of December 31, 2023.

### Liabilities and Equity

**Current Liabilities.** Current liabilities decreased from ₱39.2 million as of December 31, 2023 to ₱19.3 million as of June 30, 2024.

**Non-Current Liabilities.** Non-current liabilities which consist mostly of retirement benefit obligation, deposits payable and deferred tax liabilities remain at ₱26.6 million as of June 30, 2024, the same level as at year-end 2023.

**Stockholder's Equity.** Total stockholder's equity increased to ₱1,905.2 million as of June 30, 2024 from ₱1,819.4 million at year-end 2023. Total equity attributable to



stockholders of the company totaled P1,835.2 million at June 30, 2024 from P1,753.6 million at December 31, 2023. Minority interest which represents the share of minority shareholders of Magellan Capital Holdings Corporation was P70 million at June 30, 2024 compared to P65.8 million at year-end 2023.

**(a) Top Performance Indicators**

The top five (5) performance indicators for the Company and its Subsidiary are as follows:

- 1) Change in revenues
- 2) Change in net income
- 3) Earnings per share
- 4) Current ratio
- 5) Book Value per share

**Change in Revenues.** Consolidated revenues in the second quarter of 2024 and 2023 are shown in Annex “C” and presented below in summary form:

(P 000)	2 <sup>nd</sup> Quarter 2024	Percentage (%)	2 <sup>nd</sup> Quarter 2023	Percentage (%)
Interest Income	P 2,253	3.1%	P 4,448	10.5%
Lease Rental Income	7,026	9.6%	4,845	11.5%
Dividend Income	320	0.4%	1,364	3.2%
Unrealized Gain on Trading Securities	30,206	41.2%	25,926	61.6
Realized Gain on FVPL	-	-	-	-
Realized Gain on Disposal of FVOCI Assets	17,303	23.6%	-	-
Unrealized FX Gain	16,216	22.1%	4,955	11.8%
Realized FX Gain	-	-	-	-
<b>Total Income</b>	<b>P 73,324</b>	<b>100.00%</b>	<b>P 42,101</b>	<b>100.00%</b>

Total revenue increased in the second quarter of 2024 to P73.3 million from P42.1 million in the second quarter of 2023.

**Change in Net Income.** The income statement in the second quarter of 2024 and 2023 are shown in Annex “C” and summarized below:

(P 000)	2 <sup>nd</sup> Quarter 2024	Percentage (%)	2 <sup>nd</sup> Quarter 2023	Percentage (%)
Revenues	P 73,324	100%	P 42,101	100%
Expenses	14,474	20%	33,546	80%
Net Income (Loss)	58,850	80%	8,555	20%
Attributable to:				
- Minority Interest	2,942	5%	428	5%
- Stockholders of Company	P 55,908	95%	P 8,127	95%

The company realized a net income of P55.9 million attributable to stockholders of the company in the second quarter of 2024, compared to a net income of P8.1 million attributable to stockholders of the company in the second quarter of 2023 due to the factors discussed in the preceding pages.

**Earnings per Share.** Earnings per share attributable to shareholders of the Company during the second quarter of 2023 was P0.21 per share compared to net income per share of P0.053 in the second quarter of 2024.

**Current Ratio.** Current ratio as of June 30, 2024 was 39 compared to 21 as of December 31, 2023.

**Book Value Per Share.** Book value per share as of June 30, 2024 was P4.83 per share compared to P4.62 per share as of December 31, 2023.

## PART II

### OTHER INFORMATION

#### 1. **Regular Board Meeting of the Corporation held on April 12, 2024**

The Board approved and adopted the following resolutions:

**a. Approval of the Minutes of the Meeting held on June 19, 2023**

“Resolved, that the Board of Directors of F & J Prince Holdings Corporation (the “**Corporation**”) confirms, ratifies and approves, as it hereby confirms, ratifies and approves, the minutes of the Regular Meeting of the Board of Directors of the Corporation held on June 19, 2023 remotely via zoom.”

**b. Date of Annual Stockholders’ Meeting**

“Resolved, that the Corporation’s Annual Stockholders Meeting be held on July 11, 2024 (Thursday) at 2.30PM both in person in Makati City, and remotely via zoom;

“Resolved, further, that Mark Ryan K. Cokeng, the President of the Corporation, be hereby, as he is hereby, authorized to represent the Corporation as well as to sign, execute and deliver any and all as may be necessary to be executed in implementation of the foregoing.”

**c. Approval of the 2023 Audited Financial Statements**

“Resolved, that the Corporation confirms, ratifies and approves, as it hereby confirms, ratifies and approves, the Corporation’s Audited Financial Statements for 2023, as attached, for filing with the Bureau of Internal Revenue and Securities and Exchange Commission.”

**d. Appointment of Atty. Anne Jaycelle C. Sacramento as Acting Corporate Secretary**

“Resolved, that the Corporation be hereby, as it is hereby, authorized and empowered to appoint ATTY. ANNE JAYCELLE C. SACRAMENTO as the Acting Corporate Secretary, vice ATTY. FINA BERNADETTE D.C. TANTUICO, who has resigned effective as of present date.”

**e. SEC Authorized Filer**

“Resolved, that the Board designated Atty. Anne Jaycelle C. Sacramento, Acting Corporate Secretary, to represent the corporation and act for it as authorized filer in the submission of reportorial requirements with the SEC through the Online Submission Tool (OST).”




## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.


Issuer *I & I Prince Holdings Corporation*

### Principal Executive Officer

  
Signature and Title MARK RYAN K. COKENG, President

Date 19 August 2024

### Principal Financial/Accounting Officer/Controller

  
Signature and Title MARY K. COKENG, Treasurer

Date 19 August 2024

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEET**  
**AS OF JUNE 30, 2024 AND DECEMBER 31, 2023**

ANNEX "A"  
Page 1

ASSETS	UNAUDITED JUNE 30, 2024	AUDITED DEC. 31, 2023
<i>Current Assets</i>		
Cash and cash equivalents	P 365,139,175	P 429,988,652
Financial assets at fair value through profit or loss	349,603,551	341,616,249
Convertible note receivable	0	0
Receivables-net :		
Advances to Officers & Employees	0	0
Interest Receivable	2,163,501	2,723,965
Dividends Receivable	0	0
Receivable from related parties	401,698	260,408
Others	1,125,237	794,070
Total Receivables	3,690,436	3,778,443
Allowance for impairment losses	1,007,000	1,007,000
<b>Total Receivables-Net</b>	<b>2,683,436</b>	<b>2,771,443</b>
Current portion of HTM investments	0	0
Current portion of AFS financial assets	477,020	477,020
<b>Prepaid expenses &amp; other current assets:</b>		
Input Tax	25,614,513	26,576,509
Prepaid Income Tax	882,145	1,084,401
Others	8,375,228	7,804,359
<b>Total Prepaid expenses and other current assets</b>	<b>34,871,886</b>	<b>35,465,269</b>
<b>Total Current Assets</b>	<b>P 752,775,068</b>	<b>P 810,318,633</b>
<i>Non-current Assets</i>		
Convertible notes receivable	5,612,000	5,612,000
Investments in associates	302,233,819	302,233,819
Investment in rights issue subscription	43,933,450	43,933,450
Financial assets at FVOCI-net of current portion	484,742,867	354,276,044
Investment in property	337,571,034	345,811,010
<b>Property and Equipment</b>		
Building	20,755,943	20,755,943
Building Improvements	10,050,133	10,050,133
Transportation equipment	5,402,457	3,663,171
Furniture and fixtures	3,221,703	3,088,944
Total	39,430,236	37,558,191
Less: Accumulated depreciation	34,988,764	34,282,211
Net Book Value	4,441,472	3,275,980
<b>Total Property and Equipment</b>	<b>4,441,472</b>	<b>3,275,980</b>
Other non-current assets	19,844,229	19,844,229
<b>Total Non-Current Assets</b>	<b>1,198,378,871</b>	<b>1,074,986,532</b>
<b>TOTAL ASSETS</b>	<b>P 1,951,153,939</b>	<b>P 1,885,305,165</b>

LIABILITIES & STOCKHOLDERS' EQUITY	UNAUDITED JUNE 30, 2024	AUDITED DEC. 31, 2023
<i>Current Liabilities</i>		
Accounts Payable and accrued expenses		
Accounts payable-trade	0	0
Accounts payable-others	407,043	611,011
Withholding taxes payable	222,221	374,073
SSS Premium Payable	17,462	30,632
HDMF Premium Payable	3,496	1,896
Philhealth Premium Payable	17,504	8,065
Deposit Payable	8,023,786	7,667,504
Output Vat Payable	2,359,582	2,272,355
Accrued expenses	613,653	1,040,915
<b>Total Accounts payable and accrued expenses</b>	<b>P 11,664,747</b>	<b>P 12,006,451</b>
Dividends Payable	7,500,945	27,105,445
Income Tax Payable	124,280	124,280
Provision for legal obligation	0	0
<b>Total Current Liabilities</b>	<b>P 19,289,972</b>	<b>P 39,236,176</b>
<i>Non-Current Liabilities</i>		
Deferred tax liabilities	15,656,356	15,656,356
Deposits payable	580,000	580,000
Retirement benefit obligation	10,391,366	10,391,366
<b>Total Non-Current Liabilities</b>	<b>26,627,722</b>	<b>26,627,722</b>
<i>Stockholders' Equity</i>		
Capital stock	481,827,653	481,827,653
Additional paid in capital	144,759,977	144,759,977
Treasury shares	(102,094,826)	(102,094,826)
Unrealized gain on financial assets at FVOCI	4,858,264	2,713,251
Actuarial loss on retirement benefit obligation	7,368,008	7,368,008
Accumulated share in other comprehensive income of associates	106,071,851	106,071,851
Retained earnings	1,192,407,472	1,112,967,423
<b>Total Equity Attributable to Stockholders of the Company</b>	<b>1,835,198,399</b>	<b>1,753,613,337</b>
Minority Interest	70,037,846	65,827,930
<b>Total Stockholders' Equity</b>	<b>1,905,236,245</b>	<b>1,819,441,267</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>P 1,951,153,939</b>	<b>P 1,885,305,165</b>

See accompanying Notes to Consolidated Financial Statements

Prepared by:

ARSENIO T. LIAO  
Accountant



**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS PERIOD ENDING JUNE 30, 2024 AND JUNE 30, 2023**

	UNAUDITED JUNE 30, 2024		UNAUDITED JUNE 30, 2023	
REVENUES				
Interest Income				
From Banks	P	3,007,414	P	4,672,992
From Securities		1,871,159		3,646,612
Total Interest Income		4,878,573		8,319,604
Unrealized gains on trading securities		57,956,423		40,961,317
Rental Income		13,360,155		9,805,413
Gains on disposal /redemption of financial assets at FVTPL		17,128,211		0
Dividend Income		588,793		2,002,139
Realized gain on disposal of fin.assets at FVOCI		0		0
Net unrealized foreign exchange gain		17,426,197		3,967,320
Realized foreign exchange gain		0		0
Miscellaneous				648,158
	P	111,338,352	P	65,703,951
EXPENSES				
Doubtful accounts expense				
Net foreign exchange loss		0		0
Salaries, wages and employees' benefits		6,097,938		5,272,004
Depreciation		8,946,529		8,858,102
Professional fees		1,675,203		2,379,476
Condominium dues		3,501,589		3,652,874
Litigation expense		0		0
Taxes and licenses		568,997		3,293,677
Entertainment, amusement and recreation		103,246		114,402
Unrealized loss on financial assets at FVPL		894,522		1,614,711
Realized loss on redemption of bonds		903,737		15,354,061
Others		4,996,627		4,090,800
		27,688,388		44,630,107
NET INCOME	P	83,649,964	P	21,073,844
NET INCOME ATTRIBUTABLE TO:				
STOCKHOLDERS OF THE COMPANY	P	79,440,049	P	19,955,690
MINORITY INTERESTS		4,209,915		1,118,154
EARNINGS PER SHARE	P	0.209	P	0.053

*See accompanying Notes to Consolidated Financial Statements*

Prepared by:

ARSENIO T. LIAO

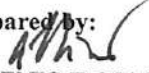
Accountant



**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS PERIOD ENDING JUNE 30, 2024 AND JUNE 30, 2023**

		UNAUDITED JUNE 30, 2024		UNAUDITED JUNE 30, 2023
<b>NET INCOME</b>	<b>P</b>	<b>83,649,964</b>	<b>P</b>	<b>21,073,844</b>
<b>OTHER COMPREHENSIVE INCOME(LOSS)</b>				
Changes in fair value of AFS investments		-		-
Amortization of unrealized losses on changes in fair value of AFS investments				
Unrealized gains on financial assets at FVOCI		2,145,013		23,111,641
Impairment loss on AFS investments				
Others				
		2,145,013		23,111,641
<b>TOTAL COMPREHENSIVE INCOME(LOSS)</b>	<b>P</b>	<b>85,794,977</b>	<b>P</b>	<b>44,185,485</b>
<b>TOTAL COMPREHENSIVE INCOME(LOSS)</b>				
<b>ATTRIBUTABLE TO:</b>				
<b>STOCKHOLDERS OF THE COMPANY</b>	<b>P</b>	<b>81,505,228</b>	<b>P</b>	<b>41,976,211</b>
<b>MINORITY INTERESTS</b>		4,289,749		2,209,274
	<b>P</b>	<b>85,794,977</b>	<b>P</b>	<b>44,185,485</b>

*See accompanying Notes to Consolidated Financial Statements*

Prepared by:   
 ARSENIO T. LIAO  
 Accountant

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS PERIOD APRIL 1-JUNE 30, 2024 AND APRIL 1-JUNE 30, 2023**

	UNAUDITED APRIL 1- JUNE 30, 2024	UNAUDITED APRIL 1- JUNE 30, 2023
<b>REVENUES</b>		
Interest Income		
From Banks	P 594,086	P 2,646,308
From Securities	1,658,663	1,802,152
Total Interest Income	2,252,749	4,448,460
Unrealized gains on trading securities	30,206,186	25,926,321
Rental Income	7,025,540	4,845,270
Dividend Income	319,913	1,364,188
Unrealized forex gain	16,216,430	4,954,343
Realized gain on sale of FVOCI	17,303,102	0
Realized forex exchange gain	0	0
Other income	0	562,500
	P 73,323,920	P 42,101,082
<b>EXPENSES</b>		
Doubtful accounts expense	0	0
Litigation expenses		
Salaries, wages and employees' benefits	3,060,483	2,906,078
Depreciation	4,473,264	6,221,159
Professional fees	656,399	1,535,085
Condominium dues	1,471,894	1,890,303
Realized loss on disposal/redemption of bonds/FVOCI	903,737	15,497,138
Taxes and licenses	29,633	1,571,110
Entertainment, amusement and recreation	57,455	41,046
Unrealized loss on financial assets at FVPL	894,522	432,018
Others	2,926,401	3,451,891
	14,473,788	33,545,828
<b>NET INCOME</b>	P 58,850,132	P 8,555,254
<b>NET INCOME ATTRIBUTABLE TO:</b>		
<b>STOCKHOLDERS OF THE COMPANY</b>	P 55,907,625	P 8,127,491
<b>MINORITY INTERESTS</b>	2,942,507	427,763
<b>EARNINGS PER SHARE</b>	P 0.147	P 0.0214

*See accompanying Notes to Consolidated Financial Statements*

Prepared by:

ARSENIO T. LIAO  
Accountant

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS PERIOD APRIL 1-JUNE 30,2024 AND APRIL 1-JUNE 30,2023**

		UNAUDITED APRIL 1- JUNE 30,2024		UNAUDITED APRIL 1-JUNE 30,2023
NET INCOME	P	58,850,132	P	8,555,254
OTHER COMPREHENSIVE INCOME(LOSS)				
Changes in fair value of AFS investments		-		-
Amortization of unrealized losses on changes in fair value of AFS investments				
Unrealized gain/loss on financial assets at FVOCI		(486,450)		20,796,769
Impairment loss on AFS investments				
Others				
		(486,450)		20,796,769
TOTAL COMPREHENSIVE INCOME(LOSS)	P	58,363,682	P	29,352,023
TOTAL COMPREHENSIVE INCOME(LOSS)				
ATTRIBUTABLE TO:				
STOCKHOLDERS OF THE COMPANY	P	55,445,498	P	27,884,422
MINORITY INTERESTS		2,918,184		1,467,601
	P	58,363,682	P	29,352,023

*See accompanying Notes to Consolidated Financial Statements*

Prepared by:

ARSENIO T. LIAO

Accountant

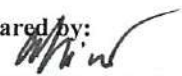
## ANNEX "D"

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND JUNE 30, 2023**  
**AND THE YEAR ENDED DECEMBER 31, 2023**

		UNAUDITED JUNE 30, 2024	UNAUDITED JUNE 30, 2023	AUDITED DEC. 31, 2023
<b>CAPITAL STOCK</b>				
Balance at beginning of year	P	481,827,653 P	481,827,653 P	481,827,653
Issuance of additional shares of stock				
Subscription of additional shares of stock				
Balance at end of period		481,827,653	481,827,653	481,827,653
<b>ADDITIONAL PAID-IN CAPITAL</b>				
Treasury Shares		(102,094,826)	(102,094,826)	(102,094,826)
Unrealized gain on financial assets at FVOCI		4,858,264	6,312,954	2,713,251
Other Reserves				
Actuarial loss on retirement benefit obligation		7,368,008	615,438	7,368,008
Share in other comprehensive income of associates		106,071,851	107,814,148	106,071,851
SHARE IN REVALUATION INCREMENT ON LAND OWNED BY MCHC's SUBSIDIARIES				
<b>RETAINED EARNINGS</b>				
Balance at beginning of period, as restated		1,112,967,423	1,135,349,885	1,135,349,885
Net Income		79,440,049	19,955,690	62,262,774
Dividends declared				(84,645,236)
Balance at end of period		1,192,407,472	1,155,305,575	1,112,967,423
		1,835,198,399	1,794,540,919	1,753,613,337
Minority Interests		70,037,846	71,580,384	65,827,930
<b>TOTAL STOCKHOLDERS' EQUITY</b>				
	P	1,905,236,245 P	1,866,121,303 P	1,819,441,267

See accompanying Notes to Consolidated Financial Statements

Prepared by:

  
**ARSENIO T. LIAO**  
Accountant



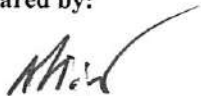
## ANNEX "E"

**F & J PRINCE HOLDINGS CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDING JUNE 30, 2024 AND JUNE 30, 2023**

	UNAUDITED JUNE 30, 2024	UNAUDITED JUNE 30, 2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	P 79,440,049	P 19,955,690
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority Interest	4,209,915	1,118,154
Depreciation and amortization	8,946,529	8,858,102
Net unrealized gains on financial assets at FVOCI	2,145,013	23,111,641
Amortization of unrealized loss/gain on FV of AFS inv.		
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	88,007	6,933,138
Prepaid expenses and other current assets	593,383	206,238
Increase (decrease) in accounts payable and accrued expenses	(465,984)	5,735,725
<i>Net cash provided by operating activities</i>	<u>94,956,912</u>	<u>65,918,687</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions/disposals of property and equipment	(1,872,045)	(1,064,493)
AFS/HTM investments and financial assets at FVPL		
Financial assets at FVOCI and FVPL	(138,454,124)	(1,188,900)
Decrease (increase) in:		
Other assets	0	(500,000)
<i>Net cash provided by (used in) investing activities</i>	<u>(140,326,169)</u>	<u>(2,753,393)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in:		
Deposits payable		(519,000)
Dividends payable	(19,604,500)	
Investment in issue rights subscription		(19,174,350)
Income tax payable	124,280	
<i>Net cash provided by (used in) financing activities</i>	<u>(19,480,220)</u>	<u>(19,693,350)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	P (64,849,477)	P 43,471,944
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	P 365,139,175	P 511,169,217

See accompanying Notes to Consolidated Financial Statements

Prepared by:

  
**ARSENIO T. LIAO**  
Accountant

## ANNEX "F"

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE 3 MONTHS PERIOD APRIL 1-JUNE 30, 2024 AND APRIL 1-JUNE 30, 2023**

	UNAUDITED APRIL 1- JUNE 30, 2024	UNAUDITED APRIL 1- JUNE 30, 2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	P 55,907,625	P 8,127,491
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net earnings in associate	0	0
Minority interest	2,942,507	427,763
Depreciation and amortization	4,473,264	6,221,159
Net unrealized gains on financial assets at FVOCI	(486,450)	20,796,769
Amortization of unrealized loss/gain on FV of AFS inv.		
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	294,488	236,768
Prepaid expenses and other current assets	223,294	347,389
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,313,014)	6,343,398
Net cash provided by operating activities	62,041,714	42,500,737
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions/disposals of property and equipment	(1,872,045)	(549,009)
Investment in property		
Financial assets at FVOCI and FVPL	38,198,083	31,377,618
Investment in issue rights subscription	0	(13,705,550)
Decrease(increase) in		
Other assets	0	(500,000)
Net cash provided by (used in) investing activities	36,326,038	16,623,059
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in:		
Provision for legal obligation	0	0
Income tax payable	0	0
Net cash provided by (used in) financing activities	0	0
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	P 98,367,752	P 59,123,796
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	266,771,423	452,045,421
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	P 365,139,175	P 511,169,217

F&J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2024 AND DECEMBER 31, 2023  
WITH VERTICAL AND HORIZONTAL PERCENTAGE ANALYSIS

"ANNEX G"

Page 1

	UNAUDITED JUNE 30, 2024	VERTICAL PERCENTAGE ANALYSIS JUNE 30, 2024	AUDITED DEC. 31, 2023	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2023	INCREASE (DECREASE) AMOUNT JUNE 30, 2024	INCREASE (DECREASE) PERCENTAGE ANALYSIS JUNE 30, 2024
<b>ASSETS</b>						
Current Assets						
Cash and cash equivalents	365,139,175	18.71%	429,988,652	22.80%	(64,849,477)	-15.08%
Financial assets at fair value through fair value thru profit or loss (FVPL)	349,603,551	17.92%	341,616,249	18.12%	7,987,302	2.34%
Short-term investments	-	-	-	-	--	-
Receivables :						
Advances to Officers & Employees	0	0.00%	0	0.00%	0	0.00%
Interest Receivable	2,163,501	0.11%	2,723,965	0.15%	(560,464)	-20.58%
Dividends Receivable	0	0.00%	0	0.00%	0	0.00%
Receivable from related parties	401,698	0.02%	260,408	0.01%	141,290	54.26%
Others	1,125,237	0.06%	794,070	0.04%	331,167	41.71%
Total Receivables	3,690,436	0.19%	3,778,443	0.20%	(88,007)	-2.33%
Allowance for impairment losses	1,007,000	-0.05%	1,007,000	-0.05%	0	0.00%
Total Receivables-Net	2,683,436	0.14%	2,771,443	0.15%	(88,007)	-3.18%
Current portion of HTM investments	0	0.00%	0	0.00%	0	0.00%
Current portion of AFS investments	477,020	0.02%	477,020	0.03%	0	0.00%
Prepaid expenses & other current assets:						
Others	8,375,228	0.43%	7,804,359	0.41%	570,869	7.31%
Input Tax	25,614,513	1.31%	26,576,509	1.41%	(961,996)	-3.62%
Prepaid Income Tax	882,145	0.05%	1,084,401	0.06%	(202,256)	-18.65%
Total Prepaid expenses & other current assets	34,871,886	1.79%	35,465,269	1.88%	(593,383)	-1.67%
Total Current Assets	752,775,068	38.58%	810,318,633	42.98%	(57,543,565)	-7.10%
Non-current Assets						
Convertible notes receivable	5,612,000	0.29%	5,612,000	0.30%	0	0.00%
Investments in associates	302,233,819	15.48%	302,233,819	16.03%	0	0.00%
Investment in rights issue subscription	43,933,450	2.25%	43,933,450	2.33%	0	0.00%
Financial assets at FVOCI	484,742,867	24.84%	354,276,044	18.79%	130,466,823	36.83%
Investment in properties	337,571,034	17.30%	345,811,010	18.34%	(8,239,976)	-2.38%
Property and Equipment						
Building	20,755,943	1.06%	20,755,943	1.11%	0	0.00%
Building Improvements	10,050,133	0.52%	10,050,133	0.54%	0	0.00%
Transportation equipment	5,402,457	0.28%	3,663,171	0.19%	1,739,286	47.48%
Furniture and fixtures	3,221,703	0.17%	3,088,944	0.16%	132,759	4.30%
Total Property and Equipment	39,430,236	2.03%	37,558,191	2.00%	1,872,045	4.98%
Less: accumulated depreciation	34,988,764	-1.79%	34,282,211	-1.82%	706,553	2.06%
Net Book Value	4,441,472	0.24%	3,275,980	0.18%	1,165,492	35.58%
Total Property and Equipment	4,441,472	0.24%	3,275,980	0.18%	1,165,492	35.58%
Deferred income tax assets-net	0	0.00%	0	0.00%	0	0.00%
Other Assets – net	19,844,229	1.02%	19,844,229	1.05%	0	0.00%
Total Non-Current Assets	1,198,378,871	61.42%	1,074,986,532	57.02%	123,392,339	11.48%
TOTAL ASSETS	1,951,153,939	100.00%	1,885,305,165	100.00%	65,848,774	3.49%



	UNAUDITED JUNE 30, 2024	VERTICAL PERCENTAGE ANALYSIS JUNE 30, 2024	AUDITED DEC. 31, 2023	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2023	INCREASE (DECREASE) AMOUNT JUNE 30, 2024	INCREASE (DECREASE) PERCENTAGE ANALYSIS JUNE 30, 2024
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>						
<b>Current Liabilities</b>						
<b>Accounts Payable and accrued expenses</b>						
Accounts payable-trade	0	0.00%	0	0.00%	0	0.00%
Accounts payable-others	407,043	0.02%	611,011	0.03%	(203,968)	-33.38%
Withholding taxes payable	222,221	0.01%	374,073	0.02%	(151,852)	-40.59%
SSS Premium Payable	17,462	0.00%	30,632	0.00%	(13,170)	-42.99%
HDMF Premium Payable	3,496	0.00%	1,896	0.00%	1,600	84.39%
Philhealth Premium Payable	17,504	0.00%	8,065	0.00%	9,439	117.04%
Deposit Payable	8,023,786	0.41%	7,667,504	0.41%	356,282	4.65%
Output Vat Payable	2,359,582	0.12%	2,272,355	0.12%	87,227	3.84%
Accrued expenses	613,653	0.03%	1,040,915	0.06%	(551,542)	-47.33%
<b>Total Accounts payable &amp; accrued expenses</b>	<b>11,664,747</b>	<b>0.59%</b>	<b>12,006,451</b>	<b>0.64%</b>	<b>(465,984)</b>	<b>-3.84%</b>
Dividends Payable	7,500,945	0.38%	27,105,445	1.45%	(19,604,500)	-72.33%
Income Tax Payable	124,280	0.01%	124,280	0.00%	0	0.00%
Provision for legal obligation	0	0.00%	0	0.00%	0	0.00%
<b>Total Current Liabilities</b>	<b>19,289,972</b>	<b>0.98%</b>	<b>39,236,176</b>	<b>2.09%</b>	<b>(19,946,204)</b>	<b>-50.84%</b>
<b>Non-Current Liabilities</b>						
Deposits payable	580,000	0.03%	580,000	0.03%	0	0.00%
Deferred tax liabilities	15,656,356	0.80%	15,656,356	0.83%	0	0.00%
Retirement benefit obligation	10,391,366	0.54%	10,391,366	0.55%	0	0.00%
<b>Total Non-Current Liabilities</b>	<b>26,627,722</b>	<b>1.37%</b>	<b>26,627,722</b>	<b>1.41%</b>	<b>0</b>	<b>0.00%</b>
<b>Stockholders' Equity</b>						
Capital stock	481,827,653	24.69%	481,827,653	25.56%	0	0.00%
Additional paid in capital	144,759,977	7.42%	144,759,977	7.68%	0	0.00%
Unrealized gain on fin. assets at FVOCI	4,858,264	0.25%	2,713,251	0.14%	2,145,013	79.06%
Actuarial loss on retirement obligation	7,368,008	0.38%	7,368,008	0.39%	0	0.00%
Accumulated share in OCI of associates	106,071,851	5.44%	106,071,851	5.63%	0	0.00%
Treasury shares	(102,094,826)	-5.23%	(102,094,826)	-5.42%	0	0.00%
Retained earnings	1,192,407,472	61.11%	1,112,967,423	59.03%	79,440,049	7.14%
<b>Total Equity Attributable to Stockholders of the Company</b>	<b>1,835,198,399</b>	<b>94.06%</b>	<b>1,753,613,337</b>	<b>93.01%</b>	<b>81,585,062</b>	<b>4.65%</b>
Minority Interest	70,037,846	3.59%	65,827,930	3.49%	4,209,916	6.40%
<b>Total Stockholders' Equity</b>	<b>1,905,236,245</b>	<b>97.65%</b>	<b>1,819,441,267</b>	<b>96.50%</b>	<b>85,794,978</b>	<b>4.72%</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>1,951,153,939</b>	<b>100.00%</b>	<b>1,885,305,165</b>	<b>100.00%</b>	<b>65,848,774</b>	<b>3.49%</b>

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**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. General Information**

**Corporate Information**

F & J Prince Holdings Corporation (the "Parent") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on February 18, 1971. Its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including, but not limited to, land, building, condominium units, shares of stock, bonds, debentures, notes, evidence of indebtedness, and other securities, contracts or obligations of any corporation, and associations, domestic or foreign.

The Parent Company is a public company under Section 17.2 of the Revised Securities Regulation Code and its shares of stock are listed in and traded through the Philippine Stock Exchange, Inc. (PSE).

The registered office address of the Parent Company is at 5th Floor, BDO Towers Paseo, 8741 Paseo de Roxas, Makati City.

The subsidiaries as at December 31, 2023, 2022 and 2021 are as follows:

	Percentage of Ownership
Magellan Capital Holdings Corporation (MCHC)*	95%
Pinamucan Industrial Estates, Inc. (PIEI)	95%
Malabrigo Corporation (MC)	95%
Magellan Capital Realty Development Corporation (MCRDC)**	95%
Magellan Capital Trading Corporation (MCTC)**	95%

*\*Intermediate parent company*

*\*\*Non-operational since incorporation*

The Parent Company and its subsidiaries are collectively referred herein as "the Group." All the subsidiaries are incorporated in the Philippines.

**MCHC**

MCHC is a holding company involved in investing real and personal properties of every kind, including, but not limited to, land, buildings, condominium units, shares of stock, bonds, and other securities of any corporation or association, domestic or foreign. MCHC was registered with the SEC on November 6, 1990. MCHC has investments in subsidiaries, mainly PIEI, MC, MCRDC and MCTC.

**PIEI**

PIEI was organized primarily as a real estate developer and was registered with the SEC on May 5, 1993.

MC

MC was organized primarily to purchase, operate, maintain and sell coal mines and their products and by-products. MC was registered with the SEC on August 31, 1993.

MCRDC

MCRDC was organized to purchase, subscribe for, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of shares of stock, bonds, debentures, notes, evidence of indebtedness and other securities, contracts and obligations of any corporation or corporations, domestic or foreign. MCRDC was registered with the SEC on November 14, 1990 and has been non-operational since incorporation.

MCTC

MCTC was organized to conduct and carry on the business of buying, selling, distributing and marketing at wholesale and retail all kinds of goods, commodities, wares and merchandise. MCTC was registered with the SEC on January 7, 1991 and has been non-operational since incorporation.

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## 2. Summary of Material Accounting Policy Information

### Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

### Measurement Bases

The consolidated financial statements are presented in Philippine Peso (Peso), the Group's functional and presentation currency. All amounts are stated in absolute values, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for:

- financial assets at FVPL;
- financial assets at FVOCI; and
- retirement liability which is measured based on the present value of defined benefit obligation

Historical cost is generally based on the fair value of the consideration given in exchange of assets and fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:



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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 5, *Financial Assets at FVPL*
- Note 8, *Financial Assets at FVOCI*
- Note 25, *Fair Value of Financial Instruments*

#### Adoption of Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant amendments to PFRS effective January 1, 2023.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in

an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

Under prevailing circumstances, the adoption of the foregoing new and amendments to PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the notes to consolidated financial statements, as applicable.

#### **Amendments to PFRS in Issue But Not Yet Effective**

Relevant amendments to PFRS, which are not yet effective as at December 31, 2023 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Group shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

Effective for annual periods beginning on or after January 1, 2025:

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* – The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.



The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

#### **Current versus Noncurrent Classification**

The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is classified as 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 noncurrent.

A liability is classified as current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classifications.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

#### **Basis of Consolidation**

The consolidated financial statements include the accounts of the Parent Company, its subsidiaries.

*Subsidiaries.* Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

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

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



The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interest (NCI), even if this results in the NCI interests having a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

NCI represents the portion of net results and net assets not held by the Parent Company. These are presented in the consolidated statement of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statement of income and consolidated statement of comprehensive income. NCI represent the equity interest not held by the Parent Company.

If the Parent Company loses control over a subsidiary, it derecognizes the assets including goodwill, liabilities and NCI in the subsidiary. The Parent Company recognizes the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in the consolidated statement of comprehensive income.

*Business Combination.* Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method is used.

Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognized in profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

*Goodwill.* Goodwill acquired in a business combination is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for NCI and any previous interest held over the net identifiable assets acquired and liabilities assumed).

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGUs), or group of cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

*Impairment of Goodwill.* Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs, to which the goodwill relates. When the recoverable amount of the CGU or group of CGUs is less than the carrying amount, an impairment loss is recognized. Impairment loss with respect to goodwill cannot be reversed in future periods.

### **Financial Instruments**

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

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable is done using settlement date accounting.



*Initial Recognition.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.

*"Day 1" Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transactions price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

*Classification of Financial Instruments.* The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and, (c) financial assets at FVOCI. The classification of a financial asset largely depends on its contractual cash flow characteristics and the Group's business model for managing them.

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

Equity securities that have been designated to be measured at FVOCI may not be reclassified to a different category.

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at December 31, 2023 (and 2022), the Company does not have financial liabilities at FVPL.

*Financial Assets at FVPL.* Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship.

Classified under this category are the Group's investments in listed equity securities presented under "Financial assets at FVPL" account.



*Financial Assets at Amortized Cost.* A financial asset shall be measured at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

Classified under this category are the Group's cash and cash equivalents, receivables, due from related parties and convertible notes receivables.

*Financial Assets at FVOCI - Debt Instruments.* The Group measures debt instruments at FVOCI if both of the following conditions are met:

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

For debt instruments at FVOCI measured at FVOCI, interest income, foreign exchange translation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

Classified under this category are the Group's investments in debt securities such as quoted bonds presented under "Financial assets at fair value through other comprehensive income (FVOCI)" account.

*Financial Assets at FVOCI - Equity Instruments.* On initial recognition, equity securities which are not held for trading may be irrevocably designated as a financial asset to be measured at FVOCI.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, financial assets at FVOCI are measured at fair value with unrealized valuation gains or losses recognized in other comprehensive income and are accumulated under "Other equity reserves" account in the equity section of the consolidated statement of financial position. These fair value changes are not reclassified to profit or loss in subsequent periods. On disposal of these equity securities, any cumulative unrealized valuation gains or losses will be reclassified to retained earnings.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in other comprehensive income and presented in the equity section of the statement of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent years. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are not reclassified from equity to profit or loss.

Classified under this category are the Group's investments in equity securities presented under "Financial assets at fair value through other comprehensive income (FVOCI)" account.

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

Classified under this category are the Group's accounts and other payables (excluding statutory payables), dividends payable and deposits payable.

#### **Impairment of Financial Assets at Amortized Cost**

The Group records an allowance for expected credit loss (ECL) on financial assets at amortized cost based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group measures loss allowances at an amount equivalent to the 12-month ECL for financial assets on which credit risk has not increased significantly since initial recognition or that are determined to have low credit risk at reporting date. Otherwise, impairment loss will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at reporting date with the risk of a default occurring on the financial instrument on the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort. In addition, the Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.



If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at reversal date.

A financial asset is written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

*Receivables.* The Group has applied the simplified approach in measuring the ECL on trade receivables. Simplified approach requires that ECL should always be based on the lifetime ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

*Other Financial Instruments Measured at Amortized Cost.* For these financial assets, the Group applies the general approach in determining ECL. The Group recognizes an allowance based on either the 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

#### **Derecognition of Financial Assets and Liabilities**

*Financial Assets.* A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.



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

#### **Offsetting Financial Assets and Liabilities**

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

#### **Classification of Financial Instrument between Liability and Equity**

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

#### **Other Current Assets**

Other current assets mainly include input value-added tax (VAT), deferred input VAT, creditable withholding tax (CWT) and prepaid expenses.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from the tax authority is included as part of "Other current assets" account in the consolidated statement of financial position.

*Deferred Input VAT.* Deferred VAT represents input VAT on purchases of applicable services that are still outstanding at financial reporting date and unclaimed amount of input VAT on capital goods, which are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT that are expected to be claimed against output VAT for more

than 12 months after the reporting year are classified as other noncurrent assets. Otherwise, these are classified as part of current assets.

In accordance with Section 35 of Republic Act (RA) No. 10963, otherwise known as the "*Tax Reform for Acceleration or Inclusion*," the amortization of the input VAT should only be allowed until December 31, 2021 after which taxpayers with unutilized input VAT on capital goods purchased or imported should be allowed to apply the same as scheduled until fully utilized. Accordingly, all input tax on purchases of capital goods starting January 1, 2022 should already be allowed upon purchase/payment and no longer be deferred based on Revenue Memorandum Circular No. 21-2022.

*CWT.* CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

*Prepaid Expenses.* Prepaid expenses are expenses paid in advance and recorded as asset before these are utilized. Prepaid expenses are apportioned over the period covered by the payment and charged to appropriate expense accounts in profit or loss when incurred. Prepaid expenses that are expected to be realized for no more than 12 months after the financial reporting year are classified as current assets. Otherwise, these are classified as noncurrent assets.

#### **Investments in Associates**

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investments in associates are accounted for under the equity method.

Under the equity method, the investments in associates are initially recognized at cost, and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the associates after the date of acquisition. The Group's share of the associates' profit or loss is recognized in the consolidated statement of income. Distributions received from associates reduce the carrying amount of the investment.

Any change in OCI of those investees is presented as part of the consolidated statement of comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associate. If the Group's shares of losses of an associate equal or exceeds its interest in the associate, the Group shall discontinue recognizing its share of further losses.

The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associates since the acquisition date. Goodwill relating to the associates is included in the carrying amount of the investment and is not tested for impairment individually.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investments in its associates. At each reporting date, the Group determines



whether there is objective evidence that the investments in associates are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognize the loss in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

The Group has equity interest in the following associates as at December 31, 2023, 2022 and 2021:

	Country of Incorporation	Percentage of Ownership
Magellan Utilities Development Corporation (MUDC)	Philippines	43%
Pointwest Technologies Corporation (PTC)	Philippines	30%
Business Process Outsourcing International (BPO)	Philippines	35%
Melrose Park Investments, L. P. (MPI)	United States of America	7.813%

#### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to profit or loss in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

Each part of the property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the depreciable assets.

The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:



Asset Type	Number of Years
Condominium	25
Condominium improvements	10 or useful life, whichever is shorter
Transportation Equipment	10
Furniture, fixtures and equipment	5

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

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

#### Investment Properties

Investment properties, comprising a parcel of land and condominium units, are held either to earn rental income or for capital appreciation or both. Investment property pertaining to land is measured at cost, including transaction costs less any accumulated impairment in value.

Investment property pertaining to condominium units is carried at cost less any accumulated depreciation and amortization and any impairment in value. Depreciation and amortization are computed using straight-line method over the estimated useful life of 25 years.

The estimated useful lives and method of depreciation and amortization are reviewed and adjusted, if appropriate, at each reporting year to ensure that the year and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of investment properties.

Investment properties are derecognized when either these have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

A transfer is made to investment property when there is a change in use, evidenced by the ending of owner-occupation and commencement of an operating lease to another party. A transfer is made from investment property when there is a change in use, evidenced by the commencement of owner-occupation or commencement of development of the Group with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

#### Impairment of Nonfinancial Assets

Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing

for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

### Equity

*Capital Stock and Additional Paid-in Capital.* Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Incremental costs directly attributable to the issue of new capital stock are recognized as a deduction, net of tax, from the equity.

*Treasury Shares.* Parent Company's shares which are held by a subsidiary are treated similar to treasury shares and recognized and deducted from equity at cost. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue, or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in other reserves.

*Other Equity Reserves.* Other equity reserves primarily comprise of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. Other equity reserves of the Group mainly pertain to cumulative unrealized valuation losses of financial assets at FVOCI, cumulative share in other comprehensive income of associates and cumulative remeasurement gains of retirement benefits.

*Retained Earnings.* Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments. Dividends declared to the Group's stockholders are deducted from equity in the year in which the dividends are approved by the BOD. Dividends that are approved after the reporting year are disclosed as an event after the reporting year.



### **Revenue Recognition**

Revenue is recognized when control over a product or service is transferred to the customer, or the customer has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

The Group has generally concluded that it is the principal in its revenue arrangements. The following specific recognition criteria must also be met before revenue from contracts with customers is recognized.

#### **Revenue outside the Scope of PFRS 15**

*Dividend Income.* Revenue is recognized when the Group's right to receive the payment is established, which is generally upon the approval of the investee's BOD.

*Interest Income.* Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

*Other Income.* Revenue is recognized when earned.

### **Expense Recognition**

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when goods are received by and services are rendered to the Group or when the expenses are incurred.

### **Leases**

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Group has the right to direct the use of the asset if either:



- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

*The Group as a Lessor.* Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which these are earned.

### **Employee Benefits**

*Short-term Benefits.* The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

*Retirement Benefits.* The Group has an unfunded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits is determined using the projected unit credit method, which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs and interest expense in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in other comprehensive income in the year in which these arise. These are not reclassified to profit or loss in subsequent years.

The retirement liability recognized by the Company is the present value of the retirement obligation which is determined by discounting the estimated future cash outflows using risk-free interest rate of government bonds that have terms to maturity approximating the terms of the related retirement and other long-term benefits liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

### **Foreign Currency Denominated Transactions**

Transactions denominated in foreign currencies are initially recorded in Peso using the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency using the rate of exchange prevailing at the reporting date. Foreign exchange differences between the rate at transaction date and settlement date or reporting date are credited to or charged against profit or loss. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the dates of initial transactions.

Exchange rate differences arising from the translation or settlement of monetary items at rates different from those at which these were initially recorded during the period are recognized in the profit or loss in the period these arise.

### Income Taxes

*Current Tax.* Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

*Deferred Tax.* Deferred tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes except for:

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), only if it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

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

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

Deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity as other comprehensive income.

*Offsetting.* Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Group plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.



### **Related Parties and Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Related party transactions are considered material and/or significant if i) these transactions amount to 10% or higher of the total assets, or ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the total assets. Details of transactions entered into by the Group with related parties are reviewed in accordance with its related party transactions policy.

### **Earnings per Share**

Basic earnings per share is computed by dividing net income for the year attributable to common equity holders of the Group, after recognition of the dividend requirement of preferred shares, as applicable, by the weighted average number of issued and outstanding common shares during the year, after giving retroactive effect to any stock dividends declared during the year.

Diluted earnings per share is computed by dividing net income \for the year attributable to common equity holders of the Group by the weighted average number of issued and outstanding common shares during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an anti-dilutive effect on earnings per share.

As the Group has no dilutive potential common shares outstanding, basic and diluted earnings per share are stated at the same amount.

### **Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are made using the best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period these arise.

### **Contingencies**

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.



#### Events after the Reporting Date

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

#### Comparatives

When necessary, comparative figures have been reclassified to conform to the changes in the presentation of the current year.

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### 3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to exercise judgment, make estimates and use assumptions that affect amounts of assets, liabilities, income and expenses reported in the consolidated financial statements. The judgment, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. While management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

*Determining whether Control Exists in an Investee.* Control is presumed to exist when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Management has determined that it has control over MCHC by virtue of its power to cast the majority votes through its representation in the BOD of MCHC.

*Determining Significant Influence over an Investee Company.* The Group considers its investments in PTC and BPO as investments in associates. The Group concluded that given its 30% and 35% ownership interest in PTC and BPO, respectively, it has significant influence over the operating and financial policies of these associates, with considerations of the following factors:

- Representation on the BOD;
- Participation in policy-making processes, including participation in decisions about dividends and other distributions; and
- Material transactions between the investor and investee.

Also, the Group considers its investment in MPI, a limited partnership, with an interest of 7.813% as investment in an associate. An ownership interest greater than 3-5% in limited partnerships is presumed to provide the Group with the ability to influence the operating and financial policies of MPI.

*Classifying the Financial Instruments.* The Group exercises judgments in classifying a financial instrument, or its component parts, upon initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether market transactions take place with sufficient frequency and volume.

*Contractual Cash Flows Assessment.* For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of 'sole payment of principal and interest' (SPPI).

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Investments in a financial asset that are convertible into equity instruments of the issuer are analyzed for classification in its entirety. A convertible financial asset does not meet the SPPI criterion when its interest rate does not reflect the consideration for the time value of money and the credit risk of the issuer. This is not the case when the issuer's shares are used to settle the instrument with a variable number of shares being issued that are equal in value to the unpaid principal and interest of the financial asset.

The Group's convertible notes receivable met the SPPI criterion (see Note 8).

*Evaluating the Business Model in Managing Financial Instruments.* The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;



- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

*Determining the Classification of Properties.* Management determines the classification of a property whether investment properties or property and equipment depending on its use and purpose. The property is classified as follows:

- Investment properties comprise of land and condominium units which are not occupied substantially for use by, or in the operations of, the Group, not for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Property and equipment comprise of owner-occupied properties.

The change of the use of properties will trigger a change in classification and accounting of the properties.

*Determining the Classification of Lease Arrangements.* The Group, as a lessor, has existing property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and benefits of ownership of those leased properties as the Group considers, among others, the lease term as compared with the estimated useful life of the property. As such, the lease agreements are accounted for as operating leases.

### **Estimates and Assumptions**

*Determining the Fair Values of Financial Instruments.* The Group carries and discloses certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., quoted prices, interest rates and foreign exchange rates), the amount of changes in fair value would differ if the Group utilized a different valuation methodology.

Where the fair value of certain financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The judgments include of liquidity and model inputs such as liquidity risk, credit risk and considerations volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Details of the fair values of the Group's financial instruments are presented in Note 23.



*Estimating the Provision for Expected Credit Losses.* The Group uses the general approach to calculate expected credit losses for receivables and amounts due from related parties. The Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECL at each reporting date.

Details of the Group's receivables and allowance for expected credit losses are disclosed in Note 6.

*Estimating the Impairment of Debt Securities Classified as Financial Assets at FVOCI.* The Group assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Group assesses whether the credit risk on those financial instruments has increased significantly since initial recognition.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

The Group's debt instrument in FVOCI comprise solely of top investment grade bonds that are graded by top credit rating agencies and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the top credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Details of the carrying value of debt securities classified as financial assets at FVOCI are disclosed in Note 5.

*Assessing the Impairment of Investment in Associates.* The Group performs an impairment review on its investments in associates whenever an impairment indicator exists. This requires an estimation of the value in use of the investments. Estimating the value in use requires the Group to make an estimate of the expected future cash flows of the investments and to make use of a suitable discount rate to calculate the present value of those future cash flows.

The Group has a 43% interest in MUDC. As at December 31, 2023 and 2022, MUDC has been non-operational since its incorporation. However, it has obtained the necessary requirements for the signing of a supply agreement with a public utility firm and a purchase agreement with certain oil companies. As at December 31, 2023 and 2022, MUDC has project development costs of ₱207.1 million. The recoverability of these assets and the ultimate success of MUDC's future operations are dependent upon the signing of these agreements. The foregoing conditions indicate the existence of a material uncertainty which may cast significant doubt on MUDC's ability to continue as a going concern and the recoverability of the Group's significant investment in MUDC.

Details of the carrying amount of investments in associates are disclosed in Note 9.

*Estimating the Useful Lives of Investment Properties and Property and Equipment.* The Group reviews annually the estimated useful lives of investment properties and property and equipment based on

expected assets' utilization and market demands. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation of investment properties and property and equipment.

There was no change in the estimated useful lives of investment properties and property and equipment in 2023, 2022 and 2021.

Details of the carrying amount of depreciable property and equipment and investment properties are disclosed in Notes 10 and 11.

*Estimating the Impairment of Other Nonfinancial Assets.* The Group determines whether other current assets, property and equipment, investment properties are impaired whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

Recoverable amount of an asset is the higher of its fair value less costs to sell or value in use. Value in use is determined as the present value of estimated future cash flows expected to be generated from the Group's expected mining operations. The estimated cash flows are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

Based on management assessment, there are no impairment indicators on the Group's nonfinancial assets. Accordingly, no impairment loss was recognized in 2023, 2022 and 2021. The carrying amounts of nonfinancial assets are disclosed in the following:

- Note 7, *Other Current Assets*
- Note 9, *Investments in Associates*
- Note 10, *Property and Equipment*
- Note 11, *Investment Properties*

*Estimating the Realizability of Deferred Tax Assets.* The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management is required to



determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group did not recognize deferred tax assets on allowance for impairment losses on due from related parties and allowance for impairment losses on investment in an associate as management believes that sufficient future taxable income will not be available to allow all or part of the deferred tax assets to be utilized.

Details of deferred tax assets are disclosed in Note 16.

*Evaluating Contingencies.* The Group recognizes provision for possible claims when it is determined that an unfavorable outcome is probable and the amount of the claim can be reasonably estimated. The determination of reserves required, if any, is based on analysis of such individual issue, often with the assistance of outside legal counsel. Management believes that any potential claims against the Group arising from the normal course of business will not have any material adverse effect on its consolidated financial position and consolidated financial performance.

#### 4. Cash and Cash Equivalents

This account consists of:

	June 2024	2023
Cash on hand and in banks	₱99,432,805	₱81,317,262
Short-term placements	265,706,370	348,671,390
	<b>₱365,139,175</b>	<b>₱429,988,652</b>

Cash in banks earns interest at the respective bank deposit rates. Short-term placements are fixed rate time deposits denominated in United States Dollar (USD) and Philippine Peso, made for varying periods of up to three months or less subject to roll-over requirements depending on the immediate cash requirements of the Group, and earn interest at the respective bank rates ranging from 2.50% to 4.50% in 2023 (0.01% to 2.75% and 0.625% to 3.25% in 2022 and 2021, respectively).

#### 5. Investment Securities

This account consists of:

	June 2024	2023
Current:		
Financial assets at FVPL	₱349,603,551	₱341,616,249
Financial assets at FVOCI	477,020	477,020
Noncurrent -		
Financial assets at FVOCI	484,742,867	354,276,044
	<b>₱834,823,438</b>	<b>₱696,369,313</b>



#### *Financial Assets at FVPL*

Financial assets at FVPL consist of listed securities which are traded in the Philippine Stock Exchange (PSE), New York Stock Exchange (NYSE) and Hong Kong Stock Exchange (HKEx). Fair values of listed equity securities are based on quoted market prices in the PSE, NYSE and HKEx.

The group's investment in traded securities amounted to P349,603,551 as of June 30, 2024.

#### *Financial Assets at FVOCI*

The Group's investments securities measured at FVOCI are as follows:

	June 2024	2023
Debt securities	P43,283,976	P72,800,106
Equity securities	441,935,911	281,952,958
	<u>P485,219,887</u>	<u>P354,753,064</u>

#### *Debt Securities*

Investments in debt securities are denominated in various foreign currencies and are stated at fair value based on quoted prices. The debt securities bear fixed interest rates ranging from 4.625% to 6.75% in 2023 (4.75% to 6.625% in 2022 and 4.75% and 6.625% in 2021). Maturity dates of the investments range from 2024 to 2030. Interests on investments are received and settled semi-annually in its denominated currency.

The Group has an investment in government issued debt security that is a peso-denominated, fixed-income Philippine Treasury Note with an effective interest of 8.125%.

Interest earned on debt securities classified as financial assets at FVOCI amounted to P5.8 million in 2023 (P10.0 million and P12.4 million in 2022 and 2021, respectively), presented as "Interest income" in the consolidated statement of income (see Note 4).

#### *Equity Securities*

Investments in equity securities carried at fair value consist of investments in quoted and unquoted shares of stock which the Group has neither control nor significant influence. The fair market values of the listed shares are determined by reference to published quotations in an active market as at December 31, 2023 and 2022. For unlisted shares of stock that do not have readily available market values, the Group uses valuation for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Dividend income earned on equity securities classified as financial assets at FVOCI amounted to P172,798 in 2023 (P889,724 and nil in 2022 and 2021, respectively).

Movements in the net unrealized valuation gains (losses) on financial assets under FVOCI are as follows:

	June 2024	2023
Beginning balances	₱2,713,251	(₱16,798,687)
Movements in fair value before tax	2,145,013	21,762,883
Tax effect		(2,250,945)
	₱4,858,264	₱2,713,251

Movements in fair value amounted to ₱33.4 million, net of tax of ₱3.2 million in 2021.

Allowance for expected credit losses on debt securities amounted to ₱2.1 million as at December 31, 2023 and 2022.

Net unrealized valuation losses on financial assets at FVOCI attributable to equity holders of the Group amounted to ₱4.5 million in 2023 (loss of ₱16.8 million and gain of ₱19.7 million in 2022 and 2021, respectively).

The Group disposed certain financial assets at FVOCI and recognized a loss from disposal amounting to ₱23.9 million in 2023 (loss of ₱2.3 million and gain of ₱2.1 million in 2022 and 2021, respectively).

#### *Investments in Rights Issue Subscription*

The Group entered into an agreement with Xen Technologies Pte. Ltd. ("Xen") to invest in rights issue subscription amounting to ₱43.9 million or USD 1.1 million as at December 31, 2023 (₱27.6 million or USD 848,784 as at December 31, 2022). These rights issue subscriptions grant the Group certain preferential rights in Xen, including right to receive dividends, and are convertible into Xen's ordinary shares subject to certain conditions as stated in the contract agreement.

As at December 31, 2023 and 2022, investments in rights issue subscription are measured at FVOCI and are valued based on the recently transacted price which is deemed the fair value. The recent transacted price has been concluded to best represent the fair value on the basis that there have been no significant changes between the transaction date and the consolidated statement of financial position date.

## 6. Receivables

This account consists of:

	Note	June 2024	2023
Rent receivable		₱65,704	₱547,629
Accrued interest	4, 5	2,163,501	2,723,965
Others		1,059,533	246,441
		3,288,738	3,518,035
Less: allowance for expected credit losses		1,007,000	1,007,000
		₱2,281,738	₱2,511,035

Accrued interest pertains to interest earned on investments in short-term placements and debt securities classified as financial assets at FVOCI that are expected to be collected within one year.

In 2022 and 2021, receivables were directly written-off amounting to ₱86,873 and ₱74,141, respectively.

## 7. Other Current Assets

This account consists of:

	June 2024	2023
Input VAT	₱25,614,513	₱26,576,509
CWT	3,497,567	3,128,921
Deposits on contracts	3,598,771	3,103,771
Prepaid expenses	104,047	1,091,419
Prepaid income tax	882,145	1,084,401
Deferred input VAT	87,358	85,618
Others	1,087,485	394,630
	<b>₱34,871,886</b>	<b>₱35,465,269</b>

## 8. Convertible Notes Receivables

The Group entered into an agreement with Xen, whereby the Group issued convertible promissory notes (the "Notes"). A total amount of US\$100,000 or ₱5.7 million and US\$1,050,000 or ₱9.7 million was collected for the years ended December 31, 2022 and 2021, respectively. The Notes bear interest at 8% per annum and all unpaid interest and principal, to the extent not already converted, are due and payable upon the request of the Group on or before the maturity date.

The Notes are convertible upon the occurrence of the following events:

- Conversion upon a qualified financing which is an equity financing of at least US\$1,500,000;
- If a liquidation event occurs before maturity date, the Note, together with all unpaid interest accrued, will automatically convert to shares on the date of the liquidation event; or
- Operational conversion at the maturity date.

The carrying amount of the Notes amounted to ₱5.6 million as at December 31, 2023 and 2022. Interest income earned amounted to nil in 2023, 2022 and 2021.

## 9. Investments in Associates

The Group has equity interest in the following associates as of June 30, 2024:

	June 2024	2023
PTC	₱184,631,671	₱184,631,671
BPO	113,135,613	113,135,613
MUDC	94,830,129	94,830,129
MPI	4,466,535	4,466,535
	<b>397,063,948</b>	<b>397,063,948</b>
Less: allowance for impairment losses	94,830,129	94,830,129
	<b>₱302,233,819</b>	<b>₱302,233,819</b>



Movements in this account are as follows:

	2023	2022
Acquisition cost	₱205,189,635	₱205,189,635
Accumulated equity in net earnings:		
Balance at beginning of year	157,257,853	143,457,795
Share in net income of associates	45,346,405	26,211,341
Share in other comprehensive income (loss)	(3,733,637)	2,474,577
Share in dividends declared	(8,987,648)	(32,494,215)
Cumulative translation adjustment	1,991,340	17,608,355
Balance at end of year	191,874,313	157,257,853
	397,063,948	362,447,488
Allowance for impairment losses	(94,830,129)	(94,830,129)
	₱302,233,819	₱267,617,359

#### PTC

PTC is a global service company outsourcing information technology services from the Philippines. Among others, it offers software servicing, maintenance, testing and development to various clients, mostly in the US.

The summarized financial information of PTC is as follows ('000):

	2023	2022
Total assets	₱827,583	₱706,547
Total liabilities	259,218	157,600
Equity	568,365	548,947
Net income	102,957	30,627
OCI	(12,445)	8,249
Group's share in net income	30,887	9,188
Group's share in OCI	(3,734)	2,475

#### BPO

BPO is a provider of accounting and finance related services such as payroll, internal audit, payables processing and others. It is involved in outsourcing business process services in the Philippines, servicing many of the multinational and large corporations operating in the country.

The summarized financial information of BPO is as follows ('000):

	2023	2022
Total assets	₱390,517	₱347,477
Total liabilities	130,797	124,941
Equity	259,720	222,536
Net income	41,312	42,177
OCI	—	—
Group's share in net income	14,459	14,762
Group's share in OCI	—	—

#### MUDC

The Group has a 43% interest in MUDC. As at December 31, 2023 and 2022, MUDC has been non-operational since its incorporation. However, it has obtained the necessary requirements for the signing of a supply agreement with a public utility firm and a purchase agreement with certain oil companies. As at December 31, 2023 and 2022, MUDC has project development costs of ₱207.1 million. The recoverability of these assets and the ultimate success of MUDC's future operations are dependent upon the signing of these agreements. The foregoing conditions indicate the existence of a material uncertainty which may cast significant doubt on MUDC's ability to continue as a going concern and the recoverability of the Group's significant investment in MUDC.

The Group has investment in MUDC amounting to ₱94.8 million as at December 31, 2023 and 2022 and advances to MUDC amounting to ₱188.5 million in December 31, 2023 and 2022 (see Note 18). The Group has assessed that its investment and outstanding advances to MUDC are impaired since management believes that it will no longer recover such investment and advances. Accordingly, a full provision of impairment loss has been recognized. Management is not required to infuse more capital to MUDC and that losses are limited to the invested additional advances as at December 31, 2023 and 2022.

#### MPI

On June 5, 2007, the Group invested in a limited partnership with MPI, located at 904-184 West North Avenue, Melrose Park (Cook Country), Illinois, with principal office address at 9595 Wilshire Blvd., Suite 501, Beverly Hills, CA 90212. The partnership engages in owning, holding, selling, assigning transferring, operating, leasing, mortgaging, pledging and otherwise dealing with the property and any interests in the property.

The Group invested \$250,000 to acquire a 7.813% limited share with Winston Investment Group, LLC, a Delaware limited liability company, being the General Partner.

The summarized financial information of BPO is as follows ('000):

	2022
Total assets	₱11,450
Total liabilities	7,332
Equity	4,118
Net income	3,027
Group's share in net income	321

## 10. Property and Equipment

Movements and composition of the Group's property and equipment are as follows:

June 30, 2024					
	Condominium	Condominium Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
<b>Cost:</b>					
Beginning balances	₱20,755,943	₱10,050,133	₱3,663,171	₱3,088,944	₱37,558,191
Disposals	—	—	—	—	—
Additions	—	—	1,739,286	132,759	1,872,045
Ending balances	20,755,943	10,050,133	5,402,457	3,221,703	39,430,236
<b>Accumulated depreciation:</b>					
Beginning balances	19,303,336	9,136,125	2,978,282	2,864,468	34,282,211
Disposals	—	—	—	—	—
Depreciation	415,118	158,130	93,380	39,925	706,553
Ending balances	19,718,454	9,294,255	3,071,662	2,904,393	34,988,764
<b>Net Book Values</b>	<b>₱1,037,489</b>	<b>₱755,878</b>	<b>₱2,330,795</b>	<b>₱317,310</b>	<b>₱4,441,472</b>

December 31, 2023					
	Condominium	Condominium Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
<b>Cost:</b>					
Beginning balances	₱20,755,943	₱8,764,062	₱7,234,510	₱2,892,436	₱39,646,951
Disposals	—	—	(3,571,339)	—	(3,571,339)
Additions	—	115,000	—	49,641	164,641
Ending balances	20,755,943	10,050,133	3,663,171	3,088,944	37,558,191
<b>Accumulated depreciation:</b>					
Beginning balances	18,473,099	8,825,613	6,235,104	2,788,983	36,322,799
Disposals	—	—	(3,571,339)	—	(3,571,339)
Depreciation	830,237	310,512	314,517	75,485	1,530,751
Ending balances	19,303,336	9,136,125	2,978,282	2,864,468	34,282,211
<b>Net Book Values</b>	<b>₱1,452,607</b>	<b>₱914,008</b>	<b>₱684,889</b>	<b>₱224,476</b>	<b>₱3,275,980</b>

The Group recognized gain on disposal of property and equipment amounting to ₱562,500 in 2023 (nil and ₱929 in 2022 and 2021, respectively). Management believes that there is no indication that impairment loss has occurred on its property and equipment.

Fully depreciated property and equipment with cost of ₱10.9 million as at December 31, 2023 and 2022 are still being used by the Group.

Depreciation and amortization are as follows:

	Note	2023	2022	2021
Property and equipment		₱1,530,751	₱1,438,792	₱1,278,607
Investment properties	11	16,273,634	16,033,917	8,804,186
		<b>₱17,804,385</b>	<b>₱17,472,709</b>	<b>₱10,082,793</b>



## 11. Investment Properties

Movements and composition of the Group's investment properties are as follows:

	June 30, 2024		
	Land	Condominium and Improvements	Total
<b>Cost:</b>			
Beginning balances	₱46,319,625	₱400,190,325	₱ 446,509,950
Additions	—	—	—
Ending balances	46,319,625	400,190,325	446,509,950
<b>Accumulated depreciation:</b>			
Beginning balances	—	100,698,940	100,698,940
Depreciation and amortization	—	8,239,976	8,239,976
Ending balances	—	108,938,916	108,938,916
<b>Net Book Values</b>	<b>₱46,319,625</b>	<b>₱291,251,409</b>	<b>₱337,571,034</b>

	December 31, 2023		
	Land	Condominium and Improvements	Total
<b>Cost:</b>			
Beginning balances	₱46,319,625	₱397,188,128	₱443,507,753
Additions	—	3,002,197	3,002,197
Ending balances	46,319,625	400,190,325	446,509,950
<b>Accumulated depreciation:</b>			
Beginning balances	—	84,425,306	84,425,306
Depreciation and amortization	—	16,273,634	16,273,634
Ending balances	—	100,698,940	100,698,940
<b>Net Book Values</b>	<b>₱46,319,625</b>	<b>₱299,491,385</b>	<b>₱345,811,010</b>

Condominium units are being leased to third parties and other related parties as office space. The investment properties generated rent income amounting to ₱22.1 million in 2023 (₱23.9 million and ₱22.0 million in 2022 and 2021, respectively) (see Note 21). Direct operating expenses arising from investment properties that generated rent income include depreciation and condominium dues which amounted to ₱24.4 million in 2023 (₱21.2 million and ₱12.2 million in 2022 and 2021, respectively).

The assessed fair value of the investment properties amounted to ₱2,072.6 million in 2023 (₱1,688.5 million in 2022). The fair values of the investment properties in 2023 are based on valuations performed by an accredited independent valuer last January and February 2024. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The Group applied the Sales Comparison Approach in determining the fair value of the investment properties. This is a comparative approach of valuation that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location. The fair value is estimated under Level 3 inputs.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

## 12. Other Noncurrent Assets

This account consists of:

	June 2024	2023
Deposits for property acquisition	₱16,967,143	₱16,967,143
Refundable deposits	595,780	595,780
Others	2,281,306	2,281,306
	<b>₱19,844,229</b>	<b>₱19,844,229</b>

## 13. Accounts and Other Payables

This account consists of:

	June 2024	2023
Deposits payable	₱8,023,786	₱7,667,504
Accrued expenses	466,321	848,609
Accounts payable	407,043	611,011
Statutory payables	2,891,877	3,003,607
	<b>₱11,789,027</b>	<b>₱12,130,731</b>

Deposits payable pertain to deposits made by tenants for the lease of portion of the Group's condominium spaces and expected to be refunded to the lessee after the lease term. Noncurrent portion of deposits payable amounted to ₱0.6 million as at December 31, 2023 (₱1.1 million as at December 31, 2022) (see Note 21).

Accrued expenses mainly pertain to accrued professional fees payable within next reporting year.

Accounts payable are generally non-interest bearing payables to third party contractors with a credit term of 30 days.

#### 14. Retirement Liability

The existing regulatory framework, Republic Act (RA) No. 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Group has an unfunded defined benefit pension plan covering substantially all its regular employees. Retirement benefits under the plan are based on a percentage of latest monthly salary and years of credited service.

The table below summarizes the components of retirement benefits expense recognized in the consolidated statement of income, the remeasurement effects recognized in the consolidated statement of comprehensive income and the amounts recognized in the consolidated statement of financial position.

	2023	2022	2021
Balances at beginning of the year	₱17,796,176	₱15,741,117	16,606,435
Retirement expense recognized in the consolidated statement of income			
Current service cost	888,132	687,637	619,817
Interest cost	1,182,431	818,337	920,643
	2,070,563	1,505,974	1,540,460
Remeasurements recognized in other comprehensive income			
Actuarial losses (gains) due to:			
Experience adjustments	(9,612,777)	1,166,810	(2,237,387)
Changes in financial assumptions	137,404	(617,725)	(168,391)
	(9,475,373)	549,085	(2,405,778)
Balances at end of year	₱10,391,366	₱17,796,176	₱15,741,117

Actuarial gains on retirement benefit obligation attributable to the equity holders of the Group amounted to ₱7.1 million in 2023 (actuarial loss of ₱0.4 million and gain of ₱1.7 million in 2022 and 2021, respectively).

The principal actuarial assumptions used in determining retirement benefit obligation for the Group's retirement plan are as follows:

	2023	2022
Discount rate	6.20 to 6.50%	5.20% to 6.70%
Salary increase rate	5.00%	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2023 and 2022, assuming if all other assumptions were held constant:



	Effect on Retirement Liability	
	2023	2022
Discount rate		
+100 basis points	(P635,730)	(P200,180)
-100 basis points	780,824	230,998
Salary increase rate		
+100 basis points	P754,456	P161,719
-100 basis points	(619,679)	(134,154)

The average duration of the retirement benefit obligation as at December 31, 2023 is 8 years.

Shown below is the maturity profile analysis of the undiscounted benefit payments:

	2023	2022
More than 1 year to 5 years	P7,702,864	P18,037,793
More than 5 years to 10 years	331,442	707,527
More than 15 years to 20 years	36,538,616	7,624,547
	P44,572,922	P26,369,867

## 15. Income Taxes

The reconciliation of income tax computed at the statutory income tax rate to provision for income tax shown in the consolidated statement of income is as follows:

	2023	2022	2021
Statutory income tax	P26,090,629	P6,318,662	P22,845,700
Tax effect of:			
Dividend income exempt from tax	(23,439,902)	(209,803)	(4,194,054)
Nontaxable income	(7,905,664)	(305,850)	(2,250,699)
Movements in unrecognized deferred tax assets	(1,651,674)	151,261	3,956,646
Nondeductible expenses	1,487,883	3,811,227	(4,092,185)
Tax rate difference on dividend income subjected to final tax	(802,669)	(187,768)	(127,007)
Tax rate difference on interest income subjected to final tax	(503,497)	(421,740)	(202,745)
Application of NOLCO	—	(3,133,722)	—
Effect of lower income tax rate	—	—	1,093,985
	(P6,724,894)	P6,022,267	P17,029,641

The Group's net deferred tax assets (liabilities) as at December 31, 2023 and 2022 are as follows:

	2023	2022
Deferred tax assets:		
Allowance for expected credit losses	₱11,918,672	₱11,918,672
NOLCO	5,757,861	2,021,339
Unrealized valuation losses on financial assets at FVTPL	4,108,127	—
Retirement liability	2,597,842	4,449,044
MCIT	181,128	166,426
	24,563,630	18,555,481
Deferred tax liabilities:		
Unrealized foreign exchange gains	(29,483,512)	(27,224,097)
Unrealized valuation gains on financial assets at FVOCI	(10,736,474)	(10,516,127)
Unrealized valuation gains on financial assets at FVTPL	—	(3,758,802)
	(40,219,986)	(41,499,026)
	(₱15,656,356)	(₱22,943,545)

Details of unrecognized deferred tax assets are as follows:

	2023	2022
Allowance for impairment losses on:		
Due from related parties	₱42,211,279	₱42,211,279
Investment in an associate	26,204,772	26,204,772
NOLCO	1,435,522	—
MCIT	216,152	—
	₱70,067,725	₱68,416,051

As at December 31, 2023, the details of NOLCO which can be claimed as deduction from future taxable income are shown below.

Year Incurred	Beginning Balance	Incurred	Ending Balance	Valid Until
2023	₱—	₱14,946,087	₱14,946,087	2026
2020	8,085,356	—	8,087,376	2025
	₱8,085,356	₱14,946,087	₱23,033,463	

As mandated by Section 4 of Republic Act (RA) No. 11494 or the "Bayanihan to Recover as One Act" and implemented under Revenue Regulations No. 25-2020, the net operating loss of a business enterprise incurred for the taxable years 2020 and 2021 can be carried over as a deduction from taxable income for the next five consecutive taxable years following the year of such loss.

As at December 31, 2023, the details of excess MCIT over RCIT which can be claimed as deduction from income tax due are as follows:

Year Incurred	Beginning Balance	Incurred	Ending Balance	Valid Until
2023	P—	P397,280	P397,280	2026
2022	166,426	—	166,426	2025
	P166,426	P397,280	P563,706	

Under the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”), the RCIT of domestic corporations was reduced from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. MCIT was changed from 2% to 1% of gross income for a period of three years up to June 30, 2023.

In 2023, the current income tax rates used in preparing the consolidated financial statements is 25% RCIT and 1.5% MCIT. In 2022, the current income tax rates used in preparing the financial statements is 25% RCIT and 1% MCIT.

## 16. Equity

### Common Stock

In accordance with SRC Rule 68, Annex 68-D, below is a summary of the Group's track record of registration of securities.

	Number of Shares Registered	Issue/Offer Price	Date of Approval
Common shares	1,000,000,000	P0.01	December 8, 1982
Common shares	9,000,000,000	0.01	July 28, 1997

The details of the Group's capital stock (number of shares and amounts) as at December 31, 2023, 2022 and 2021 are as follows:

#### Common stock – P1 par value

##### *Class A*

Authorized - 600 million shares

Issued - 292,610,118 shares P292,610,118

##### *Class B*

Authorized - 400 million shares

Issued - 189,217,535 shares 189,217,535

P481,827,653

Class A and B common stockholders enjoy the same rights and privileges, except that Class A shares may be owned by, transferred to and subscribed only by Filipino citizens or corporations, partnerships and associations organized under the laws of the Philippines, of which 60% of the common stock outstanding is owned by citizens of the Philippines. Class B shares may be issued, transferred or sold to any person, corporation, partnership or association regardless of nationality.

The Parent Company has stockholders of 480 and 474 as at December 31, 2023 and 2022, respectively.



### Treasury Shares

The Group's treasury shares pertain to shares of the Group acquired or held by its subsidiaries. For consolidation purposes, the costs of these shares are presented under the "Treasury shares" account in the equity section of the consolidated statement of financial position.

As at December 31, 2023 and 2022, the Group's treasury shares amounted to ₱102.1 million representing 98,123,387 shares.

### Retained Earnings

Retained earnings is restricted to the extent of the acquisition price of the treasury shares amounting to ₱102.1 million as at December 31, 2023 and 2022.

Following are the dividends declared by the Parent Company in 2023, 2022 and 2021:

	Declaration date	Record date	Payment date	Description	Per Share	Total
2023	June 27, 2023	July 9, 2023	July 27, 2023	Regular	₱0.10	₱48,182,765
2023	June 27, 2023	September 9, 2023	September 27, 2023	Regular	0.07	33,727,936
						<b>₱81,910,701</b>
2022	June 27, 2022	July 12, 2022	July 30, 2022	Regular	0.05	₱24,091,383
2022	June 27, 2022	August 19, 2022	September 15, 2022	Regular	0.10	48,182,765
						<b>₱72,274,148</b>
2021	September 17, 2021	October 1, 2021	October 27, 2021	Regular	0.10	48,182,765

Dividends declared by the subsidiaries amounting to ₱2.8 million in 2023 (₱14.7 million and ₱9.8 million in 2022 and 2021, respectively) were eliminated in the consolidated financial statements.

## **17. Related Party Transactions and Balances**

A summary of outstanding balances and transactions with related parties, net of allowance for impairment loss and presented under "Due from related parties" account, are as follows:

Related Party	Nature	Year	Amount of Transaction	Outstanding Balances
<i>Associates</i>				
BPO	Rental income	June 2024	₱778,591	₱—
		2023	1,551,003	—
		June 2024	38,324	—
	Payroll service expenses	2023	123,138	—
		June 2024	136,324	401,698
		2023	14,799	260,408
<i>Other Related Parties</i>				
Advances	June 2024		401,698	
	2023		₱260,408	
	June 2024		401,698	
		2023		₱260,408

- a. The Group has an 11-year lease contract with BPO commencing on October 30, 2009 over one of its condominium units as office space with a monthly rental of ₱0.1 million. The lease contract expired on February 15, 2020 and was renewed with the same terms and conditions (see Notes 12 and 21).

The future minimum rental income from BPO as at December 31, 2023 and 2022 are as follows:

	2023	2022
Within one year	<b>₱1,136,223</b>	₱1,025,177
After one year but not more than 5 years	—	171,818
	<b>₱1,136,223</b>	<b>₱1,196,995</b>

The Group has an existing agreement with BPO to engage in providing payroll processing services to employees of the Group, which shall be payable on demand upon provision of the service and billed based on fixed rate per number of employees.

- b. Amounts owed by related parties pertain to reimbursements for expenses paid by the Group.

Outstanding balances are generally collectible on demand, non-interest bearing, unsecured, unimpaired. The outstanding related party transactions are expected to be settled in cash.

Movements of due from related parties, net of expected credit losses, are as follows:

	2023	2022
Due from related parties	<b>₱188,916,695</b>	₱188,829,706
Rent receivables	—	5,249,962
	<b>188,916,695</b>	<b>194,079,668</b>
Allowance for impairment loss	<b>(188,656,287)</b>	(188,656,287)
	<b>₱260,408</b>	<b>₱5,423,381</b>

Allowance for impairment loss is mainly attributable to the advances to MUDC (see Note 10).

Compensation of the key management personnel is as follows:

	2023	2022
Salaries and wages	<b>₱9,503,036</b>	₱9,503,036
Other benefits	<b>1,297,300</b>	1,297,300
	<b>₱10,800,336</b>	<b>₱10,800,336</b>

Below are the balances and transactions among related parties which are eliminated in the consolidated financial statements as at December 31, 2023 and 2022.

Amounts Owed by	Amounts Owed to	2023	2022
Parent Company	MCHC	<b>₱4,143</b>	₱6,500
PIEI	Parent Company	—	1,282,692

Dividends Declared by	Dividend Income of	2023	2022
MCHC	Parent Company	<b>₱47,184,457</b>	₱27,639,950
Parent Company	PIEI	<b>8,731,981</b>	7,543,516
Parent Company	MCHC	<b>8,133,981</b>	7,176,603
Advances Provided by	Advances Provided to	2023	2022
MCHC	Parent Company	<b>₱8,360,829</b>	₱6,500
Parent Company	-	-	1,282,692

The transactions pertain to cash advances and dividend declarations of the Group and MCHC in 2023 and 2022.

## 18. Earnings Per Share

The following table presents information necessary to compute the basic/diluted EPS:

	2023	2022	2021
Net income attributable to equity holders of the parent (a)	<b>₱62,262,774</b>	₱20,333,318	56,875,013
Weighted average number of ordinary shares outstanding for basic and diluted EPS (b)	<b>379,732,827</b>	379,732,827	379,732,827
Basic and diluted earnings per share (a/b)	<b>₱0.16</b>	₱0.05	₱0.15

The Group has no potential dilutive instruments issued as at December 31, 2023, 2022 and 2021.

## 19. Segment Information

The primary purpose of the Group is to invest in real and personal properties, particularly investments securities and investments property. The Group operates mainly in one reportable business segment which is investing and one reportable geographical segment which is the Philippines.

The Group has also other segment which are not operating such as development of power generation, power utility distribution, coal mining and trading.

## 20. Commitments and Contingencies

### Operating Lease Agreements - The Group as a Lessor

The Group leased out a portion of its condominium spaces. The Group recognized rent income amounting to ₱22.1 million in 2023 (₱23.9 million and ₱22.0 million in 2022 and 2021, respectively) (see Note 12). The lease agreements have terms of one to three years and can be renewed upon the written agreement of the Group and the lessees.



Deposits payable made by the tenants amounting to ₱8.2 million as at December 31, 2023 (₱5.4 million as at December 31, 2022) will be returned to the lessees after the lease term (see Note 13).

The future minimum rental income as at December 31, 2023 and 2022 are as follows:

	2023	2022
Within one year	₱11,158,604	₱8,069,160
After one year but not more than two years	2,430,131	2,421,818
	<b>₱13,588,735</b>	<b>₱10,490,978</b>

#### Other Claims

As at December 31, 2022, the Group paid a claim arising from a lawsuit filed by a third party amounting to ₱24.7 million. This is presented as "Losses" in the consolidated statement of income.

### **21. Capital Risk Management Objective and Policies**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure, which pertains to its equity, and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure. The Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group is not subject to any externally imposed capital requirements.

### **22. Supplemental Notes to Consolidated Statements of Cash Flows**

The following shows the changes in the Group's liabilities arising from its financing activities in June 30, 2024 and December 2023:

	As at January 1, 2024	Dividends Paid	Dividend Declaration	As at June 30,2024
Dividends payable	₱27,105,445	(₱19,604,500)	₱84,645,237	₱7,500,945

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY  
AGING OF ACCOUNTS RECEIVABLE  
AS OF JUNE 30, 2024

Name	Beginning Balance	Additions	Deductions		Current 30 days	60 days or over	Over 120 days	Ending Balance
			Amount Collected	Amount Written-Off				
Magellan Capital Corporation	78,605	36,150			0	18,150	96,605	114,755
Magellan Utilities Development Corp.	0							0
Business Process Outsourcing International	18,338	872,022	872,022				18,338	18,338
Pinamucan Power Corporation	71,672	36,650			0	18,150	90,172	108,322
Pointwest Technologies Corporation	0							0
Others	0							0
	168,615	944,822	872,022		0	36,300	205,115	241,415