

# COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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

<b>Atty. Fina C. Tantuico</b>
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Contact Person

<b>8892-7133 • 8892-7137</b>
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Company Telephone Numbers

1	2		3	1
Month			Day	
Fiscal Year				

0	4		1	2
Month			Day	
Annual Meeting				

## SEC FORM 17-Q (As of SEPTEMBER 30, 2022)

**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

Domestic

Foreign

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File Number

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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 September 2022** .....

2. SEC Identification Number ..... **43370** ..... 3. BIR Tax Identification No. .... **000-829-097** .....

4. *F & J 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) 8892-7133**  
.....  
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"**

.....

**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 I. FINANCIAL STATEMENTS**

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

- (1) Unaudited Interim Balance Sheet as of 30 September 2022 and Audited Balance Sheet as of 31 December 2021 as Annex “A”;
- (2) Unaudited Interim Statement of Income and Retained Earnings for the nine (9) month period ending 30 September 2022 and the 9-month period ending 30 September 2021 as Annex “B”;
- (3) Unaudited Statement of Income and Retained Earnings for the three-month period ending 30 September 2022 and three months period ending 30 September 2021 shown as Annex “C”;
- (4) Unaudited Interim Statement of Changes in Stockholders’ Equity for the 9-month period ending 30 September 2022 and 30 September 2021 and Audited Statement of Changes in Stockholders’ Equity for the year ending 31 December 2021 as Annex “D”;
- (5) Unaudited Interim Consolidated Cash Flow Statement for the 9-month period ending 30 September 2022 and the 9-month period ending 30 September 2021 as Annex “E”;
- (6) Interim Cash Flow for the quarterly periods ending 30 September 2022 and 30 September 2021, as Annex “F”;
- (7) Consolidated Balance Sheet as of 30 September 2022 and 31 December 2021 with vertical and horizontal percentage analysis as Annex “G”.

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

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

The Registrant's consolidated revenue in 2021 increased to ₱119.3 million from ₱111.8 million in 2020. Equity in net earnings of associates decreased to ₱19.4 million in 2021 from ₱32.1 million in 2020. Interest income decreased to ₱18.3 million in 2021 from ₱21.2 million in 2020 as interest levels have gone down due to monetary easing by monetary authorities. A net foreign exchange gain of ₱31.0 million was recorded in 2021 versus a loss of ₱28.2 million in 2020 as the Peso devalued against foreign currencies which benefited the foreign exchange denominated bonds and other securities held by the Registrant and its subsidiary. Rent decreased slightly from ₱23.3 million in 2020 to ₱22.0 million in 2021. Gain on AFS, HTM and FVPL Financial Assets of ₱21.8 million was recorded in 2021 versus ₱21.9 million in 2020. Dividend income increased from ₱4.6 million in 2021 from ₱3.7 million in 2020.

Total consolidated expenses of the Registrant decreased to ₱62.1 million in 2021 compared to ₱103.3 million in 2020 due mainly to reversal of Net FX losses to Net FX gains in 2021.

As a result of the above, total consolidated income before tax in 2021 totaled ₱81.8 million compared to ₱46.1 million in 2020. After provision for income tax, total consolidated net income after tax totaled ₱64.5 million in 2021 compared to ₱43.4 million in 2020.

Net income attributable to non-controlling interest, namely minority shareholders of Magellan Capital Holdings Corporation, totaled ₱2.0 million in 2021 compared to ₱0.4 million in 2020.

Net income attributable to equity holders of the Registrant totaled ₱62.5 million in 2021 compared to ₱43.0 million in 2020.

The Registrant's financial position is very strong as it has substantial cash resources available to undertake its planned projects. As of December 31, 2021, the Registrant's consolidated cash and cash equivalent totaled over ₱506.7 million compared to ₱523.5 million as of December 31, 2020. 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 ₱44.1 million at year-end 2021 compared to ₱38.0 million at year-end 2020. Total equity amounted to ₱1.9 billion as of the end of 2021 compared to ₱1.8 billion at the end of 2020.

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 2021 totaled ₱506.7 million compared to ₱523.5 million at the end of 2020 while total current assets totaled ₱797.0 million at year-end 2021 compared to ₱751.7 billion at year-end 2020. 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 Third Quarter of 2022**

- (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 third quarter of 2022 or in prior periods.
- (iv) There are no material commitments for capital expenditures, by the Company or its majority owned subsidiary.
- (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 unrealized gains on trading securities. 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 third quarter of 2022 or in the third quarter of 2021 aside from unrealized gain on trading securities, gain on disposal of AFS/HTM investments and net unrealized foreign exchange gains.

The following is a detailed discussion of the Registrant's operations and financial condition during the third quarter of 2022 and third quarter of 2021.

## Operating Results

Breakdown of Revenue for the Three-Month Periods Ending September 30, 2022 and September 30, 2021 with Vertical and Horizontal Percentage Analysis is shown below:

(P000)	THIRD QUARTER	VERTICAL PERCENTAGE ANALYSIS	THIRD QUARTER	VERTICAL PERCENTAGE ANALYSIS	INCREASE (DECREASE) AMOUNT	INCREASE (DECREASE) PERCENTAGE
	September 30, 2022	September 30, 2022	September 30, 2021	September 30, 2021	September 30, 2022	September 30, 2022
INTEREST INCOME						
From Banks	₱ 830	1.8%	₱ 411	1.3%	₱ 419	102%
From Securities	2,786	6.2%	2,863	9.1%	(77)	(2.7%)
<b>TOTAL</b>	<b>3,616</b>	<b>8.0%</b>	<b>3,274</b>	<b>10.4%</b>	<b>342</b>	<b>10.4%</b>
RENT INCOME	6,509	14.4%	5,485	17.4%	1,024	18.7%
DIVIDEND INCOME	2,984	6.6%	2,595	8.2%	389	15.0%
UNREALIZED FX GAIN	21,736	48.2%	-	-	21,736	100%
EQUITY IN NET EARNINGS OF ASSOCIATE	10,269	22.8%	16,981	53.9%	(6,712)	(39.5%)
GAINS OF DISPOSAL OF FVOCI	-	-	3,194	10.1%	(3,914)	(100%)
OTHER INCOME	-	-	-	-	-	-
<b>TOTAL</b>	<b>₱ 45,116</b>	<b>100%</b>	<b>₱ 31,530</b>	<b>100%</b>	<b>₱ 13,586</b>	<b>43.1%</b>

**Revenues.** Consolidated Revenues of the Registrant during the three-month period ending September 2022 totaled ₱45.1 million compared to ₱31.5 million during the same period in 2021. The increase in revenue in third quarter of 2022 was due mainly to an increase in unrealized gain which totaled ₱21.7 million in the Third Quarter of 2022 from NIL in Third Quarter of 2021. In addition, there was an increase in rental income from ₱5.5 million in the third quarter of 2021 to ₱6.5 million in the third quarter of 2022. Interest income increased to ₱3.6 million in the third quarter of 2022 from ₱3.3 million in the third quarter of 2021. Dividend income increased to ₱2.9 million in the third quarter of 2022 from ₱2.6 million in the third quarter of 2021.

**Expenses.** Consolidated general and administrative expenses of the Registrant totaled ₱18.7 million in the third quarter of 2022 compared to ₱40 million in the same period in 2021. The decrease in expenses was mainly due to a decrease in unrealized loss on financial assets at FVPL totaling ₱30.3 million in the Third Quarter of 2021 compared to ₱9.5 million in the Third Quarter of 2022 as prices of listed stocks held by the Registrant and its Subsidiaries stabilized. Movement of other items in the consolidated general and administrative expenses were relatively minor.

**Net Income.** Due to the movements in the revenues and expenses discussed above, consolidated net income in the third quarter of 2022 was ₱26.5 million compared to a net loss of ₱8.4 million in the third quarter of 2021. After deducting the share of minority shareholders in the Registrant's majority-owned subsidiary Magellan Capital

Holdings Corporation, the consolidated net income attributable to the shareholders of the Registrant was ₱25.1 million in the third quarter of 2022 compared to a net loss of ₱8.0 million in the third quarter of 2021.

## **BALANCE SHEET ACCOUNTS**

Annex “A” shows the Consolidated Balance Sheet of the company as of September 30, 2022 and December 31, 2021 while Annex “G” shows the Vertical and Horizontal Percentage Analysis of Balance Sheet Accounts for September 30, 2022 compared to December 31, 2021. The various balance sheet accounts are discussed below:

### **ASSETS**

**Current Assets.** Consolidated current assets as of September 30, 2022 totaled ₱751.7 million compared to ₱797.0 million as of December 31, 2021. The decrease was mainly due to the decrease in cash and cash equivalents which dropped from ₱506.7 million as of December 31, 2021 to ₱477.6 million as of September 30, 2022. There was also a decrease in dividends receivables as dividends declared by the Registrant’s outsourcing affiliates at the end of 2021 have been collected in 2022. Financial assets at fair value increased from ₱230.6 million at year-end 2021 to ₱233.5 million at the end of September 2022.

**Investments in Associates.** This account which consists of the Registrant’s investment in Pointwest Technologies Corporation and BPO International, Inc. (BPOI) increased from ₱250.3 million at year-end 2021 to ₱260.6 at the end of September 2022 due to the share of the Registrant in equity in net earnings of Pointwest and BPO International.

**Financial Assets at FVOCI – Net of Current Portion.** This account which consists mostly of bond investments decreased to ₱369.7 million at September 30, 2022 from ₱395.1 million at year-end 2021 due mainly to unrealized loss on financial assets as bond prices declined due to the increase in interest rates.

**Property and Equipment.** This account totaled ₱4.9 million as of September 30, 2022 compared to ₱4.8 million as of December 31, 2021 due to additional allowance for depreciation.

**Investment in Property.** This account decreased to ₱369.7 million at the end of September 2022, compared to ₱373.3 million at the end of December 31, 2021 due to additional allowance for depreciation.

**Other Non-Current Assets.** This account totaled ₱2.9 million as of September 30, 2022 from ₱29.1 million at year-end 2021 as cash deposits used as security deposit were used to settle a long outstanding case.

**Total Assets.** As a result of the foregoing, total assets decreased to ₱1,851.6 million as of September 30, 2022 from ₱1,932.6 million as of December 31, 2021.



## **LIABILITIES AND EQUITY**

**Current Liabilities.** Current liabilities decreased to P18.1 million as of September 30, 2022 from P19.2 million as of December 31, 2021. The decrease was due mainly to a decrease in provision for legal obligation as a long outstanding case has been settled.

**Non-Current Liabilities.** Non-current liabilities remained stable at P24.9 million as of September 30, 2022 same level as at year-end 2020.

**Stockholder's Equity.** Total stockholders' equity decreased to P1,808 million at the end of September 2022 from P1,888.4 million at the end of 2021 due mainly to unrealized loss of FVOC and dividends paid out. Minority interest which represents the share of minority shareholders of MCHC in the equity of MCHC totaled P74.0 million at the end of September 2022 compared to P73.8 million at the end of 2021. Total equity attributable to stockholders of the Registrant was P1,734.6 million as of September 30, 2022 compared to P1,814.6 million at the end of December 2021.

### **Top Performance Indicators**

The top five (5) performance indicators for the Registrant are as follows:

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

**Change in Revenues.** Consolidated revenues in the third quarter of 2022 and 2021 are presented below in summary form:

<b>(P000)</b>	<b>3<sup>rd</sup> Quarter 2022</b>	<b>Percentage (%)</b>	<b>3<sup>rd</sup> Quarter 2021</b>	<b>Percentage (%)</b>
Interest Income	₱ 3,616	8.0%	₱ 3,274	10.4%
Unrealized FX Gain	21,736	48.2%	0	0
Rental Income	6,509	14.4%	5,485	17.4%
Equity in Net Earnings of Associate	10,269	22.8%	16,981	53.9%
Dividend Income	2,984	6.6%	2,594	8.2%
Gain on Disposal/Redemptive of AFS/HTM Investments	-	-	3,194	10.1%
Other Income	0	0	-	-
<b>TOTAL INCOME</b>	<b>₱ 45,116</b>	<b>100%</b>	<b>₱ 31,529</b>	<b>100%</b>

Total revenue increased to P45.1 million in the third quarter of 2022 from P31.5 million in the third quarter of 2021. The higher revenue in 2022 was due mainly to unrealized FX gain as the sharp devaluation of the Peso benefitted foreign exchange denominated securities owned by the Registrant and its subsidiaries.

**Change in Net Income.** The income statement in the third quarter of 2022 and 2021 are shown in Annex “C” and summarized below:

(P000)	3rd Quarter 2022	Percentage (%)	3rd Quarter 2021	Percentage (%)
Revenues	P 45,116	100%	P 31,529	100%
Expenses	18,661	41.4%	39,924	126.8%
Net Income	26,454	58.6%	(8,445)	(26.8%)
Attributable to:				
- Minority Interest	1,348	3.0%	(422)	(1.3%)
Stockholders of Company	25,106	55.6%	(8,022)	(25.4%)

The Registrant realized a consolidated net income of P26.1 million in the third quarter of 2022 versus consolidated net loss of P8.4 million in the third quarter of 2021. After deducting the share of minority shareholders of MCHC, the company realized a net income of P25.1 million attributable to stockholders of the company in the third quarter of 2022 compared to a net loss of P8.0 million attributable to stockholders of the company in the third quarter of 2021. Unrealized FX gain accounted for the bulk of the increase.

**Earnings per Share.** The net income per share attributable to shareholders of the Company during the third quarter of 2022 was P0.0661 per share compared to net loss per share of P0.02 in the third quarter of 2021.

**Current Ratio.** Current ratio as of September 30, 2022 was 41.5 X the same level as at December 31, 2021.

**Book Value Per Share.** Book value per share as of September 30, 2022 was P4.53 per share compared to P4.73 per share at year end 2021 after deducting the shares held by subsidiaries of the Registrant which in the consolidated financial accounts are classified as treasury shares. The decrease was due to net comprehensive loss in the first 9 months of 2022 as a result of unrealized loss of financial assets at FVOCI and dividends paid out.

## 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.

*F & J Prince Holdings Corporation*

Issuer .....

### Principal Executive Officer



Signature and Title ..... **ROBERT Y. COKENG, President**

Date **14 November 2022**

### Principal Financial/Accounting Officer/Controller



Signature and Title ..... **MARK RYAN K. COKENG, Treasurer**

Date **14 November 2022**

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2022 AND DECEMBER 31, 2021**


ANNEX "A"  
Page 1

ASSETS	UNAUDITED SEPT.30, 2022	AUDITED DEC. 31,2021
<i>Current Assets</i>		
Cash and cash equivalents	P 477,574,264	P 506,730,242
Financial assets at fair value through profit or loss	233,543,693	230,605,109
Convertible note receivable	0	0
Receivables-net :		
Advances to Officers & Employees	0	0
Interest Receivable	5,526,004	5,999,000
Dividends Receivable	0	17,144,030
Receivable from related parties	217,390	169,928
Others	601,615	1,523,206
Total Receivables	6,345,009	24,836,164
Allowance for impairment losses	1,007,000	983,138
<b>Total Receivables-Net</b>	<b>5,338,009</b>	<b>23,853,026</b>
Current portion of HTM investments	0	0
Current portion of AFS financial assets	392,236	355,418
<b>Prepaid expenses &amp; other current assets:</b>		
Input Tax	26,111,820	27,640,066
Prepaid Income Tax	1,105,857	1,105,857
Others	7,675,978	6,726,616
<b>Total Prepaid expenses and other current assets</b>	<b>34,893,655</b>	<b>35,472,539</b>
<b>Total Current Assets</b>	<b>P 751,741,857</b>	<b>P 797,016,334</b>
<i>Non-current Assets</i>		
Convertible notes receivable	56,057,641	56,057,641
Investments in associates	260,598,987	250,329,635
Investment in rights issue subscription	37,605,400	26,499,000
Financial assets at FVOCI-net of current portion	369,726,507	395,096,847
Investment in property	368,135,538	373,683,237
<b>Property and Equipment</b>		
Building	20,755,943	20,755,943
Building Improvements	8,764,062	8,764,062
Transportation equipment	7,234,510	7,234,510
Furniture and fixtures	4,078,324	2,892,436
Total	40,832,839	39,646,951
Less: Accumulated depreciation	35,939,858	34,884,007
Net Book Value	4,892,981	4,762,944
<b>Total Property and Equipment</b>	<b>4,892,981</b>	<b>4,762,944</b>
<b>Other non-current assets</b>	<b>2,854,386</b>	<b>29,116,134</b>
<b>Total Non-Current Assets</b>	<b>1,099,871,440</b>	<b>1,135,545,438</b>
<b>TOTAL ASSETS</b>	<b>P 1,851,613,297</b>	<b>P 1,932,561,772</b>

<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>UNAUDITED SEPT.30, 2022</b>	<b>AUDITED DEC. 31, 2021</b>
<b><i>Current Liabilities</i></b>		
Accounts Payable and accrued expenses		
Accounts payable-trade	0	0
Accounts payable-others	24,189	749,267
Withholding taxes payable	3,230,138	423,177
SSS Premium Payable	20,362	23,242
HDMF Premium Payable	1,896	1,896
Philhealth Premium Payable	17,193	10,823
Deposit Payable	5,937,196	3,802,551
Output Vat Payable	1,727,420	1,455,631
Accrued expenses	721,716	1,277,974
<b>Total Accounts payable and accrued expenses</b>	<b>P 11,680,110</b>	<b>P 7,744,561</b>
Dividends Payable	6,391,179	6,422,407
Income Tax Payable	0	60,199
Provision for legal obligation	0	5,000,000
<b>Total Current Liabilities</b>	<b>P 18,071,289</b>	<b>P 19,227,167</b>
<b><i>Non-Current Liabilities</i></b>		
Deferred tax liabilities	6,619,516	6,619,516
Deposits payable	2,555,315	2,555,315
Retirement benefit obligation	15,741,117	15,741,117
<b>Total Non-Current Liabilities</b>	<b>24,915,948</b>	<b>24,915,948</b>
<b><i>Stockholders' Equity</i></b>		
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	(43,910,015)	(13,502,944)
Actuarial loss on retirement benefit obligation	1,005,072	1,005,072
Accumulated share in other comprehensive income of associates	87,890,753	87,890,753
Retained earnings	1,165,145,518	1,214,760,272
<b>Total Equity Attributable to Stockholders of the Company</b>	<b>1,734,624,132</b>	<b>1,814,645,957</b>
Minority Interest	74,001,928	73,772,700
<b>Total Stockholders' Equity</b>	<b>1,808,626,060</b>	<b>1,888,418,657</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>P 1,851,613,297</b>	<b>P 1,932,561,772</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 NINE MONTHS PERIOD ENDING SEPT. 30, 2022 AND SEPT.30, 2021**

	UNAUDITED SEPT. 30, 2022	UNAUDITED SEPT.30, 2021
<b>REVENUES</b>		
Equity in net earnings in associate	10,269,352	16,981,384
Interest Income		
From Banks	P 1,867,127	P 1,671,929
From Securities	6,548,103	7,529,074
<b>Total Interest Income</b>	<b>8,415,230</b>	<b>9,201,003</b>
Unrealized gains on trading securities	1,536,863	11,086,399
Rental Income	18,172,845	15,984,907
Gains on disposal /redemption of financial assets at FVOCI	274,049	3,194,125
Dividend Income	4,967,048	4,178,572
Realized gain on sale of FVPL	5,993,835	91,833
Unrealized forex gain	53,404,373	0
Realized forex gain	1,681,580	0
	P 104,715,175	P 60,718,223
<b>EXPENSES</b>		
Litigation expense	24,615,173	0
Net foreign exchange loss	0	1,116,008
Salaries, wages and employees' benefits	8,958,291	8,508,974
Depreciation	7,655,862	7,562,139
Professional fees	1,697,967	2,641,717
Condominium dues	3,129,667	2,477,329
Doubtful accounts expense	23,862	0
Taxes and licenses	746,671	1,038,569
Entertainment, amusement and recreation	394,764	44,289
Unrealized loss on financial assets at FVPL	42,712,432	1,643,677
Realized loss on redemption of bonds	0	0
Others	4,404,288	3,769,371
	94,338,977	28,802,073
<b>NET INCOME</b>	<b>P 10,376,198</b>	<b>P 31,916,150</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>		
<b>STOCKHOLDERS OF THE COMPANY</b>	<b>P 10,146,970</b>	<b>P 31,145,676</b>
<b>MINORITY INTERESTS</b>	<b>229,228</b>	<b>770,474</b>
<b>EARNINGS PER SHARE</b>	<b>P 0.0267</b>	<b>P 0.0812</b>

*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 NINE MONTHS PERIOD ENDING SEPT. 30, 2022 AND SEPT. 30, 2021**

	UNAUDITED SEPT.30, 2022	UNAUDITED SEPT.30, 2021
<b>NET INCOME</b>	<b>P 10,376,198</b>	<b>P 31,916,150</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	(43,910,015)	411,910
Impairment loss on AFS investments		
Others		
	(43,910,015)	411,910
<b>TOTAL COMPREHENSIVE INCOME(LOSS)</b>	<b>P (33,533,817)</b>	<b>P 32,328,060</b>
<b>TOTAL COMPREHENSIVE INCOME(LOSS)</b>		
<b>ATTRIBUTABLE TO:</b>		
<b>STOCKHOLDERS OF THE COMPANY</b>	<b>P (31,857,126)</b>	<b>P 30,711,657</b>
<b>MINORITY INTERESTS</b>	<b>(1,676,691)</b>	<b>1,616,043</b>
	<b>P (33,533,817)</b>	<b>P 32,328,060</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 JULY 1-SEPT. 30, 2022 AND JULY 1-SEPT. 30, 2021**

	UNAUDITED JULY 1- SEPT.30, 2022	UNAUDITED JULY 1- SEPT.30, 2021
<b>REVENUES</b>		
Equity in net earnings in associates	10,269,352	16,981,384
<b>Interest Income</b>		
From Banks	P 830,380	P 411,359
From Securities	2,785,811	2,862,823
<b>Total Interest Income</b>	<b>3,616,191</b>	<b>3,274,182</b>
Rental Income	6,509,071	5,485,244
Gains on disposal/redemption of FVOCI investments		3,194,125
Dividend Income	2,984,410	2,594,591
Unrealized forex gain	21,736,569	0
Other income	0	0
	<b>P 45,115,593</b>	<b>P 31,529,526</b>
<b>EXPENSES</b>		
Net foreign exchange loss	0	1,090,377
Litigation expense	0	0
Doubtful accounts expense	0	0
Salaries, wages and employees' benefits	3,015,244	2,837,717
Depreciation	2,575,721	2,519,498
Professional fees	506,611	1,248,061
Condominium dues	1,060,663	803,572
Realized loss on disposal/redemption of bonds/FVOCI	0	0
Taxes and licenses	60,919	106,512
Entertainment, amusement and recreation	146,803	362
Unrealized loss on financial assets at FVPL	9,547,141	30,261,378
Others	1,748,209	1,106,604
	<b>18,661,311</b>	<b>39,974,081</b>
<b>NET INCOME</b>	<b>P 26,454,282</b>	<b>P (8,444,555)</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>		
<b>STOCKHOLDERS OF THE COMPANY</b>	<b>P 25,106,181</b>	<b>P (8,022,327)</b>
<b>MINORITY INTERESTS</b>	<b>1,348,101</b>	<b>(422,228)</b>
<b>EARNINGS PER SHARE</b>	<b>P 0.0661</b>	<b>P (0.0209)</b>

*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 JULY 1-SEPT. 30, 2022 AND JULY 1-SEPT. 30, 2021**

	UNAUDITED JULY 1- SEPT. 30, 2022	UNAUDITED JULY 1- SEPT. 30, 2021
<b>NET INCOME</b>	<b>P 26,454,282</b>	<b>P (8,444,555)</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 gain/loss on financial assets at FVOCI	171,395	1,285,491
Impairment loss on AFS investments		
Others		
	171,395	1,285,491
<b>TOTAL COMPREHENSIVE INCOME(LOSS)</b>	<b>P 26,625,677</b>	<b>P (7,159,064)</b>
<b>TOTAL COMPREHENSIVE INCOME(LOSS)</b>		
<b>ATTRIBUTABLE TO:</b>		
<b>STOCKHOLDERS OF THE COMPANY</b>	<b>P 25,294,393</b>	<b>P (6,801,111)</b>
<b>MINORITY INTERESTS</b>	<b>1,331,284</b>	<b>(357,953)</b>
	<b>P 26,625,677</b>	<b>P (7,159,064)</b>

*See accompanying Notes to Consolidated Financial Statements*

Prepared by:

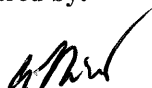
  
ARSENIO T. LIAO  
Accountant

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE NINE MONTHS ENDED SEPT.30, 2022 AND SEPT.30, 2021  
AND THE YEAR ENDED DECEMBER 31, 2021**

	UNAUDITED SEPT. 30, 2022	UNAUDITED SEPT. 30, 2021	AUDITED DEC. 31, 2021
<b>CAPITAL STOCK</b>			
Balance at beginning of year	P 481,827,653P	481,827,653 P	481,827,653
Issuance of additional shares of stock			
Subscription of additional shares of stock			
<b>Balance at end of period</b>	<b>481,827,653</b>	<b>481,827,653</b>	<b>481,827,653</b>
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Treasury Shares	(102,094,826)	(102,094,826)	(102,094,826)
Unrealized gain on financial assets at FVOCI	(43,910,015)	(25,276,687)	(13,502,944)
Other Reserves			
Actuarial loss on retirement benefit obligation	1,005,072	(667,428)	1,005,072
Share in other comprehensive income of associates	87,890,753	74,492,608	87,890,753
<b>SHARE IN REVALUATION INCREMENT ON LAND OWNED BY MCHC's SUBSIDIARIES</b>			
<b>RETAINED EARNINGS</b>			
Balance at beginning of period	1,214,760,272	1,190,632,669	1,190,632,669
Net Income	10,146,970	31,145,676	62,496,955
Dividends declared	(59,761,724)		(38,369,352)
<b>Balance at end of period</b>	<b>1,165,145,518</b>	<b>1,221,778,345</b>	<b>1,214,760,272</b>
	1,734,624,132	1,794,819,642	1,814,645,957
Minority Interests	74,001,928	73,175,960	73,772,700
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>P 1,808,626,060 P</b>	<b>1,867,995,602 P</b>	<b>1,888,418,657</b>

*See accompanying Notes to Consolidated Financial Statements*

Prepared by:



**ARSENIO T. LIAO**  
Accountant

**F & J PRINCE HOLDINGS CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS PERIOD ENDING SEPT. 30, 2022 AND SEPT. 30, 2021**

	UNAUDITED SEPT. 30, 2022	UNAUDITED SEPT. 30, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	P 10,146,970	P 31,145,676
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority Interest	229,228	770,474
Depreciation and amortization	7,655,862	7,562,139
Net unrealized gains on financial assets at FVOCI	(30,407,071)	411,910
Decrease (increase) in:		
Receivables	18,515,017	22,549,924
Prepaid expenses and other current assets	578,884	1,519,193
Increase (decrease) in accounts payable and accrued expenses	3,935,549	3,002,175
<i>Net cash provided by operating activities</i>	<u>10,654,439</u>	<u>66,961,491</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions/disposals of property and equipment	(2,238,201)	(3,527)
Investment in rights issue subscription	(11,106,400)	0
Financial assets at FVOCI and FVPL	22,394,939	(71,946,419)
Decrease (increase) in:		
Investment in associates	(10,269,352)	(16,981,384)
Other assets	26,261,748	(31,343,799)
<i>Net cash provided by (used in) investing activities</i>	<u>25,042,734</u>	<u>(120,275,129)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in:		
Deposits payable	0	(2,726,766)
Cash dividends declared and paid	(59,761,724)	0
Provision for legal obligation	(5,000,000)	0
Dividends payable	(31,228)	0
Income tax payable	(60,199)	0
<i>Net cash provided by (used in) financing activities</i>	<u>(64,853,151)</u>	<u>(2,726,766)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>P (29,155,978)</b>	<b>P (56,040,404)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>506,730,242</b>	<b>523,539,241</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>P 477,574,264</b>	<b>P 467,498,837</b>

See accompanying Notes to Consolidated Financial Statements

Prepared by:



ARSENIO T. LIAO  
Accountant

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE 3 MONTHS PERIOD JULY 1-SEPT. 30,2022 AND JULY 1-SEPT. 30, 2021**

	UNAUDITED JULY 1- SEPT. 30, 2022	UNAUDITED JULY 1- SEPT. 30, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	P 25,106,181	P (8,022,327)
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net earnings in associate	0	
Minority interest	1,348,101	(422,228)
Depreciation and amortization	2,575,721	2,519,498
Net unrealized gains on financial assets at FVOCI	171,395	1,285,491
Amortization of unrealized loss/gain on FV of AFS inv.		
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(451,065)	1,056,775
Prepaid expenses and other current assets	354,400	587,947
Increase (decrease) in:		
Accounts payable and accrued expenses	4,846,943	(1,512,314)
<b>Net cash provided by operating activities</b>	<b>33,951,676</b>	<b>(4,507,158)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions/disposals of property and equipment	(116,106)	0
Investment in property		
Financial assets at FVOCI and FVPL	6,640,277	16,645,972
Investment in associates	(10,269,352)	(16,981,384)
Decrease(increase) in		
Investment in rights issue subscription	(11,106,400)	0
<b>Net cash provided by (used in) investing activities</b>	<b>(14,851,581)</b>	<b>(335,412)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in:		
Cash dividends declared and paid	(59,761,724)	0
Deposits payable	0	0
Dividends payable	(31,228)	0
<b>Net cash provided by (used in) financing activities</b>	<b>(59,792,952)</b>	<b>0</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>P (40,692,857)</b>	<b>P (4,842,570)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>518,267,121</b>	<b>472,341,407</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>P 477,574,264</b>	<b>P 467,498,837</b>

F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEET AS OF SEPT. 30,2022 AND DECEMBER 31, 2021  
WITH VERTICAL AND HORIZONTAL PERCENTAGE ANALYSIS

"ANNEX G"

Page 1

	UNAUDITED SEPT.30, 2022	VERTICAL PERCENTAGE ANALYSIS SEPT. 30, 2022	AUDITED DEC. 31,2021	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2021	INCREASE (DECREASE) AMOUNT SEPT. 30, 2022	INCREASE (DECREASE) PERCENTAGE ANALYSIS SEPT. 30, 2022
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	477,574,264	25.80%	506,730,242	26.21%	(29,155,978)	-5.75%
Financial assets at fair value through fair value thru profit or loss (FVPL)	233,543,693	12.61%	230,605,109	11.93%	2,938,584	1.27%
Short-term investments	-	-	-	-	--	-
Receivables :						
Advances to Officers & Employees	0	0.00%	0	0.00%	0	0.00%
Interest Receivable	5,526,004	0.30%	5,999,000	0.31%	(472,996)	-7.88%
Dividends Receivable	0	0.00%	17,144,030	0.89%	(17,144,030)	-100.00%
Receivable from related parties	217,390	0.01%	169,928	0.01%	47,462	27.93%
Others	601,615	0.03%	1,523,206	0.08%	(921,591)	-60.50%
Total Receivables	6,345,009	0.34%	24,836,164	1.29%	(18,491,155)	-74.45%
Allowance for impairment losses	1,007,000	-0.05%	983,138	-0.05%	23,862	2.43%
Total Receivables-Net	5,338,009	0.29%	23,853,026	1.24%	(18,515,017)	-77.62%
Current portion of HTM investments	0	0.00%	0	0.00%	0	0.00%
Current portion of AFS investments	392,236	0.02%	355,418	0.02%	36,818	110.36%
Prepaid expenses & other current assets:						
Others	7,675,978	0.41%	6,726,616	0.35%	949,362	14.11%
Input Tax	26,111,820	1.41%	27,640,066	1.43%	(1,528,246)	-5.53%
Prepaid Income Tax	1,105,857	0.06%	1,105,857	0.06%	0	0.00%
Total Prepaid expenses & other current assets	34,893,655	1.88%	35,472,539	1.84%	(578,884)	-1.63%
<b>Total Current Assets</b>	<b>751,741,857</b>	<b>40.60%</b>	<b>797,016,334</b>	<b>41.24%</b>	<b>(45,274,477)</b>	<b>-5.68%</b>
<b>Non-current Assets</b>						
Convertible notes receivable	56,057,641	3.03%	56,057,641	2.90%	0	0.00%
Investments in associates	260,598,987	14.07%	250,329,635	12.95%	10,269,352	4.10%
Investment in rights issue subscription	37,605,400	2.03%	26,499,000	1.37%	11,106,400	41.91%
Financial assets at FVOCI	369,726,507	19.98%	395,096,847	20.44%	(25,370,340)	-6.42%
Investment in properties	368,135,538	19.88%	373,683,237	19.34%	(5,547,699)	-1.48%
Property and Equipment						
Building	20,755,943	1.12%	20,755,943	1.08%	0	0.00%
Building Improvements	8,764,062	0.47%	8,764,062	0.46%	0	0.00%
Transportation equipment	7,234,510	0.39%	7,234,510	0.37%	0	0.00%
Furniture and fixtures	4,078,324	0.22%	2,892,436	0.15%	1,185,888	41.00%
Total Property and Equipment	40,832,839	2.20%	39,646,951	2.06%	1,185,888	2.99%
Less: accumulated depreciation	35,939,858	-1.94%	34,884,007	-1.81%	1,055,851	3.03%
Net Book Value	4,892,981	0.26%	4,762,944	0.25%	130,037	2.73%
Total Property and Equipment	4,892,981	0.26%	4,762,944	0.25%	130,037	2.73%
Deferred income tax assets-net	0	0.00%	0	0.00%	0	0.00%
Other Assets – net	2,854,386	0.15%	29,116,134	1.51%	(26,261,748)	-90.20%
<b>Total Non-Current Assets</b>	<b>1,099,871,440</b>	<b>59.40%</b>	<b>1,135,545,438</b>	<b>58.76%</b>	<b>(35,673,998)</b>	<b>-3.14%</b>
<b>TOTAL ASSETS</b>	<b>1,851,613,297</b>	<b>100.00%</b>	<b>1,932,561,772</b>	<b>100.00%</b>	<b>(80,948,475)</b>	<b>-4.19%</b>

	UNAUDITED SEPT. 30, 2022	VERTICAL PERCENTAGE ANALYSIS SEPT. 30, 2022	AUDITED DEC. 31, 2021	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2021	INCREASE (DECREASE) AMOUNT SEPT. 30, 2022	INCREASE (DECREASE) PERCENTAGE ANALYSIS SEPT. 30, 2022
<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	24,189	0.00%	749,267	0.04%	(725,078)	-96.77%
Withholding taxes payable	3,230,138	0.17%	423,177	0.02%	2,806,961	663.31%
SSS Premium Payable	20,362	0.00%	23,242	0.00%	(2,880)	-12.39%
HDMF Premium Payable	1,896	0.00%	1,896	0.00%	0	0.00%
Philhealth Premium Payable	17,193	0.00%	10,823	0.00%	6,370	58.86%
Deposit Payable	5,937,196	0.31%	3,802,551	0.20%	2,134,645	56.14%
Output Vat Payable	1,727,420	0.09%	1,455,631	0.08%	271,789	18.67%
Accrued expenses	721,716	0.04%	1,277,974	0.07%	(556,258)	-43.53%
<b>Total Accounts payable &amp; accrued expenses</b>	<b>11,680,110</b>	<b>0.61%</b>	<b>7,744,561</b>	<b>0.41%</b>	<b>3,935,549</b>	<b>50.82%</b>
Dividends Payable	6,391,179	0.35%	6,422,407	0.33%	(31,228)	-0.49%
Income Tax Payable	0	0.00%	60,199	0.00%	(60,199)	-100.00%
Provision for legal obligation	0	0.00%	5,000,000	0.26%	(5,000,000)	-100.00%
<b>Total Current Liabilities</b>	<b>18,071,289</b>	<b>0.96%</b>	<b>19,227,167</b>	<b>1.00%</b>	<b>(1,155,878)</b>	<b>-6.01%</b>
<b>Non-Current Liabilities</b>						
Deposits payable	2,555,315	0.14%	2,555,315	0.13%	0	0.00%
Deferred tax liabilities	6,619,516	0.35%	6,619,516	0.34%	0	0.00%
Retirement benefit obligation	15,741,117	0.86%	15,741,117	0.81%	0	0.00%
<b>Total Non-Current Liabilities</b>	<b>24,915,948</b>	<b>1.35%</b>	<b>24,915,948</b>	<b>1.28%</b>	<b>0</b>	<b>0.00%</b>
<b>Stockholders' Equity</b>						
Capital stock	481,827,653	26.02%	481,827,653	24.93%	0	0.00%
Additional paid in capital	144,759,977	7.82%	144,759,977	7.49%	0	0.00%
Unrealized gain on fin. assets at FVOCI	(43,910,015)	-2.37%	(13,502,944)	-0.70%	(30,407,071)	-225.19%
Actuarial loss on retirement obligation	1,005,072	0.05%	1,005,072	0.05%	0	0.00%
Accumulated share in OCI of associates	87,890,753	4.75%	87,890,753	4.55%	0	0.00%
Treasury shares	(102,094,826)	-5.51%	(102,094,826)	-5.28%	0	0.00%
Retained earnings	1,165,145,518	62.93%	1,214,760,272	62.86%	(49,614,754)	-4.08%
<b>Total Equity Attributable to Stockholders of the Company</b>	<b>1,734,624,132</b>	<b>93.69%</b>	<b>1,814,645,957</b>	<b>93.90%</b>	<b>(80,021,825)</b>	<b>-4.41%</b>
Minority Interest	74,001,928	4.00%	73,772,700	3.82%	229,228	0.31%
<b>Total Stockholders' Equity</b>	<b>1,808,626,060</b>	<b>97.69%</b>	<b>1,888,418,657</b>	<b>97.72%</b>	<b>(79,792,597)</b>	<b>-4.23%</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>1,851,613,297</b>	<b>100.00%</b>	<b>1,932,561,772</b>	<b>100.00%</b>	<b>(80,948,475)</b>	<b>-4.19%</b>

## **F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES**

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1. Corporate Information**

F & J Prince Holdings Corporation (the "Parent Company") was incorporated in the Philippines and registered with the Philippine 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 5<sup>th</sup> Floor, BDO Towers Paseo, 8741 Paseo de Roxas, Makati City.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively referred to as a "Group") as December 31, 2021 and for the year ended December 31, 2021 were approved and authorized for issuance by the Board of Directors (7BOD) on May 13, 2022.

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#### **2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies**

##### **2.1 Basis of Preparation**

The consolidated financial statements of the Group have been prepared on a historical cost basis. The financial statements are presented in Philippine Peso (₱), the currency of the primary economic environment in which the Group operates. All values are rounded to the nearest Peso except as otherwise indicated.

##### **2.2 Statement of Compliance**

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs, which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

##### **2.3 Basis of Measurement**

The Group also prepares and issues separate financial statements for the same period presented in accordance with PFRSs which can be accessed by public either through its website or from the SEC.

##### **2.4 Basis of Consolidation**

The consolidated financial statements have been prepared under the historical cost basis of accounting, except for the following items, which are measured on an alternative basis on each reporting date:

<b>Items</b>	<b>Measurement Basis</b>
Financial assets at FVTPL	Fair value
Financial assets at FVOCI	Fair value
Retirement benefit obligation	Present value of the defined benefit obligation

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### 3. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these separate financial statements, except for the changes in accounting policies explained below.

#### 3.1 Adoption of Amendments to Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2021:

- Amendments to PFRS 16, *Leases - COVID-19-Related Concessions beyond June 30, 2021*. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under PFRS 16, if the change were not a lease modification

Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met.

This amendment is effective for annual periods beginning on or after April 1, 2021.

These amendments had no impact on the consolidated financial statements of the Group.

#### 3.2 Amendments to Standards Issued but not yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2021, and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Business Combinations - Reference to the Conceptual Framework*. The amendments add an exception to the recognition principle of PFRS 3 to avoid the issue of potential "day 2" gains or losses arising from liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or *IFRIC 21, Levies*, if incurred separately. It also clarifies that contingent assets do not qualify recognition at the acquisition date. The amendments are effective for annual periods beginning on or after January 1, 2022.
- Amendments to PAS 16, *Property, Plant and Equipment- Proceeds before Intended Use*. The amendments prohibit the entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management. Instead, the entity recognizes such sales proceeds and any related costs in the profit or loss.
- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Costs of Fulfilling a Contract*. The amendments specify the costs a Group includes when assessing whether a contract will be loss-making and is therefore recognized as an onerous contract. The amendments apply a "directly related approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities.



- Annual Improvements to PFRS Standards 2018 - 2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of PFRS - Subsidiary as a First-time Adopter*.  
The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRS.
  - Amendments to PFRS 9, Financial Instruments - Fees in the '10 Per Cent' Test for Derecognition of Financial Liabilities.  
The amendment clarifies which fees an entity includes when it applies the '10 percent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
  - Amendments to PFRS 16, Leases - *Lease Incentives*.  
The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
  - Amendments to PAS 41, *Agriculture - Taxation in Fair Value Measurements*.  
The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences.
- PFRS 17, *Insurance Contracts*. This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfilment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. In June 2020, the IASB issued amendments to the standard, including a deferral of its effective date to January 2023.
- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*. The amendments to PAS 1 specify the requirements for classifying current and noncurrent liabilities. The amendments will clarify that a right to defer must exist at the end of reporting period and the classification is unaffected by the likelihood that an entity will exercise its deferral right. The issuance of amendments was deferred until January 1, 2023, as a result of COVID-19 pandemic.
- 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. The

amended standard also clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.

- Amendments to PAS 1, Presentation of Financial Statements and PFRS Practice Statement 2, *Making Materiality Judgements - Disclosure Initiative -Accounting Policies*. The amendments aim to help entities provide accounting policy disclosures that are more useful by (a) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and (b) Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Group.

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

The Group presents assets and liabilities in the consolidated statements 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 twelve months after the reporting period; or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is classified as current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent.

### **3.4 Fair Value Measurement**

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

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

The principal or the most advantageous market must be accessible by the Group.

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

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

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

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

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

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

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

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of 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' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized 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' profit amount.

### **3.5 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.

#### **3.5.1 Financial Assets**

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will

result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

*Financial assets at amortized cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortized cost 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.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, receivables, due from related parties, and convertible notes receivable.

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of placements and that are subject to an insignificant risk of change in value.

*Financial assets at fair value through OCI (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 fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

*Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the separate statement of financial position at fair value. Gains and losses arising from fair value changes are recognized in the separate statement of income.

*Impairment of financial assets*

The Group recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are 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, discounted at an approximation of the 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 ECL calculation using general approach is composed of three major components - probability of default (PD), loss given default (LGD), and exposure at default (EAD). The 12-month ECL is computed for Stage 1 accounts, while the lifetime ECL is calculated for Stage 2 and Stage 3 accounts. The ECL calculation using simplified approach is computed for Stage 2 and 3 accounts, using lifetime ECL. Accounts with objective evidence of impairment are classified under Stage 3 and shall follow the Group's impairment methodology.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

A loss allowance at an amount equal to at least 12-month ECLs will be recognized throughout the life of financial assets. A loss allowance at an amount equal to lifetime ECLs will be recognized when credit risk has significantly increased since initial recognition, resulting in the timely recognition of expected credit losses.

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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

### 3.5.2 Financial Liabilities

#### *Initial recognition and measurement*

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the EIR method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Group's financial liabilities include "Accounts payable and accrued expenses", excluding payables to the government, "Due to related parties", "Dividends payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards).

#### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

### 3.5.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counter parties.

## **3.6 Prepayments and Other Current Assets**

### 3.6.1 Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

### 3.6.2 Value-Added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the separate statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of services (output VAT), the excess is recognized as an asset in the separate statement of financial position to the extent of the recoverable amount.

### **3.7 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 cost method of accounting.

Under the cost method, the investment in associates are carried in the separate statement of financial position at cost plus post-acquisition changes arising only from additional investments less subsequent withdrawal of shares. The Group recognizes income from the investment only to the extent that the Group receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment. After application of the cost method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate.

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

### **3.8 Property and Equipment**

Property and equipment are stated at cost, less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price and any costs directly attributable in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period 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 costs of property and equipment. Cost also includes any asset retirement obligation and interest on borrowed funds used. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income of such period.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets as follows:

<u>Property and Equipment</u>	<u>Number of Years</u>
Transportation equipment	10
Furniture, fixtures, and equipment	5
Condominium improvements	10 or useful life whichever is shorter

Expected useful lives are reviewed at each statement of financial position date and if they differ significantly from previous estimates, the remaining depreciation periods are adjusted accordingly.

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

### **3.9 Accrued Expenses and other payables**

#### **3.9.1 Accrued Expenses**

Accrued expenses are recognized in the period in which the related money, goods or services are received or incurred and have been invoiced or formally agreed with the supplier. These are non-interest bearing and are stated at their amortized cost if payable beyond 12 months otherwise are stated at undiscounted amount.

#### **3.9.2 Other Payables**

Other payables include government-imposed obligations such as withholding taxes, statutory payroll obligations and income tax payable to the Local Government Unit (LGU) and are stated at cost.

### **3.10 Impairment of Nonfinancial Assets**

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 to sell 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. Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment must be 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation 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.

### **3.11 Provisions**

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense in the statement of comprehensive income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.



Adjustment is reflected in the right-of-use asset, of profit or loss if the right-of-use asset is already reduced to zero.

### **3.12 Capital Stock**

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

### **3.13 Retained Earnings**

The amount included in retained earnings includes income attributable to the Group's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the relevant transitional provisions.

### **3.14 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.

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

The specific recognition criteria described below must be met before revenue is recognized.

#### 3.14.1 Dividend income

Revenue is recognized when the Group's right to receive payment is established, which is generally when the investee's BOD approves the dividend.

#### 3.14.2 Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets, interest income is recorded using the EIR method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is recognized in the consolidated statements of income.

#### 3.14.4 Rent income

Rent income arising from operating lease on investment properties is accounted for on a straight-line basis over the non-cancellable lease term and is included in revenue in the consolidated statements of income.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on a straight-line basis. Contingent rents are recognized as revenue in the period in which they are earned.

#### 3.14.5 Other income

Other income earned outside the normal course business is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

### **3.15 Expenses**

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

### **3.16 Retirement Benefits**

The Group operates an unfunded defined benefit plan in the Philippines.

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

Remeasurement comprising of actuarial gains and losses, return on plan assets and any change in the effect of asset ceiling (excluding amounts net interest on the net defined benefit liability), are recognized immediately in the consolidated statements of comprehensive income in the period in which they occur. Remeasurement are not reclassified to the consolidated statements of income in subsequent periods.

Past service costs are recognized in the consolidated statements of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under "Retirement benefits" in consolidated statements of income:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

### **3.17 Leases**

#### **3.17.1 Group as a Lessor**

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies PFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in PFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognizes lease payments received as income on a straight-line basis over the lease term in the separate statement of income.

### **3.18 Foreign Currency Transactions**

The consolidated financial statements are presented in Philippine peso, which is the Group's functional currency. Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated using the functional currency spot rates of exchange at the reporting date. Differences arising from settlement or translation of monetary items are recognized in profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair values are determined. The gain or loss arising on translation of nonmonetary items measured at fair values is treated in line with the recognition of gain or loss on the change in fair value of the item.

### **3.19 Income Taxes**

#### **3.19.1 Current Income Tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

#### **3.19.2 Deferred Income Tax**

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

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

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits in the form of minimum corporate income tax (MCIT) and unused tax losses in the form of net operating loss carryover (NOLCO). Deferred income tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences of MCIT and NOLCO can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

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

Deferred income tax relating to items recognized outside profit or loss is recognized outside of profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and

circumstances change. The adjustments is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in the consolidated statements of income.

### **3.20 Provisions, Contingent Assets and Contingent Liabilities**

#### **3.20.1 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. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statements of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

#### **3.20.2 Contingencies**

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

### **3.21 Earnings per Share (EPS)**

Basic EPS is computed by dividing earnings applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

Outstanding share options plan (SOP) shares will have a dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option. Where the effect of the exercise of all outstanding options has anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Potential ordinary shares are weighted for the period they are outstanding. Potential ordinary shares that are converted into ordinary shares during the period are included in the calculation of diluted EPS from the beginning of the period to the date of conversion; from the date of conversion, the resulting ordinary shares are included in both basic and diluted EPS.

### **3.22 Related Party Transactions**

Transactions with related parties accounted for based on the nature and substance of the agreement, and financial effects are included in the appropriate asset, liability, income and expense accounts.

### **3.23 Segment Reporting**

For purposes of Management reporting, the Group operates mainly in one reportable business segment and one reportable geographical segment. The Group's identified operating segment is consistent with the segment reported to the BOD which is the Group's Chief Operating Decision Maker (CODM).

### **3.24 Events after the Reporting Period**

Events after the reporting period that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial

statements. Events after the reporting period that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

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

The consolidated financial statements prepared in accordance with PFRSs require management to make judgments, estimates and assumptions that affect amounts reported in the separate financial statements and related notes. The judgments, estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the separate financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following items are those matters which the Group assess to have significant risks arising from estimation uncertainties:

##### 4.1 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 separate financial statements:

###### Determination of Significant Influence over an Investee Company

The Group considers its investments in Pointwest Technologies Corporation (PTC) and Business Process Outsourcing International, Inc. (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.

##### 4.1.1 Classification of 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 separate 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.

##### 4.1.2 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 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 amounting to ₱56.1 million and ₱42.1 million as at December 31, 2021 and 2020, respectively, met the SPPI criterion.

#### 4.1.3 Evaluation of Business Model in Managing Financial

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.

### **4.2 Estimates and Assumptions**

The key 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 separate financial statements. Actual results could differ from such estimates.

#### 4.2.1 Determination of 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 judgment. While significant components of fair value measurement were determined using verifiable objective evidence, (i.e., quoted prices, interest rates, foreign exchange rates), the amount of changes in fair value would differ if the Group utilized 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 considerations of liquidity and model inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of the Group's financial instruments are presented in Note 26.

#### 4.2.2 Estimating Provision for Expected Credit Losses

The Group uses the general approach to calculate expected credit losses for receivables. The provision rates are based on days past due for each customer. 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. The information about the Group's expected credit losses is disclosed in Note 9.

In 2021, the Group recognized additional provision for expected credit losses on its receivables amounting to ₱0.07 million.

The aggregate allowance for expected credit losses on receivables amounted to ₱189.6 million and ₱189.5 million as at December 31, 2021 and 2020. The receivables, net of allowance for expected credit losses, amounted to ₱23.9 million and ₱30.8 million as at December 31, 2021 and 2020, respectively (see Notes 7 and 21).

#### 4.2.3 Estimating 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 that 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.

Expected credit losses amounted to ₱0.7 million in December 31, 2019. The carrying value of debt securities classified as financial assets at FVOCI amounted to ₱165.8 million and ₱202.1 million as at December 31, 2021 and 2020, respectively (see Note 9).

#### 4.2.4 Estimating Impairment of Investments 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 carrying amount of investments in associates amounted to ₱250 million and ₱278.9 million as at December 31, 2021 and 2020 (see Note 11).

#### 4.2.5 Estimating Impairment of Nonfinancial Assets

The Group determines whether prepayments and other current assets, property and equipment, and other noncurrent assets 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.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

The Group has not identified any events or changes in circumstances that would indicate an impairment of its nonfinancial assets as of December 31, 2021 and 2020 presented below:

	Notes	2021	2020
Prepayments and other current assets	8	<b>₱35,472,539</b>	₱35,741,882
Property and equipment – net	13	<b>4,762,944</b>	6,038,953
Investment properties – net	14	<b>373,683,237</b>	382,487,423
Other noncurrent assets	15	<b>2,857,386</b>	2,837,386
		<b>₱416,776,106</b>	₱427,105,644

#### 4.2.6 Estimating Realizability of Deterred Income Tax Assets

Deferred income tax asset is recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable income will be available in the future against which the deductible temporary differences can be utilized. Significant management estimate is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The Group did not recognize deferred tax asset on its temporary differences amounting to ₱288.4 million as of December 31, 2021 and 2020 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 (see Note 19).

## 5. Cash and Cash Equivalents

This account consists of:

	September, 2022	2021
Cash on hand and with banks	<b>₱74,415,766</b>	<b>₱112,731,133</b>
Short-term placements	<b>403,158,498</b>	<b>393,999,109</b>
	<b>₱477,574,264</b>	<b>₱506,730,242</b>

Cash with banks earn interest at the respective bank deposit rates. Short-term placements are fixed rate time deposits denominated in United States (US) dollar and Philippine peso, made for varying periods of up to three months or less, depending on the immediate cash requirements of the Group, and earn interest at the respective bank rates ranging from 0.625% to 3.25% in 2021 and 0.6% to 3.8% in 2020.

Interest income earned from these bank deposits and short-term placements amounted to ₱2.8 million, ₱7.9 million and ₱18.9 million in 2021, 2020 and 2019, respectively.

## 6. Financial Assets at Fair Value Through Profit or Loss (FVTPL)

Financial assets at FVTPL consist of listed securities which are traded in the 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 carrying value of financial assets at FVTPL includes cumulative unrealized gain on fair value changes amounting to ₱72.5 million and ₱50.7 million in 2021 and 2020, respectively.

As of September 30, 2022, the financial assets at FVTPL is valued at P 233,543,693.

#### 7. Receivables – net

This account consists of:

	Note	September, 2022	2021
Accrued interest		<b>₱5,526,004</b>	<b>₱5,999,000</b>
Rent receivable	12	0	1,474,265
Others		601,615	48,941
		<b>6,127,619</b>	<b>7,522,206</b>
Less: allowance for expected credit losses		1,007,000	983,138
		<b>₱5,120,619</b>	<b>₱6,539,068</b>

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

#### 8. Prepayments and Other Current Assets

This account consists of:

	September, 2022	2021
Current input tax	<b>₱26,134,606</b>	<b>₱27,640,066</b>
Deposits on contracts	3,216,680	3,128,771
Creditable withholding tax	3,071,666	2,181,031
Prepaid expenses	1,198,252	1,264,111
Prepaid income tax	1,220,221	1,105,857
Deferred Input Tax	52,230	152,703
	<b>₱34,893,655</b>	<b>₱35,472,539</b>

Input VAT represents tax paid on purchases of applicable goods and services and can be recovered as tax credit against future tax liability of the Company upon approval by the Bureau of Internal Revenue (BIR) and/or the Bureau of Customs (BOC).

#### 9. Financial Assets at Fair Value through Comprehensive Income (FVOCI)

This account consists of:

	September, 2022	2021
Quoted		
Debt securities, net of allowance for impairment loss of ₱2.1 million	<b>₱123,668,058</b>	<b>₱165,813,015</b>
Equity securities	33,291,276	21,734,249
Unquoted equity securities	213,159,409	207,905,001
	<b>₱370,118,743</b>	<b>₱395,452,265</b>

Movements in financial assets at FVOCI financial assets are as follows:

	September , 2022	2021
Beginning balances	P395,452,265	P350,642,209
Additions	20,930,786	53,961,455
Disposals	(15,857,237)	(45,202,791)
Changes recognized in profit or loss		20,135,069
Movements in net unrealized valuation gains (losses)	(30,407,071)	15,916,323
	<b>P370,118,743</b>	<b>P395,452,265</b>

Investments in debt securities are denominated in various foreign currencies and are stated at fair value based on quoted prices. Changes in market values are included in the consolidated statements of comprehensive income. The debt securities bear fixed interest rates ranging from 4.75% to 6.625% in 2021, 4.337% to 7.25% in 2020 and 4.375% to 7.25%. Maturity dates of the investments range from 2017 to 2024. Interests on investments are received and settled semi-annually in its denominated currency.

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

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 of December 31, 2021 and 2020. For unlisted shares of stocks 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.

Movements in the net unrealized valuation gains on financial assets at FVOCI financial assets are as follows:

	2021	2020
Beginning balances	(P20,578,970)	(P13,073,284)
Movements in fair value before tax	15,752,983	(8,934,827)
Tax effect	(2,982,138)	1,429,141
	<b>(P7,808,125)</b>	<b>(P20,578,970)</b>

Allowance for expected credit losses on financial assets at FVOCI amounted to P2.1 million as of December 31, 2021 and 2020.

Net unrealized valuation losses on financial assets at FVOCI attributable to equity holders of the Group amounted to P12.2 million and P7.1 million in 2021 and 2020, respectively.

Interest earned on debt securities classified as financial assets at FVOCI amounted to P11.0 million, P13.4 million and P17.4 million in 2021, 2020 and 2019, respectively, presented as "Interest income" in the consolidated statements of income.

Dividend income earned on equity securities classified as financial assets at FVOCI amounted to P0.1 million, P0.9 million and P1.1 million in 2021, 2020 and 2019, respectively.

The Group disposed certain financial assets at FVOCI and recognized a gain (loss) from disposal amounting to P2.1 million, (P2.1 million) and P3.9 million in 2021, 2020 and 2019, respectively.

#### 10. Convertible Notes Receivable

The Group entered into an agreement with Xen Technologies Pte. Ltd. ("Xen"), whereby the Group was issued convertible promissory notes ("Notes"). A total amount of US\$1,050,000 and US\$850,000 was paid for the years ended December 31, 2021 and 2020. 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 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 Notes, together with all unpaid interest accrued, will automatically convert to shares on the date of the liquidation event; or
- Optional conversion at the maturity date.

The carrying amount of the Notes amounted to ₱56.1 million and ₱42.1 million as at December 31, 2021 and 2020, respectively.

Interest income earned amounted to ₱4.4 million in December 31, 2021.

#### 11. Investment in Associates

This account consists of:

	September 2022	2021
Acquisition cost	₱193,760,135	₱193,760,135
Accumulated equity in net earnings:		
As at beginning of year	151,399,629	179,980,700
Share in net income of associates	10,269,352	19,412,918
Share in other comprehensive income from associates		1,759,284
Share in dividends declared by associates		(61,392,134)
Cumulative translation adjustment		11,638,861
	161,668,981	151,399,629
	355,429,116	345,159,764
Less: allowance for impairment losses	(94,830,129)	(94,830,129)
	₱260,598,987	₱250,329,635

The Group has equity interest in the following associates as of December 31:

	Country of Incorporation	Percentage of Ownership	Carrying Amount of Investments	
			2021	2020
MUDC	Philippines	43%	₱94,830,129	₱94,830,129
Less: allowance for impairment losses			(94,830,129)	(94,830,129)
			-	-
PTC	Philippines	30%	161,165,221	203,003,334
BPO	Philippines	35%	89,164,414	75,907,372
			₱250,329,635	₱278,910,706

#### 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.

*Dividends*

On September 1, 2021, PTC declared cash dividends amounting to \$2.0 million or \$0.00147 per share of the outstanding stocks. Dividends shall be payable on or before October 31, 2021.

On December 16, 2021, PTC declared another cash dividends amounting to \$2.0 million or \$0.00147 per share of the outstanding stocks. Dividends shall be payable on or before February 28, 2022.

On September 17, 2020, PTC declared cash dividends amounting to \$0.8 million or \$0.0055 per share of the outstanding stocks. Dividends shall be payable on or before April 30, 2021 (see Note 19).

The Group's share in the dividends declared amounted to ₱30.8 million and ₱30.4 million in 2021 and ₱10.9 million in 2020.

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.

*Dividends*

On December 29, 2020, BPO declared cash dividends amounting to ₱10.0 million or ₱12.82 per share of the outstanding stocks as of record date December 25, 2020. Dividends will be paid in the subsequent year.

The Group's share in the dividends declared amounted to nil and ₱3.5 million in 2021 and 2020, respectively.

Dividend receivable of the Group amounted to ₱1.7 million and ₱10.5 million as of December 31, 2021 and 2020, respectively.

MUDC

The Group has a 43% interest in MUDC. As of December 31, 2021, 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 of December 31, 2021 and 2020, 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 of December 31, 2021 and 2020 and advances to MUDC amounting to ₱188.5 million and ₱188.4 million as of December 31, 2021 and 2020, respectively. The Group has assessed that its investment in MUDC amounting to ₱94.8 million as of December 31, 2021 and 2020 and its advances to MUDC amounting to ₱188.4 million as of December 31, 2021 and 2020 are impaired since management believes that it will no longer recover from such investment and advances. Management is not required to infuse more capital to MUDC and that losses are limited to the invested additional advances as of December 31, 2021 and 2020.

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## 12. Investment in Rights Issue Subscription

The Group entered into an agreement with Xen to invest in rights issue subscription amounting to ₱26.5 million and ₱19.2 million in 2021 and 2020, respectively. 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, 2021 and 2020 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 balance sheet date. As of September 30, 2022, the amount of investment in rights issue subscription is P37,605,400.

### 13. Property and Equipment – net

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

As of September 30, 2022					
	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
Additions	-	-	-	1,185,888	1,185,888
Disposals	-	-	-	-	-
Ending balances	20,755,943	8,764,062	7,234,510	4,078,324	40,832,839
<b>Accumulated depreciation</b>					
Beginning balances	17,642,862	8,598,923	5,902,338	2,739,884	34,884,007
Depreciation	622,677	52,911	249,577	130,686	1,055,851
Disposals	-	-	-	-	-
Ending balances	18,265,539	8,651,834	6,151,915	2,870,570	35,939,858
<b>Net Book Values</b>	<b>₱2,490,404</b>	<b>₱112,228</b>	<b>₱1,082,595</b>	<b>₱1,207,754</b>	<b>₱4,892,981</b>

As of December 31, 2021					
	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	₱3,064,597	₱39,819,112
Additions	-	-	-	3,526	3,526
Disposals	-	-	-	(175,687)	(175,687)
Ending balances	20,755,943	8,764,062	7,234,510	2,892,436	39,646,951
<b>Accumulated depreciation</b>					
Beginning balances	16,812,625	8,528,376	5,569,572	2,869,586	33,780,159
Depreciation	830,237	70,547	332,766	45,056	1,278,606
Disposals	-	-	-	(174,758)	(174,758)
Ending balances	17,642,862	8,598,923	5,902,338	2,739,884	34,884,007
<b>Net Book Values</b>	<b>₱3,113,081</b>	<b>₱165,139</b>	<b>₱1,332,172</b>	<b>₱152,552</b>	<b>₱4,762,944</b>

The Group recognized gains on disposal of property and equipment amounting to ₱0.001 million and ₱0.4 million in 2021 and 2020, respectively.

Management believes that there is no indication of impairment loss that has occurred on its property and equipment.

### 14. Investment Properties – net

The roll forward of the Group's investment properties is as follows:

	As of September 30, 2022		
	Land	Condominium and Improvements	Total
<b>Cost</b>			
Beginning balances	<b>₱46,319,625</b>	<b>₱395,755,000</b>	<b>₱442,074,625</b>
Additions		1,052,313	1,052,313
Ending balances	<b>₱46,319,625</b>	<b>₱396,807,313</b>	<b>₱443,126,938</b>
<b>Accumulated depreciation</b>			
Beginning balances	–	68,391,388	68,391,388
Depreciation	–	6,600,012	6,600,012
Ending balances	–	74,991,400	74,991,400
<b>Net Book Values</b>	<b>₱46,319,625</b>	<b>₱321,815,913</b>	<b>₱368,135,538</b>

	As of December 31, 2021		
	Land	Condominium and Improvements	Total
<b>Cost</b>			
Beginning and ending balances	<b>₱46,319,625</b>	<b>₱395,755,000</b>	<b>₱442,074,625</b>
<b>Accumulated depreciation</b>			
Beginning balances	–	59,587,202	59,587,202
Depreciation	–	8,804,186	8,804,186
Ending balances	–	68,391,388	68,391,388
<b>Net Book Values</b>	<b>₱46,319,625</b>	<b>₱327,363,612</b>	<b>₱373,683,237</b>

Condominium units are being leased to third parties and other related parties as office space. The investment properties generated rent income amounting to ₱22.0 million, ₱23.3 million and ₱25.1 million 2021, 2020 and 2019, respectively (see Note 24). Direct operating expenses arising from investment properties that generated rent income include depreciation and condominium dues which amounted to ₱12.2 million, ₱11.3 million and ₱10.8 million in 2021, 2020 and 2019, respectively.

The assessed fair value of the investment properties excluding office spaces in Units 5-3 and 5-4 amounted to ₱1,688.5 million and ₱1,763.1 million as of December 31, 2021 and 2020, respectively. The fair values of the investment properties are based on valuations performed by an accredited independent valuer in March and April 2021. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The Group used the Sales Comparison Approach in determining the fair value of the investment properties. This is a comparative approach to value 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 significant unobservable inputs to valuation of investment properties ranges from ₱92,700 - ₱855,000 per square meter.

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.

#### 15. Other Noncurrent Assets

This account consists of:

	September, 2022	2021
Cash restricted for legal proceedings	0	P26,258,748
Refundable deposits	573,080	576,080
Others	2,281,306	2,281,306
	<b>P2,854,386</b>	<b>P29,116,134</b>

As at December 31, 2021 and 2020, cash amounting to P26.3 million has been restricted in relation to the Company's on-going legal proceeding.

#### 16. Trade and Other Payables

This account consists of:

	September, 2022	2021
Deposits payable	P5,937,196	P3,802,551
Accounts payable	361,037	749,267
Accrued professional fees	364,687	1,262,650
Government payables	5,017,190	1,930,093
	<b>P11,680,110</b>	<b>P7,744,561</b>

Deposits payable pertain to deposits made by tenants for the lease of an insignificant portion of the Group's condominium spaces and will be refunded to the lessee after the lease term.

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

#### 17. Retirement Benefit Obligation

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 benefit expense recognized in the consolidated statements of income, the remeasurement effects recognized in the consolidated statements of comprehensive income and the amounts recognized in the consolidated statements of financial position.

	2021	2020
Balances at beginning of the year	P16,606,435	P18,344,610
Retirement expense recognized in the separate statement of income		
Current service cost	619,817	897,887
Interest cost	920,643	811,397
	<b>1,540,460</b>	<b>1,709,284</b>

Remeasurements recognized in OCI		
Actuarial losses (gains) due to:		
Experience adjustments	(2,237,387)	(3,734,360)
Changes in financial assumptions	(168,391)	286,901
	<b>(2,405,778)</b>	<b>(3,447,459)</b>
Balances at end of the year	<b>₱15,741,117</b>	<b>₱16,606,435</b>

Actuarial gains (losses) on retirement benefit obligation attributable to the equity holders of the Group amounted to ₱1.7 million and ₱2.3 million as of December 31, 2021 and 2020, respectively.

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

	2021	2020
Discount rate	4.30%	4.00%
Salary increase rate	5%	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2021 and 2020, assuming if all other assumptions were held constant:

	Effect on Defined Benefit Obligation	
	2021	2020
Discount rate		
+100 basis points	(₱211,726)	
+ 50 basis points		(₱125,928)
- 100 basis points	248,469	
- 50 basis points		137,199
Salary increase rates		
+100 basis points	₱181,607	
+ 50 basis points		₱100,939
- 100 basis points	(149,586)	
- 50 basis points		(91,271)

The average duration of the retirement benefit obligation as at December 31, 2021 and 2020 is 6 years and 5 years, respectively.

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

	2021	2020
More than 1 year to 5 years	₱15,735,118	₱16,766,632
More than 5 years to 10 years	693,854	777,059
More than 15 years to 20 years	5,522,599	5,925,493
	<b>₱21,951,571</b>	<b>₱23,469,184</b>

## 18. Other Income

In 2020, the Group has signed a compromise agreement with a defendant wherein the defendant will pay ₱10.0 million to settle the legal case against them. ₱7.5 million of which has been paid and the remaining balance is subject to 10% interest rate per annum until the amount is fully paid.



## 19. Income Taxes

On March 26, 2021, Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Act), was enacted into law. Among other provisions, the CREATE Act impacted the Group on the following:

1. Effective July 1, 2020, the Group's effective corporate income tax was lowered to 25% from 30%. The Group can avail of the lower rate of 20% if its net taxable income is not more than ₱5 million and total assets not exceeding ₱100 million.
2. Effective July 1, 2020 until June 30, 2023, the minimum corporate income tax (MCIT) was lowered from 2% to 1%.
3. The imposition of 10% tax on improperly accumulated earnings was repealed.

The reconciliation of income tax computed at the statutory income tax rate to provision for income tax shown in profit or loss is as follows:

	2021	2020	2019
Statutory income tax	₱20,439,697	₱13,847,911	₱13,123,005
Adjustments to income tax arising from:			
Non-deductible expenses	345,574	3,773,162	4,001,918
Non-taxable income	(2,250,579)	-	-
Dividend income exempt from tax	(23,001,634)	(3,210,047)	(320,582)
Equity in net losses (earnings) of associates	(4,853,230)	(9,621,314)	(1,603,222)
Tax rate difference on dividend income subjected to final tax	(127,007)	-	-
Tax rate difference on interest income subjected to final tax	(133,424)	(2,128,431)	(5,107,159)
Movements in unrecognized deferred tax assets	25,712,944	-	-
Effect of lower income tax rate	1,093,985	-	-
	<b>₱17,226,326</b>	<b>₱2,661,281</b>	<b>₱10,093,960</b>

The Group's net deferred income taxes as of December 31, 2021 and 2020 are as follows:

2021	Beginning Balance	Credited (Charged) to Profit	Credited (Charged) to Equity	Ending Balance
Unrealized valuation gains (losses) on financial assets at FVOCI	₱5,958,628	(₱725,852)	(₱3,659,557)	₱1,573,219
Unrealized foreign exchange gains	965,308	(6,032,537)	-	(5,067,229)
Retirement benefit obligation	5,050,959	(468,276)	30,017	4,612,700
Advance rental	53,438	(57,523)	-	(4,085)
NOLCO	2,975,727	(821,840)	-	2,153,887
MCIT	187,058	(54,034)	-	133,024
Unrealized valuation loss on financial assets at FVTPL	(8,764,879)	(7,597,204)	-	(16,362,083)
Allowance for expected credit losses on receivables, financial assets at FVOCI	7,613,930	(1,272,879)	-	6,341,051
	<b>₱14,040,169</b>	<b>(₱17,030,145)</b>	<b>(₱3,629,540)</b>	<b>(₱6,619,516)</b>

2020	Beginning Balance	Credited (Charged) to Profit	Credited (Charged) to Equity	Ending Balance
Unrealized valuation gains (losses)				
on financial assets at FVOCI	P4,529,487	P-	P1,429,141	P5,958,628
Unrealized foreign exchange gains	(2,898,673)	3,863,981	-	965,308
Retirement benefit obligation	5,572,412	512,785	(1,034,238)	5,050,959
Advance rental	152,533	(99,095)	-	53,438
NOLCO	14,063	2,961,664	-	2,975,727
MCIT	-	-	-	187,058
Unrealized valuation loss				
on financial assets at FVTPL	(4,463,955)	(4,300,924)	-	(8,764,879)
Allowance for expected credit losses on receivables, financial assets at FVOCI	7,613,930	-	-	7,613,930
	<b>P10,519,797</b>	<b>P3,125,469</b>	<b>P394,903</b>	<b>P14,040,169</b>

No deferred income tax assets were recognized for the following deductible temporary differences as it is not probable that sufficient taxable profits will be available to allow the benefit of the deferred income tax assets to be utilized:

	2021	2020
Allowance for impairment losses on due from related parties	<b>P188,612,316</b>	P188,559,944
Allowance for impairment losses on investment in an associate	<b>94,830,129</b>	94,830,129
Provision for legal obligation	<b>5,000,000</b>	5,000,000
	<b>P288,442,445</b>	<b>P288,390,073</b>

## 20. Equity

### 20.01 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) are as follows:

	2021	2020
Common stock - P1 par value		
Class A		
Authorized - 600 million shares		
Issued - 292,610,118 shares	<b>P292,610,118</b>	P292,610,118
Class B		
Authorized - 400 million shares		
Issued - 189,217,535 shares	<b>189,217,535</b>	189,217,535
	<b>P481,827,653</b>	<b>P481,827,653</b>

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.

In 1979, the registrant listed with the PSE (or its predecessor, Manila Stock Exchange) its common stock under its previous name, Ultrana Energy and Resource Corporation, where it offered 1,000,000,000 shares to the public at the issue price of ₱0.01 per share.

On July 28, 1997, the SEC approved the increase in the Group's authorized capital stock from 10,000,000,000, divided into 6,000,000,000 Class A common shares with par value of ₱0.01 per share and 4,000,000,000 Class B common shares with par value of ₱0.01 per share to 1,000,000,000 common shares, divided into 600,000,000 Class A common shares with par value of ₱1 per share and 400,000,000 Class B common shares with par value of ₱1 per share.

On November 26, 2000, the BOD approved the issuance, out of the authorized common stock, of 192,413,090 shares at ₱1 par value which will be offered through a pre-emptive stock rights issue and detachable stock warrants, as follows:

- a. 96,206,545 shares consisting of 58,377,278 Class A shares and 37,829,267 Class B shares, to be offered in two tranches, the First Tranche consisting of 48,103,272 shares of stock and the Second Tranche consisting of 48,103,273 shares of stock, to which each stockholder may subscribe on a pre-emptive rights basis, and
- b. the balance of 96,206,545 shares to be offered through detachable stock warrants, which shall entitle each stockholder to subscribe to one share of stock for every one share of stock of the same class that such stockholder subscribe to out of this stock rights issue.

The Group's application to list additional 192,413,090 common shares with a par value of ₱1 per share through pre-emptive rights issue and detachable subscription warrants was approved by the PSE on February 27, 2002 and by the SEC on April 5, 2002.

The exercise periods and expiration dates of the Group's subscription warrants are as follows:

	Number of Shares	Exercise Periods	Expiration Dates
<b>First Tranche:</b>			
Class A common shares	29,188,639	June 4, 2002 to	
Class B common shares	18,914,633	June 3, 2007	June 3, 2007
	48,103,272		
<b>Second Tranche:</b>			
Class A common shares	29,188,639	May 9, 2003 to	
Class B common shares	18,914,634	May 8, 2008	May 8, 2008
	48,103,273		
	96,206,545		

Full payment of each subscription under the First Tranche was made within the offer period approved by the PSE and the SEC, and the full payment of each subscription under the second tranche shall be due and payable one year from the last day of the offer period. With the full subscription of the Pre-Emptive Rights Stock Offering, the Group's outstanding common stock increased to 481,032,728 common shares of stock, consisting of 291,886,391 Class A common shares and 189,146,337 Class B common shares, all with par value of ₱1 per share.

With the complete exercise of all Detachable Stock Warrants, the Group will have an outstanding common stock of 577,239,273 shares, consisting of 350,263,669 Class A common shares and 226,975,604 Class B common shares, all with par value of ₱1 per share. However, as of December 31, 2007, only 723,727 Class A common stock warrants and 71,198 Class B common stock warrants were exercised and 28,464,912 Class A common stock warrants and 18,843,435 Class B common stock warrants expired. As of December 31, 2008, 29,188,639 Class A common stock warrants and 18,914,634 Class B common stock warrants expired due to non-exercise of stock warrants before expiration date. After the expiration of the said warrants, the Group's outstanding

common stock amounted to ₱481,827,653 with additional paid-in capital of ₱144,759,977. There have been no movements since 2008.

The Parent Company has 480 stockholders as at December 31, 2021 and 2020.

### 20.02 Treasury Shares

The Group's treasury shares pertains 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 statements of financial position.

In 2019, PIEI purchased 45,000 Class A shares of the Group with a total cost of ₱0.2 million. In 2020, PIEI purchased additional 36,000 Class A shares with a total cost of ₱0.1 million.

As of December 31, 2021 and 2020, the Group's treasury shares are as follows:

	2021		2020	
	Shares	Amount	Shares	Amount
Balances at beginning of year	98,123,387	₱102,094,826	98,087,387	₱101,969,326
Additions	-	-	36,000	125,500
	98,123,387	₱102,094,826	98,123,387	₱102,094,826

### 20.03 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, 2021 and 2020, respectively. The balance of retained earnings includes the accumulated equity in net earnings of the subsidiaries and associates amounting to ₱1.2 billion and ₱1.2 billion as at December 31, 2021 and 2020, respectively. Such amounts are not available for distribution until such time that the Group receives the dividends from the subsidiaries and associates. The balance of retained earnings also includes net cumulative unrealized gains on financial assets at FVTPL amounting to ₱ 72.48 million and ₱50.69 million as at December 31, 2021 and 2020, respectively.

Following are the dividends declared and paid by the Parent Company in 2022, 2021, 2020, 2019:

	Declaration date	Record date	Payment date	Description	Per Share	Total
2022	June 27, 2022	July 12, 2022	July 30, 2022	Regular	₱0.05	₱24,091,383
	June 27, 2022	August 19, 2022	Sept. 15, 2022	Regular	0.10	₱48,182,765
2021	September 17, 2021	October 1, 2021	October 27, 2021	Regular	₱0.10	₱48,182,765
2020	August 18, 2020	September 3, 2020	September 29, 2020	Regular	0.10	₱48,182,765
2019	July 16, 2019	September 23, 2019	October 14, 2019	Regular	0.10	₱48,182,765
	July 16, 2019	October 23, 2019	November 14, 2019	Regular	0.10	₱48,182,765

## 21. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, 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.

The Group, through its BOD, recognizes that transactions between and among related parties create strategic financial, commercial, and economic benefits to the Group and its stakeholders. In this regard, related party transactions are generally allowed provided that when related party transactions amount to ten percent (10%) or higher of the Group's total consolidated assets, it shall

be considered as Material Related Party Transactions and shall be subject to arms-length principle and BOD approval.

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:

	Year	Amount of Transaction	Outstanding Balance	Terms	Conditions
<b>Associates</b>					
BPO					
Rental income	Sept. 2022	₱1,250,925	-	On demand; non-interest bearing	Unsecured; unimpaired
	2021	₱1,412,410	-	On demand; non-interest bearing	Unsecured; unimpaired
Payroll service expenses	Sept. 2022	81,003	-	On demand; non-interest bearing	Unsecured; unimpaired
	2021	63,682	-	On demand; non-interest bearing	Unsecured; unimpaired
Dividends	Sept. 2022	-	-	On demand; non-interest bearing	Unsecured; unimpaired
	2021	-	1,749,987	On demand; non-interest bearing	Unsecured; unimpaired
PTC					
Dividends	Sept. 2022	-	-	On demand; non-interest bearing	Unsecured; unimpaired
	2021	61,232,597	15,394,042	On demand; non-interest bearing	Unsecured; unimpaired
<b>Other Related Parties</b>					
Advances	Sept. 2022	40,133	217,390	On demand; non-interest bearing	Unsecured; unimpaired
	2021	63,682	169,929	On demand; non-interest bearing	Unsecured; unimpaired
	Sept. 2022		₱217,390		
	2021		₱17,313,958		

- a) The Group has an 11-year lease contract with BPO commencing on January 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 the same terms and conditions (see Notes 14 and 24).

The future minimum rental income from BPO as at December 31, 2021 and 2020 are as follows:

	2021	2020
Within one year	₱1,477,146	₱1,412,410
After one year but not more than 5 years	123,586	1,477,146
	₱1,600,732	₱2,889,556

- 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.
- c) Amounts owed by related parties pertains to reimbursements for expenses paid by the Group.

The outstanding related party transactions are expected to be settled in cash.

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

	2021	2020
Due from related parties	₱188,782,244	₱189,135,876
Rent receivables	17,144,030	21,488,467
Allowance for impairment losses	(188,612,316)	(188,559,944)
	₱17,313,958	₱22,064,399

Allowance for impairment loss is mainly attributable to advances to MUDC, among others (see Note 11).

Compensation of the key management personnel is as follows:

	2021	2020
Salaries and wages	P8,493,141	P8,493,141
Other benefits	1,415,524	1,415,524
	<b>P9,908,665</b>	<b>P9,908,665</b>

Below are the balances and transactions among related parties which are eliminated in the consolidated financial statements as at December 31, 2021 and 2020.

Amounts Owed by	Amounts Owed to	2021	2020
MCHC	Parent Company	<b>P25,183,005</b>	P-

Dividends Declared by	Dividend Income of	2021	2020
Parent Company	PIEI	<b>P5,029,011</b>	P5,028,011
Parent Company	MCHC	<b>4,784,402</b>	4,784,402
MCHC	Parent Company	<b>25,183,065</b>	-

The transactions pertain to dividend declarations of the Group and MCHC in 2021 and 2020.

## 22. Earnings Per Share (EPS)

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

	2021	2020	2019
Net income attributable to equity holders of the parent (a)	<b>P62,496,955</b>	P43,024,955	P32,205,281
Weighted average number of ordinary shares outstanding for basic and diluted EPS (b)	<b>379,732,827</b>	383,721,537	383,959,910
Basic and diluted earnings per share (a/b)	<b>P0.16</b>	P0.11	P0.08

The Group has no potential dilutive instruments issued as of December 31, 2021, 2020 and 2019.

## 23. Segment Information

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

## 24. Commitments and Contingencies

The Group leases a portion of its condominium spaces. The Group recognized rental income amounting to P4.62 million, P3.65 million and P4.86 million in 2021, 2020 and 2019, respectively (see Note 14). The lease agreements have terms of one to three years and can be renewed upon the written agreement of the Group and the lessees.

Deposit payable made by the tenants amounting to P 6.4 million and 6.0 million as of December 31, 2021 and 2020, respectively, will be returned to the lessees after the lease term.

Future minimum rental income as at December 31, 2021 and 2020 are as follows:

	2021	2020
Within one year	P16,027,296	P15,590,691
After one year but not more than two years	563,586	11,782,301
	<b>P16,590,882</b>	<b>P27,372,992</b>

As at December 31, 2021 and 2020, the Group recognized provision for legal obligation amounting to P5.0 million, for claims arising from lawsuit filed by a third party, which is awaiting decision by the courts. Probable cost has been estimated in consultation with the Group's legal counsel. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions, if any, will not have material adverse impact on the Group's financial position and results of operations.

## 25. 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.

The total core capital considered by the Group as of September 30, 2022 and December 31, 2021 are as follows:

	September, 2022	2021
Common stock	P481,827,653	P481,827,653
Additional paid in capital	144,759,977	144,759,977
Treasury shares	(102,094,826)	(102,094,826)
Retained earnings	1,165,145,518	1,214,760,272
	<b>P1,689,638,322</b>	<b>P1,739,253,076</b>

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY  
AGING OF ACCOUNTS RECEIVABLE  
AS OF SEPTEMBER 30, 2022**

Name	Beginning Balance	Additions	Deductions		Current 30 days	60 days or over	Over 120 days	Ending Balance
			Amount Collected	Amount Written-Off				
Magellan Capital Realty Development Corp.	59,156	10,700			0	0	69,856	69,856
Magellan Capital Corporation	63,857	200			0	0	64,057	64,057
Magellan Capital Trading Corporation	59,906	10,600			0	0	70,506	70,506
Magellan Utilities Development Corp.	0							0
Business Process Outsourcing International	1,768,326	1,250,925	3,000,913			6,591	11,747	18,338
Pinamucan Power Corporation	46,073	10,700			0	0	56,773	56,773
Pointwest Technologies Corporation	15,394,042	1,355,760	16,749,802					0
Others	0							0
	17,391,360	2,638,885	19,750,715		0	6,591	272,939	279,530