



A. SORIANO CORPORATION

# 2022 ANNUAL REPORT



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CONCURRENT RESOLUTION OF THE BOARD OF DIRECTORS  
The Board of Directors of A. Soriano Corporation by unanimous concurrence, submits herewith the Statement and Annual Report of the Chairman of the Board and President of the Corporation as its own Report to the Stockholders for the year ended December 31, 2022.

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“The combined performances of Anscor’s holdings will continue to enhance shareholder value”

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### THE PHILIPPINE ECONOMIC PICTURE 2022

Gross Domestic Product grew from 5.7% in 2021 to 7.6% in 2022 as domestic consumption remained resilient despite rising inflation. The easing of the COVID-19 pandemic restrictions and full reopening in the last quarter of 2022 accelerated the expansion in the services and industry sectors, with production in most subsectors back to their pre-pandemic levels. Accommodation and food services led the way with a growth of 31.8%.

2022 was a volatile year, experiencing heightened geopolitical tensions, high energy costs, and interest rates. The Philippines, like the rest of the world, struggled with inflation, which is currently running at 14-year highs and if it is not controlled, will constrain domestic consumption. The Bangko Sentral ng Pilipinas tightened monetary policy aggressively, with a 350-basis point increase in interest rates, since the beginning of 2022.

As high inflation and interest rates affected the demand for housing and real estate in general, hybrid work arrangements and the continued decline of the pogo demand affected office rentals. Consequently, many of the major developers opted to postpone projects.

## Chairman’s Message



**ANDRES SORIANO III**  
Chairman

2023 is viewed more positively as inflation appears to be moderating and interest rate increases are expected to taper off, resulting in a more stable economy. However, risks remain from the combined effects of the continuing war in Ukraine, high energy prices as China reopens, and the possibility of recession in developed economies.

## THE 2022 FINANCIAL PERFORMANCE OF THE COMPANY

Net income in 2022 reached ₱2.8 billion primarily as a result of Anscor International's sale of AGP International Holdings Pte. Ltd., for a consideration of US\$38.5 million, resulting in a one-time gain of ₱2.2 billion. Last year's profit reached ₱2.5 billion.

Anscor's operating company, Phelps Dodge Philippines Energy Products Corporation (PDP), continues to be the main contributor to Anscor's revenues at ₱1.04 billion, comprising ₱956.5 million in equity earnings and ₱100.1 million in management fees. The Company's share in resort earnings improved from ₱48.4 million in 2021 to ₱89.4 million in 2022, while KSA Realty Corporation provided ₱100.7 million in cash dividends.

Anscor's investment portfolio, which posted a gain of ₱1.4 billion in 2021, reversed to a loss of ₱0.9 billion, due to a decrease in market values of traded securities, both locally and abroad.

The Philippine Stock Exchange Index fell from 7,123 as of December 31, 2021 to 6,554 as of end-December 2022. This contributed to a ₱194.2 million loss on Philippine-traded equities against a gain of ₱1.8 billion in 2021. Foreign traded shares accounted for a ₱586.7 million loss in 2022, lower than last year's loss of ₱900.3 million. Investment in bonds and managed funds were impacted by the increase in interest rates and registered a decline in value of ₱374.1 million versus a gain of ₱12.7 million in 2021.

Financial portfolio losses were slightly offset by larger foreign exchange gains from ₱130.1 million in 2021 to ₱294.6 million in 2022 as the strong US dollar boosted the value of our dollar-denominated assets.

Anscor paid a total cash dividend of ₱2.5 billion or ₱1.00 per share in 2022: ₱0.50 per share on April 5, 2022, and another ₱0.50 per share on December 15, 2022. The book value of the Company increased from ₱16.67 to ₱17.89 as of December 31, 2022.

## PHELPS DODGE INTERNATIONAL PHILIPPINES, INC.(PDP)

PDP's sales volume increased by 5% over that of 2021. While its high-rise and mall project segment declined by 25%, the company achieved substantial inroads into the sectors of communication and of energy, among both distributors and generators. PDP continued to increase its provincial sales in the Visayas and Mindanao. Northern Luzon showed significant growth in both the retail sector and the business-to-business segments.

2022 revenues reached ₱10.7 billion, a 23% increase over last year, in part because of the higher average copper price during the year. Copper prices were volatile with an upward trend throughout the year. PDP's policy of maintaining stable selling prices was rewarded with a flow of steady orders from its distributors. PDP's innovative products met customers' need for safe and quality products at reasonable prices.

Net profit increased from ₱909.9 million to ₱956.5 million, the highest in PDP's history. Costs were kept at the same level as 2021, a notable achievement in an era of high inflation throughout the year.

PDP will continue with its growth strategy. Additional investments are being made to increase the company's production capability, which will give more production flexibility to serve different segments and increase the company's ability to deliver in the shortest possible time.

PDP continues its sustainability and governance programs, its enviable safety record, and its strongly adhered to health protocols. Studies have started on the feasibility of solar panels. PDP remains committed to participate actively in the projects of the Andres Soriano Foundation.




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PDP's net income of ₱956.5 million, a record profit, with revenues reaching ₱10.7 billion and costs kept at the same level as 2021.

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#### **SEVEN SEAS RESORTS AND LEISURE, INC.**

(Owner of Amanpulo)

After two years of restricted international travel, the Philippine borders reopened to tourists in February 2022 and Amanpulo reintroduced itself as a must-travel destination. Through strategic sales and marketing activities and new products and offerings, Amanpulo bounced back strongly. Revenue improved to ₱1.1 billion and a net income of ₱143.5 million, nearly that of the pre-pandemic period.

Initiatives to attract foreign guests to Amanpulo, included visits from top-producing and high-potential travel agents, foreign press trips and releases featuring Amanpulo in top-tier publications, including Conde Nast Traveller (UK), Tatler (UK), Tatler (Asia), Travel+Leisure (SEA), and Robb Report (China).





Amanpulo's Marine Conservation Program continues to expand its reach with the launch of identifying resident turtles by volunteer team members and guests. In November, the Large Marine Vertebrates Research Institute Philippines trained the Amanpulo team on enhanced marine turtle conservation. A total of 1,927 turtle hatchlings were released to the sea and natural nest monitoring was increased.

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Amanpulo closed 2022 with 47% occupancy, revenues of ₱1.1 billion and net income of ₱143.5 million, almost in line with pre-pandemic year.

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Amanpulo was shortlisted as “Private Island of the Year” and awarded as “Asia’s Leading Private Island Resort,” the “Philippines’ Leading Private Island Resort” and the “World’s Leading Dive Resort” by the World Travel Awards 2022. The Resort also placed Top 8 in the “Top 10 Best Resorts in Southeast Asia” in the Travel + Leisure Asia’s Best Awards 2022.

### **ATRAM INVESTMENT MANAGEMENT PARTNERS CORPORATION (ATRAM)**

ATRAM weathered volatile markets in 2022, ending the year with assets under management at ₱157.1 billion, 9.9% lower from the previous year. Though inflation and geopolitical concerns kept investors on the sidelines, the company still generated positive net inflows of ₱4.2 billion, driven by the fund distribution and wealth businesses. ATRAM Group’s revenues grew 19.9% to ₱872.7 million in 2022, from ₱727.6 million in 2021.

ATRAM continued to build its digital capabilities to reach target client segments and enhance customer brand experience. ATRAM Prime was launched in April 2022. It is a mobile-first investment platform to help clients grow their long-term wealth, simplify the investing process and access investment outlets and advice. Development of a wealth management platform, Wealth360, began in 2022 for rollout to clients in 2023.

The company earned multiple awards and industry recognitions. ATRAM was hailed as “Asset Management Company of the Year — Philippines” in The Asset Triple A Sustainable Investing Awards 2022. World Business Outlook and International Business Magazine also recognized ATRAM as the “Best Investment Solutions Provider” in the Philippines for 2022. In addition, ATRAM Trust Corporation was recognized as a 2022 Outstanding Bangko Sentral ng Pilipinas (BSP) Stakeholder for its role as a Personal Equity & Retirement Account (PERA) administrator during the 2022 Outstanding BSP Stakeholders Appreciation Ceremonies.

ATRAM is ready to face a digital future with a diverse set of product offerings.

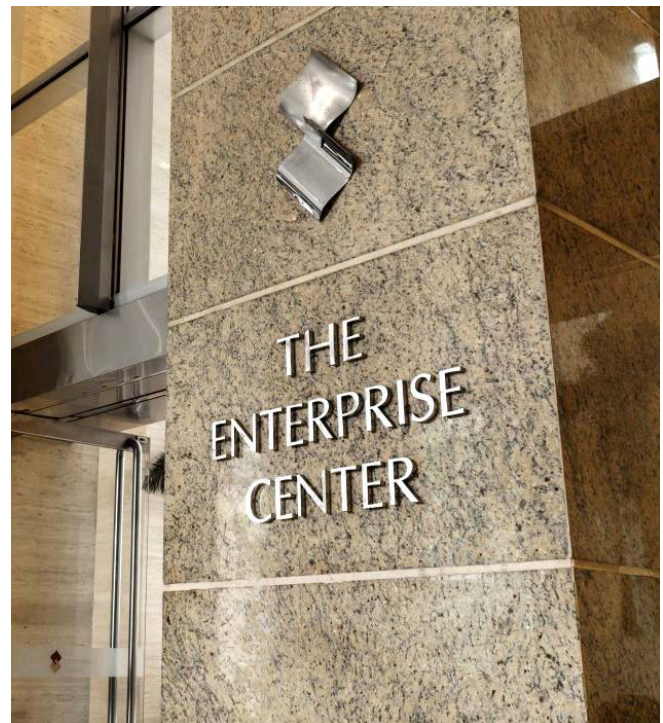
### **KSA REALTY CORPORATION**

(owner of The Enterprise Center)

The office leasing operations of The Enterprise Center (TEC) continued to face challenges, along with other office building operators in the country. TEC’s occupancy and rental revenue declined due to the after effects of the COVID-19 pandemic: downsizing of leased premises to adapt to on-site work arrangements of companies and requests for rental concessions to reduce costs to cope with business slowdown.

TEC’s average effective rent for office leases decreased from ₱1,539 per sq.m. in 2021 to ₱1,430 per sq.m. in 2022. Rental income decreased by 18% and average occupancy during the year fell to 66%, as compared to last year’s 80%. Net income stood at ₱0.7 billion.

Despite the negative growth in rental revenue and net income, KSA declared ₱0.7 billion in dividends in 2022, of which ₱100.7 million was Anscor’s share as against ₱185.6 million in 2021.



## EARLY STAGE AND PRIVATE EQUITY INVESTMENTS

A portion of the Company's assets are dedicated to private equity funds and early-stage opportunities.

Anscor began investing in Y-mAbs Therapeutics, Inc. in 2015 that was listed on the Nasdaq in 2018. Y-mAbs is a clinical stage biopharmaceutical company focused on developing and commercializing novel, antibody-based therapeutic products to treat cancer. Anscor's investment thesis centered on Y-mAbs with two pivotal-stage product candidates, naxitamab and omburtamab.

Naxitamab received its first approval from the US Food and Drug Administration (USFDA) in November 2020. Unfortunately, the USFDA declined marketing approval of omburtamab in a Refusal-to-File letter dated October 2, 2020, citing the need for additional data to support an approval. In response, Y-mAbs has deprioritized the omburtamab program to focus on developing the Self-Assembly DisAssembly (SADA PRIT 2-STEP) technology platform. Corporate restructuring extended its cash runway into 2024. Y-mAbs stock price fell 70% in 2022 from US\$ 16.21 to US\$ 4.88 a share.

Anscor invested US\$5.0 million in Macquarie ASEAN Technology Investments Holdings II LP in 2018, a special-purpose vehicle invested exclusively in shares of Grab Holdings, Inc. Grab is the leading on-demand transportation and food delivery provider in Southeast Asia with a leading market share in seven countries, including the Philippines.

In December 2021, Grab was listed on the Nasdaq via a special purpose acquisition vehicle. Sales grew 38%, as its Mobility and Deliveries benefited from economies reopening across the Association of Southeast Asian Nations (ASEAN) region. Despite the positive operating trends, shares in Grab Holdings, like many of its high-growth peers, fell dramatically in 2022 and ended down 55% from its Initial Public Offering (IPO).

Anscor has committed US\$20.0 million to Navegar I LP, Navegar II LP and Sierra Madre Philippines I LP, three Philippine-focused private equity funds. Investments are diversified across e-commerce, business process outsourcing, information technology, casual dining, logistics, education, and retail.

In March 2021, Anscor committed US\$6.0 million to Asia Partners I (AP I), a Singapore-based private equity fund focused on high growth technology and technology-enabled companies across Southeast Asia. In March 2022, on the back of a solid performance from AP I, a follow-on commitment of US\$10.0 million was made to Asia Partners II.

Additional investments that were initiated in 2022 included a US\$3.0 million investment in Blue Voyant, an early-stage, US-based cybersecurity firm; a US\$3.0 million commitment to Third Prime, a US-based private equity fund focused on finance and property technology; a US\$1.2 million follow-on co-investment in SCI, a Singapore-based e-commerce company, alongside Asia Partners; a US\$1.6 million co-investment in Kafene, an early-stage, US-based financial technology company, alongside Third Prime; and US\$750,000 in Wholesome Spirits, an early-stage, US company focused on the sales and marketing of "Volley", a tequila-based seltzer drink.

## CORPORATE SOCIAL RESPONSIBILITY

Throughout the difficulties of the COVID-19 pandemic, **The Andres Soriano Foundation (ASF)** firmly supported island communities in Northeastern Palawan, Philippines, bringing much-needed assistance to far-flung and isolated areas.

### *Small Island Sustainable Development Program*

Through its community-based **Health Program**, ASF helped provide COVID-19 vaccinations to the island barangays of Manamoc, Algeciras, and Concepcion for community-wide protection against the disease.



The Foundation also continued the important work of sustaining nutrition initiatives such as Supplementary Feeding, Food Always in the Home (backyard gardening), and the First 1,000 Days program. From the more than 200 malnourished beneficiaries assisted by the Foundation, 84% now have normal weight, improving the overall health of the community.

The Foundation also continuously supported the needs of school children through its program on **Education**, even in the absence of face-to-face classes.

The ASF continued its assistance for the Senior High School program of its supported island community in Manamoc. By maintaining the laboratory facility and vegetable nursery, the Foundation ensured that the Manamoc National High School maintains its high standard of education. In addition, the ASF further professionalized and upgraded the skills of the school's personnel.

Deserving youth in assisted communities received scholarships for both technical-vocational and academic programs, with some scholars already undergoing on-the-job training in their chosen field.

The Foundation's **Livelihood Program** ensured that local-based weavers and livelihood groups continued to have opportunities for economic improvement through training and organizational capacity-building. Regular follow-up and guidance of the capacitated handicraft groups and newly adopted technology enabled them to produce more products of improved quality.

ASF's program on the **Environment** also gained momentum. With community-driven coastal clean-up activities, mangrove-planting drives, marine-protected area monitoring, and local government collaboration, the Foundation leads in sustainable and eco-friendly development. A newly-launched project on solid waste management provides community lectures and machines for waste recycling and repurposing. The War on Plastics project has promoted community engagement and active involvement in waste reduction and environmental protection.



*Through the use a hat-blocking machine, the quality of weavers' products is improved.*

The Foundation mobilized funds from the Anscor group, partners, and donors amounting to ₱23.3 million for its regular programs (livelihood, education, health and nutrition, and environmental protection) and its mitigation of the impact of the COVID-19 pandemic. It achieved this by mobilizing the community for immunization and facilitating the transport of vaccines to hard-to-reach areas. The supported municipalities of Agutaya, Magsaysay, and Cuyo in Palawan were continuously engaged in these activities.

### ***Cancer Care Program***

The Foundation partnered with five pharmaceutical companies to support the medical fellowship of seven trainees in medical oncology in the UP-PGH. This sponsorship envisions that more physicians will serve cancer patients nationwide especially in remote areas.

ASF has also been providing indigent patients with Stage 2 breast cancer with medication needed to complete their treatment. ASF's fund supports 57 breast cancer patients currently enrolled for chemotherapy at the UP-PGH Cancer Institute.

Additional assistance has been given to the UP-PGH Cancer Institute by donating funds and basic facility requirements.

### ***Disaster Relief Assistance***

ASF supported the rehabilitation of the Andres Soriano Memorial Elementary School in Roxas, Palawan where typhoon Odette damaged the school's classroom roofing and ceiling structures, school books, computers, and other supplies and equipment.

## **OUTLOOK**

The impact of COVID-19 on business and lifestyles still lingers. Nevertheless, our countrymen are a resilient people and are adapting to the after effects of the pandemic as they return to a more normal environment. This bodes well for Anscor as the economy is expected to pick up in spite of global events in the economic ecosystem.

PDP is projected to experience growth and make investments to boost its productivity with innovative products and cost management. As foreign travel rebounds globally, Amanpulo is expected to grow its number of guests. ATRAM will benefit from its digital initiatives and the improved investment climate. We look forward to the increased occupancy of the Enterprise Center as "in-office" work becomes the norm again.

The combined performances of Anscor's holdings will continue to enhance shareholder value. Our fundamentals are strong, sustainability is ingrained in operations and processes. We dealt decisively with the impact of the COVID-19 pandemic, caring first for employees, customers and the communities in the most trying times.

## **ACKNOWLEDGMENT**

On behalf of your Board of Directors, may I express our deepest appreciation for the continuing support of our stockholders, the patronage of our customers, and the loyalty and dedication of our employees.

# Financial Highlights

(In Million Pesos Except for Ratios and Per Share Data)

CONSOLIDATED FOR THE YEAR	2022	2021	2020
Revenues and net investment gains	13,624.7	11,354.1	6,883.7
Sale of goods	10,727.8	8,751.7	6,448.2
Gain on sale of noncurrent assets held for sale	2,208.8	—	—
Services	1,292.1	1,013.5	767.6
Dividend Income	295.3	399.4	259.1
Interest income	67.4	53.5	82.2
Equity in net earnings (loss) and impairment of loss on investments in associates	26.6	11.4	(598.0)
Gain on sale of fair value through other comprehensive income investments	0.8	0.5	1.1
Gain (loss) on increase (decrease) in market values of fair value through profit or loss investment	(994.1)	1,124.1	(76.5)
NET INCOME*	2,800.6	2,504.1	165.6
EARNINGS PER SHARE**	2.28	2.04	0.13

CONSOLIDATED AT YEAR-END	2022	2021	2020
Total Assets	25,138.2	23,625.0	21,602.3
Equity Attributable to Equity Holders of the Parent	21,961.7	20,460.6	18,695.6
Investment Portfolio	14,216.7	13,834.5	12,251.4
Current Ratio	9.94	9.64	10.03
Debt to Equity Ratio***	0.11	0.13	0.13
Book Value Per Share****	17.89	16.67	15.23

\* Attributable to equity holders of the Parent.

\*\* Based on weighted average number of shares of 1,227.6 million in 2022 and 2021, and 1,242.0 million in 2020.

\*\*\* Computed using the equity attributable to equity holders of the Parent.

\*\*\*\* Based on outstanding shares of 1,227.6 million as of December 31, 2022, 2021 and 2020.

# Five-Year Review

(In Million Pesos Except Per Share Data)

	2022	2021	2020	2019	2018
Net Income Attributable to Equity Holder of the Parent	2,800.6	2,504.1	165.6	1,843.6	808.4
Equity Attributable to Equity Holder of the Parent	21,961.7	20,460.6	18,695.6	19,943.1	18,575.9
Weighted Average Number of Shares Outstanding	1,227.6	1,227.6	1,242.0	1,208.0	1,215.5
Earnings Per Share*	2.28	2.04	0.13	1.53	0.67
Book Value Per Share**	17.89	16.67	15.23	15.95	15.33

	2022	2021	2020	2019	2018
Revenues and Net Investment Gains	13,624.7	11,354.1	6,883.7	10,695.4	9,781.0
Total Assets	25,138.2	23,625.0	21,602.3	23,112.4	22,290.0
Investment Portfolio	14,216.7	13,834.5	12,251.4	14,289.3	13,253.7

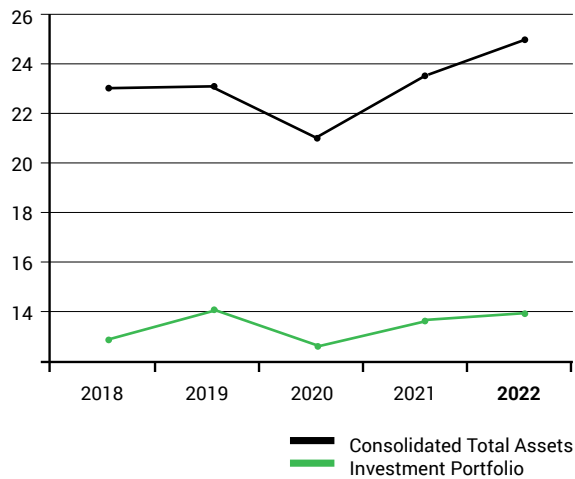
\* Ratio of net income attributable to equity holders of the Parent to weighted average number of shares outstanding during the year.

\*\* Ratio of equity attributable to equity holders of the Parent to outstanding number of shares as of end-December.



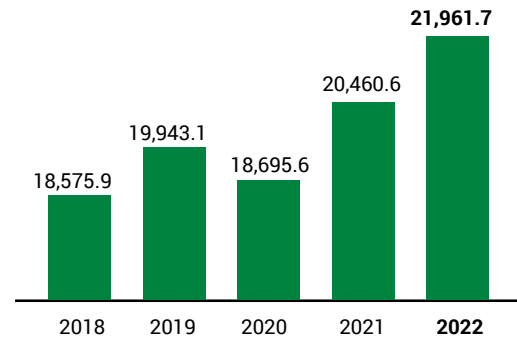
### CONSOLIDATED TOTAL ASSETS & INVESTMENT PORTFOLIO

(In Billion Pesos)



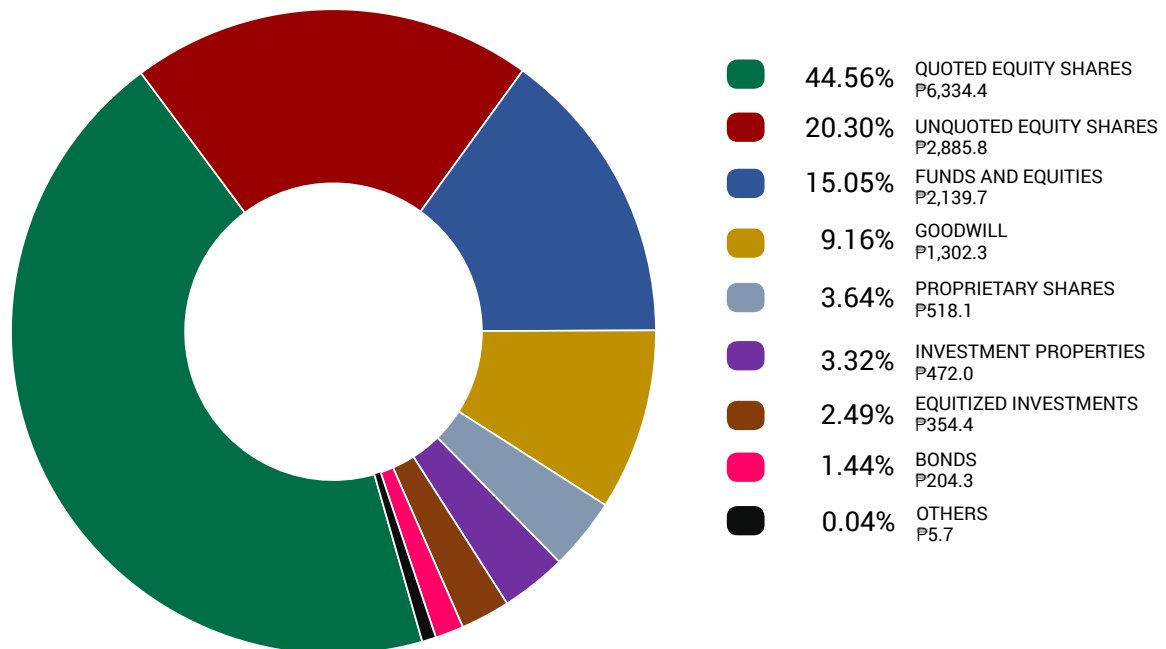
### EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(In Million Pesos)



### CONSOLIDATED INVESTMENT PORTFOLIO DECEMBER 31, 2022

(In Million Pesos)





## STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of A. Soriano Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

**ANDRES SORIANO III**  
Chairman and  
Chief Executive Officer

**ERNEST K. CUYEGKENG**  
President and  
Chief Operating Officer

**NARCISA M. VILLAFLOR**  
Vice President - Comptroller  
and Treasurer

Signed this 1st day of March 2023

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY, METRO MANILA ) S.S.

SUBSCRIBED AND SWORN to before me this 1st day of March 2023, affiants exhibited to me the following:

NAME	PASSPORT NO.	DATE & PLACE ISSUED
Andres Soriano III	506368805	Jan. 14, 2015 to Jan 13, 2025/ U.S.
Ernest K. Cuyegkeng	P7236847A	May 19, 2018 to May 18, 2028/DFA NCR South
Narcisa M. Villaflor	P8592511A	Sept. 4, 2018 to Sept. 3, 2028 / DFA NCR West

Doc. No. 162;  
Page No. 34;  
Book No. I;  
Series of 2023.

**HILARY KAYE A. MERCADO**  
Appointment No. M-038  
Notary Public for Makati City  
Until December 31, 2024  
Liberty Center-Picazo Law  
104 H.V. Dela Costa Street, Makati City  
Roll of Attorney's No. 80733  
PTR No. 9573251/Makati City/01-07-2023  
IBP No. 260989/Rizal (RSM)/01-05-2023  
MCLE Exempted-Admitted to the bar in 2022



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The Board of Directors and Stockholders  
A. Soriano Corporation  
7th Floor, Pacific Star Building,  
Makati Avenue corner Gil Puyat Avenue Extension,  
Makati City

## Opinion

We have audited the consolidated financial statements of A. Soriano Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

## Basis for Opinion

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

***Recoverability of Goodwill***

The goodwill arising from the acquisitions of Phelps Dodge International Philippines, Inc. and Seven Seas Resorts and Leisure, Inc. amounted to ₱1,302.3 million as at December 31, 2022 and is considered significant to the consolidated financial statements. Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. We considered the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the sensitivity of the estimated recoverable amount to management's assumptions and judgments. In assessing the recoverability of the Group's goodwill, management exercised significant judgments and used assumptions that are subject to higher level of estimation uncertainty, such as revenue growth rates, discount rates and long-term growth rates in estimating the value-in-use of these cash-generating units (CGUs).

The Group's disclosures on goodwill are included in Note 7 to the consolidated financial statements.

***Audit Response***

We obtained an understanding of the management's process for evaluating the impairment of goodwill. We compared the key assumptions used, such as growth rates against the historical performance of the CGUs. In testing the discount rates, we performed an independent testing of the determination of discount rates using market-based parameters. In addition, we reviewed the disclosures in the consolidated financial statements related to the key assumptions used and the sensitivity of the estimates to these key assumptions, particularly those to which the impairment test is most sensitive.

***Valuation of Unquoted Equity Instruments***

In accordance with PFRS 9, *Financial Instruments*, the Group classified its unquoted equity investments, with carrying value of ₱2,885.8 million as at December 31, 2022, as financial assets through profit or loss. We considered the valuation of these unquoted equity investments as a key audit matter because of the materiality of the amount involved, the significant judgments applied in selecting the valuation techniques and inputs that are not market observable, and the other significant assumptions used in estimating future cash flows from these unquoted equity investments.

The Group's disclosures about its equity investments are included in Note 9 to the consolidated financial statements.

***Audit Response***

We evaluated the valuation techniques and inputs and other assumptions used. These assumptions include discount rates, revenue growth rates and comparable companies. In testing the discount rates, we performed independent testing of the determination of discount rates using market-based parameters. For investments valued using the income approach, we compared the revenue growth rates to the historical performance of the investments and the industry/market outlook. For investments valued under the market approach, we assessed the comparable companies used in the valuation and confirmed factors such as additional funding of the investees that would warrant the change in market value of the investments. For private equity fund investments valued using the cost approach (adjusted net asset value method), we inspected the financial information of the investees and evaluated whether the financial information used reflect the fair values of the investee's assets and liabilities. In addition, we reviewed the disclosures in the consolidated financial statements related to the significant unobservable inputs to the fair value measurement.



**Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

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

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

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dhonabee B. Señeres.

**SYCIP GORRES VELAYO & CO.**



**Dhonabee B. Señeres**

Partner

CPA Certificate No. 97133

Tax Identification No. 201-959-816

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Accreditation No. 97133-SEC (Group A)

Valid to cover audit 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-098-2020, November 27, 2020, valid until November 26, 2023

PTR No. 9564699, January 3, 2023, Makati City

March 1, 2023

## Consolidated Statements of Financial Position

	December 31	
	2022	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 8)	₱ 2,948,401,655	₱ 2,729,230,396
Fair value through profit or loss (FVPL) investments (Note 9)	12,046,804,002	11,677,813,985
Receivables (Note 10)	2,240,424,459	1,813,420,607
Inventories (Note 11)	1,695,039,141	1,625,125,201
Prepayments	190,812,484	44,807,611
Other current assets	218,264,039	203,343,107
<b>Total Current Assets</b>	<b>19,339,745,780</b>	<b>18,093,740,907</b>
<b>Noncurrent Assets</b>		
Fair value through other comprehensive income (FVOCI) investments (Note 12)	41,453,401	46,396,340
Notes receivable (Note 27)	245,854,878	297,608,131
Investments and advances (Note 13)	357,031,299	329,433,282
Goodwill (Note 7)	1,302,276,264	1,302,276,264
Property and equipment (Notes 14 and 19)	2,705,108,750	2,544,386,610
Investment properties (Note 15)	472,052,732	480,124,965
Retirement plan asset - net (Note 24)	122,351,083	147,141,624
Deferred income tax assets - net (Note 25)	114,115,228	111,523,102
Right-of-use assets (Note 30)	17,419,789	13,186,541
Deposits to suppliers (Note 30)	296,417,399	136,316,998
Other noncurrent assets (Notes 16 and 30)	124,408,616	122,839,566
<b>Total Noncurrent Assets</b>	<b>5,798,489,439</b>	<b>5,531,233,423</b>
<b>TOTAL ASSETS</b>	<b>₱ 25,138,235,219</b>	<b>₱ 23,624,974,330</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Notes payable (Note 17)	₱ —	₱ 23,166,200
Accounts payable and accrued expenses (Note 18)	1,343,101,690	1,110,782,433
Current portion of lease liabilities (Note 30)	10,133,770	9,810,744
Dividends payable (Note 20)	501,959,779	519,529,172
Income tax payable	90,712,935	138,913,467
Current portion of long-term debt (Note 19)	—	75,714,286
<b>Total Current Liabilities</b>	<b>1,945,908,174</b>	<b>1,877,916,302</b>

(Forward)



## Consolidated Statements of Financial Position

	December 31	
	2022	2021
<b>Noncurrent Liabilities</b>		
Lease liabilities - net of current portion (Note 30)	₱ 9,082,542	₱ 6,789,705
Deferred income tax liabilities - net (Note 25)	417,846,430	521,283,828
Retirement benefits payable - net (Note 24)	39,931,355	48,147,054
Other noncurrent liabilities (Notes 16 and 30)	111,736,509	113,730,977
<b>Total Noncurrent Liabilities</b>	<b>578,596,836</b>	<b>689,951,564</b>
<b>Total Liabilities</b>	<b>2,524,505,010</b>	<b>2,567,867,866</b>
<b>Equity Attributable to Equity Holders of the Parent (Note 20)</b>		
Capital stock	2,505,000,000	2,505,000,000
Additional paid-in capital	1,859,383,287	1,859,383,287
Cumulative translation adjustment	179,017,188	226,174,184
Net unrealized valuation gains (loss) on FVOCI investments (Note 12)	(3,183,933)	273,449
Remeasurement gain on retirement benefits (Note 24)	54,423,304	75,656,172
Retained earnings (Note 20):		
Appropriated	7,150,000,000	7,150,000,000
Unappropriated	12,872,294,566	11,299,307,145
Cost of shares held by a subsidiary (1,272,429,761 shares in 2022 and 2021) (Note 20)	(2,655,215,372)	(2,655,215,372)
	<b>21,961,719,040</b>	<b>20,460,578,865</b>
<b>Noncontrolling Interests (Note 3)</b>	<b>652,011,169</b>	<b>596,527,599</b>
<b>Total Equity</b>	<b>22,613,730,209</b>	<b>21,057,106,464</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱ 25,138,235,219</b>	<b>₱ 23,624,974,330</b>

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2022	2021	2020
<b>REVENUES</b>			
Sale of goods - net (Note 5)	₱ 10,727,755,227	₱ 8,751,666,475	₱ 6,448,195,660
Services (Notes 5 and 30)	1,292,106,914	1,013,453,849	767,569,969
Dividend income (Note 9)	295,306,868	399,429,444	259,109,001
Interest income (Notes 8, 9, 12, 23 and 27)	67,461,869	53,534,090	82,203,823
	<b>12,382,630,878</b>	<b>10,218,083,858</b>	<b>7,557,078,453</b>
<b>INVESTMENT GAINS (LOSSES)</b>			
Gain on sale of noncurrent assets held for sale (Note 13)	2,208,757,397	—	—
Gain (loss) on increase (decrease) in market values of FVPL investments - net (Notes 9 and 29)	(994,108,320)	1,124,061,312	(76,521,488)
Gain on sale of FVOCI investments - net (Note 12)	764,165	532,067	1,150,196
	<b>1,215,413,242</b>	<b>1,124,593,379</b>	<b>(75,371,292)</b>
<b>EQUITY IN NET EARNINGS (LOSSES)</b>			
ON INVESTMENTS IN ASSOCIATES (Note 13)	26,639,523	11,409,604	(598,006,474)
<b>TOTAL</b>	<b>13,624,683,643</b>	<b>11,354,086,841</b>	<b>6,883,700,687</b>
Cost of goods sold (Note 21)	(9,048,418,434)	(7,071,619,957)	(5,023,688,235)
Cost of services rendered (Note 21)	(404,526,169)	(347,923,582)	(268,702,449)
Operating expenses (Note 21)	(1,373,857,309)	(1,091,980,471)	(1,051,650,414)
Interest expense (Notes 17, 19, 23 and 30)	(4,687,677)	(10,259,686)	(24,411,138)
Foreign exchange gain (loss) - net	282,751,590	139,150,079	(106,404,104)
Other income (charges) - net (Notes 23 and 30)	22,251,511	(53,708,290)	51,200,190
<b>INCOME BEFORE INCOME TAX</b>	<b>3,098,197,155</b>	<b>2,917,744,934</b>	<b>460,044,537</b>
<b>PROVISION FOR INCOME TAX</b> (Note 25)	<b>242,155,199</b>	<b>380,152,014</b>	<b>291,319,541</b>
<b>NET INCOME</b>	<b>2,856,041,956</b>	<b>2,537,592,920</b>	<b>168,724,996</b>
<b>OTHER COMPREHENSIVE LOSS</b>			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Unrealized valuation losses on FVOCI investments (Note 12)	(3,845,678)	(2,705,833)	(7,732,576)
Income tax effect	961,420	856,583	2,319,773
	<b>(2,884,258)</b>	<b>(1,849,250)</b>	<b>(5,412,803)</b>

(Forward)

## Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2022	2021	2020
Realized gains on FVOCI investments recognized in the consolidated profit or loss (Note 12)	(P 764,165)	(P 532,067)	(P 1,150,196)
Income tax effect	191,041	133,017	345,059
	(573,124)	(399,050)	(805,137)
	(3,457,382)	(2,248,300)	(6,217,940)
Cumulative translation adjustment	(47,156,996)	126,913,660	(173,987,557)
	(50,614,378)	124,665,360	(180,205,497)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on retirement benefits (Note 24)	(27,918,980)	65,259,567	(13,097,687)
Income tax effect	6,686,112	(13,323,808)	3,550,622
	(21,232,868)	51,935,759	(9,547,065)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>(71,847,246)</b>	<b>176,601,119</b>	<b>(189,752,562)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>P 2,784,194,710</b>	<b>P 2,714,194,039</b>	<b>(P 21,027,566)</b>
<b>Net Income Attributable to:</b>			
Equity holders of the Parent	P 2,800,557,660	P 2,504,080,376	P 165,646,806
Noncontrolling interests	55,484,296	33,512,544	3,078,190
	P 2,856,041,956	P 2,537,592,920	P 168,724,996
<b>Total Comprehensive Income (Loss)</b>			
Attributable to:			
Equity holders of the Parent	P 2,728,710,414	P 2,680,681,495	(P 24,105,756)
Noncontrolling interests	55,484,296	33,512,544	3,078,190
	P 2,784,194,710	P 2,714,194,039	(P 21,027,566)
<b>Earnings Per Share</b>			
Basic/diluted, for net income attributable to equity holders of the Parent (Note 26)	P 2.28	P 2.04	P 0.13
Basic/diluted, for total comprehensive income (loss) attributable to equity holders of the Parent (Note 26)	P 2.22	P 2.18	(P 0.02)

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Changes in Equity

	Equity Attributable to Equity Holders of the Parent (Note 20)				
	Capital Stock	Cumulative Additional Paid-in Capital	Unrealized Valuation Gains (Losses) on FVOCI Translation Adjustment	Investments (Note 12)	Remeasurement on Retirement Benefits (Note 24)
<b>BALANCES AT DECEMBER 31, 2019</b>	P 2,500,000,000	P 1,859,383,287	P 273,248,081	P 8,739,689	P 33,267,478
Net income	—	—	—	—	—
Other comprehensive income (loss)	—	—	(173,987,557)	(6,217,940)	(9,547,065)
Total comprehensive income (loss) for the year	—	—	(173,987,557)	(6,217,940)	(9,547,065)
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P937.4 million (Note 20)	—	—	—	—	—
Shares repurchased during the year (Note 20)	—	—	—	—	—
Movement in noncontrolling interests	—	—	—	—	—
<b>BALANCES AT DECEMBER 31, 2020</b>	2,500,000,000	1,859,383,287	99,260,524	2,521,749	23,720,413
Net income	—	—	—	—	—
Other comprehensive income (loss)	—	—	126,913,660	(2,248,300)	51,935,759
Total comprehensive income (loss) for the year	—	—	126,913,660	(2,248,300)	51,935,759
Issuance of preferred shares	5,000,000	—	—	—	—
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P954.3 million (Note 20)	—	—	—	—	—
Movement in noncontrolling interests	—	—	—	—	—
<b>BALANCES AT DECEMBER 31, 2021</b>	2,505,000,000	1,859,383,287	226,174,184	273,449	75,656,172
Net income	—	—	—	—	—
Other comprehensive income (loss)	—	—	(47,156,996)	(3,457,382)	(21,232,868)
Total comprehensive income (loss) for the year	—	—	(47,156,996)	(3,457,382)	(21,232,868)
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P1,272.4 million (Note 20)	—	—	—	—	—
Movement in noncontrolling interests	—	—	—	—	—
<b>BALANCES AT DECEMBER 31, 2022</b>	P 2,505,000,000	P 1,859,383,287	P 179,017,188	(P 3,183,933)	P 54,423,304

See accompanying Notes to Consolidated Financial Statements.



## Consolidated Statements of Changes in Equity

Equity Attributable to Equity Holders of the Parent (Note 20)								
	Subtotal*	Retained Earnings		Cost of Shares Held by a Subsidiary	Total	Noncontrolling Interests	Total	
		Appropriated	Unappropriated					
<b>BALANCES AT DECEMBER 31, 2019</b>	<b>P 4,674,638,535</b>	<b>P 7,150,000,000</b>	<b>P 10,487,853,458</b>	<b>(P 2,369,372,182)</b>	<b>P 19,943,119,811</b>	<b>P 561,737,834</b>	<b>P 20,504,857,645</b>	
Net income	—	—	165,646,806	—	165,646,806	3,078,190	168,724,996	
Other comprehensive income (loss)	(189,752,562)	—	—	—	(189,752,562)	—	(189,752,562)	
Total comprehensive income (loss) for the year	(189,752,562)	—	165,646,806	—	(24,105,756)	3,078,190	(21,027,566)	
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P937.4 million (Note 20)	—	—	(937,595,814)	—	(937,595,814)	—	(937,595,814)	
Shares repurchased during the year (Note 20)	—	—	—	(285,843,190)	(285,843,190)	—	(285,843,190)	
Movement in noncontrolling interests	—	—	—	—	—	(541)	(541)	
<b>BALANCES AT DECEMBER 31, 2020</b>	<b>4,484,885,973</b>	<b>7,150,000,000</b>	<b>9,715,904,450</b>	<b>(2,655,215,372)</b>	<b>18,695,575,051</b>	<b>564,815,483</b>	<b>19,260,390,534</b>	
Net income	—	—	2,504,080,376	—	2,504,080,376	33,512,544	2,537,592,920	
Other comprehensive income (loss)	176,601,119	—	—	—	176,601,119	—	176,601,119	
Total comprehensive income (loss) for the year	176,601,119	—	2,504,080,376	—	2,680,681,495	33,512,544	2,714,194,039	
Issuance of preferred shares	5,000,000	—	—	—	5,000,000	—	5,000,000	
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P954.3 million (Note 20)	—	—	(920,677,681)	—	(920,677,681)	—	(920,677,681)	
Movement in noncontrolling interests	—	—	—	—	—	(1,800,428)	(1,800,428)	
<b>BALANCES AT DECEMBER 31, 2021</b>	<b>4,666,487,092</b>	<b>7,150,000,000</b>	<b>11,299,307,145</b>	<b>(2,655,215,372)</b>	<b>20,460,578,865</b>	<b>596,527,599</b>	<b>21,057,106,464</b>	
Net income	—	—	2,800,557,660	—	2,800,557,660	55,484,296	2,856,041,956	
Other comprehensive income (loss)	(71,847,246)	—	—	—	(71,847,246)	—	(71,847,246)	
Total comprehensive income (loss) for the year	(71,847,246)	—	2,800,557,660	—	2,728,710,414	55,484,296	2,784,194,710	
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P1,272.4 million (Note 20)	—	—	(1,227,570,239)	—	(1,227,570,239)	—	(1,227,570,239)	
Movement in noncontrolling interests	—	—	—	—	—	(726)	(726)	
<b>BALANCES AT DECEMBER 31, 2022</b>	<b>P 4,594,639,846</b>	<b>P 7,150,000,000</b>	<b>P 12,872,294,566</b>	<b>(P 2,655,215,372)</b>	<b>P 21,961,719,040</b>	<b>P 652,011,169</b>	<b>P 22,613,730,209</b>	

See accompanying Notes to Consolidated Financial Statements.

\* Subtotal for the numbers of the five columns appearing on page 22.

## Consolidated Statements of Cash Flows

	Years Ended December 31		
	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱ 3,098,197,155	₱ 2,917,744,934	₱ 460,044,537
Adjustments for:			
Loss (gain) on sale/disposal of:			
Noncurrent asset held for sale (Note 13)	(2,208,757,397)	—	—
FVOCI investments (Note 12)	(764,165)	(532,067)	(1,150,196)
Property and equipment	69,643	(129,464)	—
Dividend income (Note 9)	(295,306,868)	(399,429,444)	(259,109,001)
Unrealized foreign exchange losses (gains) - net	(122,004,309)	(98,948,706)	60,354,216
Interest income (Note 23)	(67,461,869)	(53,534,090)	(82,203,823)
Equity in net losses (earnings) and impairment loss on investments in associates (Note 13)	(26,639,523)	(11,409,604)	598,006,474
Loss (gain) on decrease (increase) in market values of FVPL investments - net (Note 9)	994,108,320	(1,124,061,312)	76,521,488
Depreciation and amortization (Note 21)	324,387,794	302,595,454	292,174,080
Retirement benefit costs (Note 24)	14,690,747	23,169,533	18,123,185
Interest expense (Note 23)	4,687,677	10,259,686	24,411,138
Impairment losses, net of recoveries (Note 23)	825,054	54,543,952	64,920,658
Gain on rent concession (Note 23)	—	—	(3,917,535)
Operating income before working capital changes	1,716,032,259	1,620,268,872	1,248,175,221
Decrease (increase) in:			
FVPL investments	(1,212,179,031)	(431,799,766)	896,473,599
Receivables	(473,640,997)	(99,723,528)	133,664,944
Inventories	(69,913,940)	(572,539,264)	(148,158,417)
Prepayments and other current assets	(160,925,805)	(10,492,160)	8,085,481
Increase (decrease) in accounts payable and accrued expenses	400,843,702	(40,807,883)	(141,197,705)
Cash generated from operations	200,216,188	464,906,271	1,997,043,123
Income taxes paid	(388,546,682)	(382,738,499)	(324,280,247)
Dividends received	317,558,427	404,680,797	237,686,696
Interest received	91,022,401	56,714,726	77,902,962
Interest paid	(2,308,186)	(8,368,724)	(21,699,183)
Retirement benefit contribution (Note 24)	(26,034,885)	(22,187,256)	(13,719,373)
Net cash flows from operating activities	191,907,263	513,007,315	1,952,933,978

(Forward)

## Consolidated Statements of Cash Flows

	Years Ended December 31		
	2022	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of:			
FVOCI investments (Note 12)	₱ 31,323,320	₱ 147,576,210	₱ 284,642,953
Noncurrent asset held-for-sale (Note 13)	1,974,595,600	—	—
Property and equipment (Note 14)	2,862,322	129,464	—
Additions to:			
FVOCI investments (Note 12)	(26,887,859)	(78,986,314)	(60,860,417)
Property and equipment (Notes 14 and 33)	(656,264,596)	(144,240,885)	(186,285,160)
Investment properties (Note 15)	(6,607,518)	(3,914,394)	—
Decrease on investments at equity (Note 13)	234,161,796	—	—
Collection from (advances to) affiliates (Notes 13 and 27)	(958,492)	57,197,246	91,061,736
Decrease (increase) in other noncurrent assets	(167,166,152)	(71,364,670)	40,824,382
Net cash flows from (used in) investing activities	1,385,058,421	(93,603,343)	169,383,494
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of (Note 31):			
Dividends (Note 20)	(1,189,139,632)	(725,217,672)	(813,500,482)
Long-term debt (Note 19)	(75,714,286)	(151,428,571)	(275,719,246)
Notes payable (Note 17)	(23,166,200)	—	(5,000,000)
Lease liabilities (Note 30)	(17,416,249)	(9,421,290)	(12,038,287)
Advances from affiliates (Note 13)	25,719,337	99,760,513	30,705,903
Company shares purchased by a subsidiary (Note 20)	—	—	(285,843,190)
Proceeds from availment of notes payable (Notes 17, 31 and 33)	—	—	28,166,200
Net cash flows used in financing activities	(1,279,717,030)	(786,307,020)	(1,333,229,102)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	297,248,654	(366,903,048)	789,088,370
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	(78,077,395)	4,174,099	(6,007,280)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	2,729,230,396	3,091,959,345	2,308,878,255
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 8)</b>	₱ 2,948,401,655	₱ 2,729,230,396	₱ 3,091,959,345

See accompanying Notes to Consolidated Financial Statements.

## Notes to Consolidated Financial Statements

### 1. Corporate Information and Authorization for Issuance of the Consolidated Financial Statements

#### Corporate Information

A. Soriano Corporation (Anscor or the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 13, 1930 to, among others, act as agent or representative of corporations, partnerships or individuals whether residing here or abroad; to buy, retain, possess shares of stock, franchises, patents of any person or entity and to issue shares of stock, bonds or other obligations for the payment of articles or properties acquired by the Company; and to buy or acquire all or part of the property, assets, business and clientele of any person, corporation or partnership, managing the properties or businesses so purchased or acquired and exercising all the powers necessary and convenient for the management and development of the said properties or businesses.

The Company is a corporation incorporated and domiciled in the Philippines whose shares are publicly traded.

The registered office address of the Company is at 7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City, Philippines.

#### Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 were authorized for issue by the Board of Directors (BOD) on March 1, 2023.

### 2. Basis of Preparation and Changes in Accounting Policies and Disclosures

#### Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for debt and equity securities that have been measured at fair value. The consolidated financial statements are presented in Philippine pesos (Peso), which is the Company's functional and presentation currency. Amounts are presented to the nearest Peso unless otherwise stated.

#### Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

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

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

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

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

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

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- Annual Improvements to PFRSs 2018-2020 Cycle

- o Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

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

- o Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

#### Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

*Effective beginning on or after January 1, 2023*

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

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

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

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

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

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

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

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

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

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

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

*Effective beginning on or after January 1, 2024*

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

The amendments clarify:

- o That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.



- o That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- o That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

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

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

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

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

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

PFRS 17 which is not expected to apply to the Group, is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

*Deferred effectivity*

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

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

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

### 3. Basis of Consolidation and Summary of Significant Accounting and Financial Reporting Policies

#### **Basis of Consolidation**

The consolidated financial statements of the Group comprise the financial statements of the Company and the following subsidiaries as at December 31:

	Nature of Business	Percentage of Ownership		
		2022	2021	2020
A. Soriano Air Corporation (ASAC, Note 30)	Services/Rental	100	100	100
Pamalican Island Holdings, Inc. (PIHI)	Investment Holding	62	62	62
Island Aviation, Inc. (IAI, Note 30)	Air Transport	62	62	62
Anscor Consolidated Corporation (Anscorcon)	Investment Holding	100	100	100
Anscor Holdings, Inc. (AHI, Note 30)	Real Estate Holding	100	100	100
Akapulko Holdings, Inc.	Real Estate Holding	100	100	100
Lakeroad Corporation	Real Estate Holding	100	100	100
Mainroad Corporation	Real Estate Holding	100	100	100
Makatwiran Holdings, Inc.	Real Estate Holding	100	100	100
Makisig Holdings, Inc.	Real Estate Holding	100	100	100
Malikhain Holdings, Inc.	Real Estate Holding	100	100	100
Mountainridge Corporation	Real Estate Holding	100	100	100
Rollingview Corporation	Real Estate Holding	100	100	100
Timbercrest Corporation	Real Estate Holding	100	100	100
Anscor International, Inc. (AI, Note 13)	Investment Holding	100	100	100
IQ Healthcare Investments Limited (IQHIL)	Holding	100	100	100
IQ Healthcare Professional Connection, LLC (IQHPC) (inactive)	Manpower Services	93	93	93
Phelps Dodge International Philippines, Inc. (PDIPI, Notes 7 and 30)	Investment Holding	100	100	100
Minuet Realty Corporation (Minuet, Note 7)	Landholding	100	100	100
Phelps Dodge Philippines Energy Products Corporation (PDP Energy, Notes 7 and 30)	Wire Manufacturing	100	100	100
PD Energy International Corporation (PDEIC, Note 7)	Wire Manufacturing	100	100	100

(Forward)

	Nature of Business	Percentage of Ownership		
		2022	2021	2020
Summerside Corp. (Summerside)*	Investment Holding	100	100	40
Sutton Place Holdings, Inc. (Sutton)	Investment Holding	100	100	100
AFC Agribusiness Corporation (AAC, Note 15)	Real Estate Holding	81	81	81
Seven Seas Resorts and Leisure, Inc. (SSRLI, Notes 7 and 30)	Villa Project Development	62	62	62
Pamalican Resort, Inc. (PRI, Notes 7 and 30)	Resort Operations	62	62	62
Pamalican Utilities, Inc. (PUI)**	Utility Company	62	—	—

\*In September 2021, the Group purchased shares of Summerside representing 60% equity interest. Accordingly, Summerside became a wholly-owned subsidiary of the Company as of December 31, 2021. As at December 31, 2020, the Group has 100% beneficial ownership over Summerside.

\*\* In August 2022, PUI was established through subscription of SSRLI to its share.

Except for AI and its subsidiaries, all the companies above are based in the Philippines. The principal business location of AI and IQHIL is in the British Virgin Islands (BVI), while IQHPC is based in the United States of America (USA).

#### Material Partly-Owned Subsidiaries (SSRLI, PRI and PUI)

Set out below are the summarized financial information of entities that have noncontrolling interest (NCI) that is material to the Group. The amounts disclosed are based on those included in the financial statements before intercompany eliminations.

Significant details of the statements of financial position and statements of comprehensive income of SSRLI and PRI are presented below as at and for the years ended December 31 (in millions):

	2022	2021
Statements of Financial Position:		
Current assets	P 1,114.3	P 866.4
Noncurrent assets	849.9	1,043.9
Current liabilities	544.4	481.1
Noncurrent liabilities	111.7	115.8
Equity	1,308.1	1,313.5
Equity attributable to NCI	493.1	495.2
	2022	2021
Statements of Comprehensive Income:		
Revenue	P 1,094.0	P 838.5
Income before tax	179.7	99.3
Net income	143.5	77.7
Other comprehensive income	1.2	2.4
Total comprehensive income	147.7	80.1
Total comprehensive income allocated to NCI during the year	54.6	30.2

	2022	2021
Statements of Cash Flows:		
Cash flows from operations	P 167.1	P 262.6
Cash flows used in investing activities	(63.4)	(181.8)
Cash flows from (used in) from financing activities	(161.4)	15.9

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests represent a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section in the consolidated statements of financial position and consolidated statement of changes in equity, separately from Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained

- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

#### Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies. The considerations made in determining the significant influence are similar to those necessary to determine control over subsidiaries. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. The loss is recognized under "Equity in net losses and impairment loss on investments in associates" in the consolidated profit or loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated profit or loss, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

If the Group's interest in an associate is reduced (e.g., through actual sale or deemed disposal), but the investment continues to be classified as an associate, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in the OCI relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

The following are the Group's associates as at December 31:

	Nature of Business	Percentage of Ownership		
		2022	2021	2020
Vicinetum Holdings, Inc. (VHI)	Investment Holding	32	32	32
Prople Limited (Note 13)	Business Process Outsourcing	32	32	32
Fremont Holdings, Inc. (FHI, Note 13)	Real Estate Holding	26	26	26
ATRAM Investment Management Partners Corp. (AIMP, Note 13)	Asset Management	20	20	20
AGP International Holdings Pte Ltd. (AGP-SG, Note 13)*	Investment Holding	—	21	21
BehaviorMatrix, LLC (BM, Note 13)*	Behavior Analytics Services	—	21	21

\*In February 2022 and December 2022, the Group sold the AGP and BM investment, respectively.

The principal business location of AIMP, VHI and FHI is in the Philippines. AGP-BVI, AGP-SG, BM and Prople Limited are based in BVI, Singapore, USA and Hong Kong, respectively.

#### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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



Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

#### Noncurrent Assets Held for Sale and Discontinued Operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

The Group discontinues the use of the equity method for its investment in associate from the date that the investment (or the portion of it) is classified as held for sale; instead, the associate or joint venture is then measured at the lower of its carrying amount and fair value less cost to sell.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statements of financial position. A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as net income (loss) after tax from discontinued operations in the consolidated statements of income.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is 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 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as noncurrent.

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

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences are taken to the consolidated profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to FVPL equity instruments are recognized in the consolidated profit or loss.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at the end of reporting period and their statements of profit or loss are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated profit or loss.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

### Fair Value Measurement

The Group measures financial assets, such as fair value through profit or loss (FVPL) investments and fair value through other comprehensive income (FVOCI) investments, at fair value at each balance sheet date. Also, fair values of investment properties are disclosed.

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 economic best interest.

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

The 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 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted FVPL financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

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.

#### 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.

#### *Initial recognition and measurement of financial instruments*

At initial recognition, financial assets are classified as, and measured at amortized cost, FVOCI, and FVPL. Financial liabilities are classified at initial recognition as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value, and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

#### *Classification of financial instruments*

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 trade 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. Trade 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 amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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 fair value through OCI 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 FVOCI 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 FVPL

As at December 31, 2022 and 2021, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets at FVPL

This category includes financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Derivatives, including separated embedded derivatives, are also 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 FVPL, 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 FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

*Derivatives recorded at FVPL*

The Group has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options, among others.

A derivative embedded in a hybrid contract, with a financial liability or nonfinancial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL. Embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated profit or loss. Reassessment occurs only if there is either a change in the terms of the contract that significantly modifies the cash flows that would be otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

Financial assets at FVPL are recorded in the consolidated statements of financial position at fair value. Changes in fair value are recorded in "Gain (loss) on increase (decrease) in market values of FVPL investments". Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As at December 31, 2022 and 2021, the Group has designated as FVPL all equity investments, money market papers, investments in bonds that have callable and other features, and managed/hedged funds amounting to ₱12,046.8 million and ₱11,677.8 million, respectively (see Note 9). No financial liability at FVPL is outstanding as at December 31, 2022 and 2021.

(b) Financial assets at amortized cost (debt instruments)

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 to hold financial assets in order to collect contractual cash flows; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included as interest income in the consolidated profit or loss. The losses arising from impairment of such financial assets are recognized as "Provision for impairment losses on receivables" account under "Other income (changes) - net" in the consolidated profit or loss.

Included under financial assets at amortized cost are cash in banks, cash equivalents, trade receivables, interest receivable, advances to employees, receivables from villa owners, dividend receivable, notes receivable and other receivables.

(c) Financial assets at FVOCI (debt instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

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

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated profit or loss and computed in the same manner as financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI.

When the debt instrument is disposed of, the cumulative gain or loss previously recognized under OCI is transferred to profit or loss as “Gain (loss) on sale of FVOCI investments”. Where the Group holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding FVOCI investments are reported as interest income using the effective interest rate.

As at December 31, 2022 and 2021, the Group’s FVOCI investments include investments in bonds (see Note 12).

(d) Financial liabilities - loans and borrowings

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated profit or loss.

As at December 31, 2022 and 2021, included in this category are the Group’s notes payable, accounts payable and accrued expenses, lease liabilities, long-term debt and dividends payable.

Impairment of Financial Assets

The Group recognizes an allowance for expected credit loss (ECL) for all debt instruments not held at FVPL. 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.

ECLs are recognized in two stages. 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).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.



The Group's debt instruments at 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 to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 120 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 of Financial Assets and Financial Liabilities

##### *Financial assets*

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when, and only when:

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

##### *Modification of financial assets*

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in the consolidated profit or loss, to the extent that an impairment loss has not already been recorded.

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Group considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered "solely payment for principal and interest"

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated profit or loss.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired.

#### *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification will result into the removal of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated profit or loss.

#### *Exchange or modification of financial liabilities*

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in the consolidated profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in the consolidated profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

“Day 1” Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated profit or loss only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

Offsetting Financial Instruments

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

Cash and Cash Equivalents

Cash includes cash on hand and with 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 and that are subject to an insignificant risk of change in value.

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV).

Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method, while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale.

For cable and wire manufacturing, finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined using weighted average method. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered or delivered by the Group and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

These are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

#### Value Added Tax (VAT)

Input VAT is the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services, including lease or use of property, from a VAT-registered person. In case of capital goods, input VAT is spread evenly over the useful life or 60 months, whichever is shorter. Effective January 1, 2022, all input tax on purchases of capital goods shall already be allowed upon purchase/payment and will no longer need to be deferred.

Output VAT pertains to the 12% tax due on the lease or exchange of taxable goods or properties or services by the Group.

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statements of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

#### Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written off either when disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	30
Leasehold improvements	5 - 20*
Flight, ground, machinery and other equipment	2 - 25
Furniture, fixtures and office equipment	2 - 5
Transportation equipment	3 - 5

*\*or lease term, whichever is shorter*

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

Depreciation commences when an asset is in its operational location or working condition capable of being operated in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

Construction in progress (CIP) is stated at cost net of accumulated impairment losses, if any. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

#### Property Development in Progress

Property development in progress includes villa development costs and related expenses incurred.

Property development in progress is carried at the lower of cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

#### Investment Properties

Investment properties comprise completed property and property under construction or re-development (land, buildings and condominiums) that are held to earn rentals or capital appreciation or both and that are not occupied by the Group. Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

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

#### Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (e.g., property and equipment, investment properties and investments in associates) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. 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, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) 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 (or cash-generating unit).

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

#### Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated profit or loss.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as at the end of each financial reporting period.

#### Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets include restricted cash funds for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Deposits to suppliers in relation to major aircraft maintenance and acquisition of specific property and equipment are also classified as part of other noncurrent assets.

#### Capital Stock

Capital stock represents the total par value of the shares issued.

#### Additional Paid-in Capital

Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

#### Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared and effect of any retrospective restatement recognized in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Unappropriated retained earnings represent that portion which is free under the existing guidance set by the SEC and can be declared as dividends to stockholders, after adjustments for any unrealized items which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore, is not available for any dividend declaration.

#### Cost of Shares Held by a Subsidiary

The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and stated at acquisition cost. No gain or loss is recognized in the consolidated profit or loss on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

#### Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The following specific recognition criteria must be met before revenue is recognized:

##### *Sale of goods*

Revenue from the sale of goods is recognized at a point in time when the control over the goods are transferred to the buyer which is generally upon delivery of the goods.

##### *Sale of services*

Revenue from rooms is recognized over time based on the actual occupancy of the guests. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Revenue from air transport services is recognized at a point in time when the related services have been substantially performed.

##### *Other income*

Other income is recognized over time when the control of the services is transferred to the customer, generally on delivery of the services.



Contract Balances*Trade receivables*

Trade receivables represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs the obligations under the contract.

Other Revenue/Income*Interest*

Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

*Dividends*

Dividend income is recognized when the shareholders' right to receive the payment is established.

*Rental*

Rental income is accounted for on a straight-line basis over the lease term.

Costs and Expenses

Costs and expenses are recognized in the consolidated profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business and are expensed as incurred. These are generally measured at the amount paid or payable.

*Cost of goods sold*

The cost of goods sold is recognized as expense when the related goods are sold.

*Cost of services rendered*

Cost and expenses related to room services and other ancillary services are charged to operations when incurred.

*Operating expenses*

Operating expenses include selling, and general and administrative expenses that are expensed as incurred.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense that are not recognized in the consolidated profit or loss for the year in accordance with PFRSs. Other comprehensive income of the Group pertains to gains and losses on remeasuring FVOCI investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities.

Leases

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

*The Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*Right-of-use assets*

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

<b>Category</b>	<b>Number of Years</b>
Building	5 years
Leasehold improvement	2 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, the Group calculates depreciation using the estimated useful life of the asset.

*Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

*Short-term leases and low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment and warehouse (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

**Borrowing Costs**

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

### Pension Benefits

The Group has non-contributory defined benefit retirement plans.

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

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

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

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

### Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and 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 any provision is presented in the consolidated profit or loss, net of any reimbursement. 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 assessments 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 an interest expense.

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

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

### Income Taxes

#### *Current income tax*

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

#### *Deferred income tax*

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise 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 income nor taxable income.

Deferred income tax liabilities are not provided on taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if:

- (a) a legally enforceable right exists to set off current income tax assets against current income tax liabilities; and

- (b) deferred income taxes are levied by the same taxation authority on either: the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

#### Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income and the total comprehensive income attributable to the equity holders of the Parent for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as at December 31, 2022, 2021 and 2020.

#### Dividends

Dividends are recognized as a liability and deducted from equity when approved by the respective BOD of the Company and subsidiaries. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the end of the reporting period.

#### Events After the Reporting Period

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

#### Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6.

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

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 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 amounts recognized in the consolidated financial statements.

#### *Determination of functional currency*

The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

*Classification of financial instruments*

The Group classifies a financial instrument, or its component parts, on 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 definition of a financial asset, a financial liability or an equity instrument.

The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position (see Note 29).

Classification and measurement of financial assets depend on the result of the SPPI and business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve particular business objectives. In classifying the investments not held for trading as at December 31, 2022 and 2021, the Group made an irrevocable election at initial recognition to designate the instruments as FVPL investments.

*Assessment of control over the entities for consolidation*

The Group has ownership interest on the entities discussed in Note 3. Management concluded that the Group controls those entities arising from voting rights and, therefore, consolidates the entities in its consolidated financial statements.

*Determining the classification of assets held for sale*

On November 19, 2021, the BOD authorized the management to proceed with the sale of all its AGP-SG shares, representing 21.4% ownership interest in AGP-SG, after negotiating with the potential buyer. Management believes that all the criteria for recognition of asset held for sale in accordance with PFRS 5 are met on that date. Accordingly, effective November 2021, the Group classified such investment as asset held for sale. On February 17, 2022, the said investment in associate held for sale was sold (see Note 13).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Provision for expected credit losses of receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due.

The provision matrix is initially based on the Group's historically observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historically observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. These reserves are re-evaluated and adjusted as additional information is received.

Allowance for expected credit losses as at December 31, 2022 and 2021 amounted to ₱778.2 million and ₱782.7 million, respectively. Receivables and advances, net of valuation allowance, amounted to ₱2,488.9 million and ₱2,112.7 million as at December 31, 2022 and 2021, respectively (see Notes 10, 13 and 27).

*Valuation of unquoted equity investments*

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. In valuing the Group's unquoted equity instruments at fair value, management applied judgment in selecting the valuation technique and comparable companies and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Group (see Note 29).

Unquoted equity investments amounted to ₱2,885.8 million and ₱1,827.3 million as at December 31, 2022 and 2021, respectively (see Notes 9 and 29).

*Impairment of FVOCI debt investments*

For FVOCI debt investments, 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 instrument has increased significantly since initial recognition. No impairment loss was recognized in 2022, 2021 and 2020. The carrying value of FVOCI debt investments amounted to ₱41.5 million and ₱46.4 million as at December 31, 2022 and 2021, respectively (see Note 12).

*Estimation of allowance for inventory and impairment losses*

The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for inventory and impairment losses would increase the recorded expenses and decrease current assets.

Allowance for inventory losses and obsolescence amounted to ₱102.1 million and ₱103.6 million as at December 31, 2022 and 2021, respectively. The carrying amount of the inventories amounted to ₱1,695.0 million and ₱1,625.1 million as at December 31, 2022 and 2021, respectively (see Note 11).

*Estimation of useful lives of the Group's property and equipment and investment properties*

The Group estimates the useful lives of property and equipment and investment properties based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets.

In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As at December 31, 2022 and 2021, the carrying value of depreciable property and equipment and investment properties amounted to ₱2,799.4 million and ₱2,653.4 million, respectively (see Notes 14 and 15).



*Recoverability of investment in associates*

The carrying value of investments carried under the equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group's impairment test on investments carried at equity is based on value-in-use calculations that use a discounted cash flow model. The expected cash flows are estimated from the operations of the associates for the next five years, as well as the terminal value at the end of fifth year. The recoverable amount is most sensitive to the discount rates used for the discounted cash flow model, as well as the expected future cash inflows, revenue growth rates and long-term growth rates used for extrapolation purposes.

As discussed in Note 13, in 2019, the Group recognized impairment loss on its investment in AGP-SG amounting to ₱232.3 million (after considering the effect of dilution) and, due to accumulated equity in net losses, the carrying value of the investment has been reduced to nil as at December 31, 2020. As at December 31, 2021, the investment has been classified as noncurrent asset held-for-sale and was sold in February 17, 2022. The carrying amounts of the remaining investments in associates amounted to ₱354.4 million and ₱327.8 million as at December 31, 2022 and 2021, respectively (see Note 13).

*Impairment of non-financial assets*

## (a) Property and equipment and investment properties

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset 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.

As at December 31, 2022 and 2021, the carrying value of property and equipment and investment properties amounted to ₱3,177.2 million and ₱3,024.5 million, respectively (see Notes 14 and 15).

There is no impairment loss on property and equipment for each of the three years in the period ended December 31, 2022 (see Note 14). For investment properties, management recognized impairment loss amounting to ₱24.8 million in 2021 (nil in 2022 and 2020) (see Note 15).

## (b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. In assessing the recoverability of the Group's goodwill, management exercised significant judgments and used assumptions such as revenue growth rates, discount rates and long-term growth rates in estimating the value-in-use of these cash-generating units.

As at December 31, 2022 and 2021, the carrying value of goodwill amounted to ₱1,302.3 million (see Note 7).

*Recognition of deferred income tax assets*

The Group reviews the carrying amounts of the deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets. As at December 31, 2022 and 2021 the Group recognized gross deferred income tax assets amounting to ₱121.0 million and ₱118.8 million, respectively. The Group has also temporary differences for which the deferred income tax assets are not recognized. Further details of the recognized and unrecognized deferred income tax assets are provided in Note 25.

#### *Determination of retirement benefits*

The cost of defined benefit pension plans, as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Net retirement plan asset as at December 31, 2022 and 2021 amounted to ₱122.4 million and ₱147.1 million, respectively. Net retirement benefits payable as at December 31, 2022 and 2021 amounted to ₱39.9 million and ₱48.1 million, respectively. Further details are provided in Note 24.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country. Further details about the assumptions used are provided in Note 24.

#### *Provisions and contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and disclosure of contingencies are discussed in Notes 3 and 32, respectively.

## 5. Revenue from Contracts with Customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	For the Year Ended December 31, 2022			
	Cable and Wire Manufacturing	Resorts Operations and Villa Development	Other Operations*	Total
Type of revenues:				
Sale of goods	₱10,727,755,227	₱ -	₱ -	₱10,727,755,227
Services	-	1,088,755,491	203,351,423	1,292,106,914
Total revenue from contracts with customers	₱10,727,755,227	₱ 1,088,755,491	₱ 203,351,423	₱12,019,862,141
Timing of revenue recognition:				
At a point in time	₱10,727,755,227	₱ 611,669,341	₱ 203,351,423	₱11,542,775,991
Over time	-	477,086,150	-	477,086,150
Total revenue from contracts with customers	₱10,727,755,227	₱ 1,088,755,491	₱ 203,351,423	₱12,019,862,141

\*Other Operations include ASAC and AHL.

For the Year Ended December 31, 2021				
	Cable and Wire Manufacturing	Resorts Operations and Villa Development	Other Operations*	Total
Type of revenues:				
Sale of goods	₱ 8,751,666,475	₱ -	₱ -	₱ 8,751,666,475
Services	-	836,086,850	177,366,999	1,013,453,849
Total revenue from contracts with customers	₱ 8,751,666,475	₱ 836,086,850	₱ 177,366,999	₱ 9,765,120,324
Timing of revenue recognition:				
At a point in time	₱ 8,751,666,475	₱ 345,111,557	₱ 177,366,999	₱ 9,274,145,031
Over time	-	490,975,293	-	490,975,293
Total revenue from contracts with customers	₱ 8,751,666,475	₱ 836,086,850	₱ 177,366,999	₱ 9,765,120,324

\*Other Operations include ASAC and AHL.

For the Year Ended December 31, 2020				
	Cable and Wire Manufacturing	Resorts Operations and Villa Development	Other Operations*	Total
Type of revenues:				
Sale of goods	₱ 6,448,195,660	₱ -	₱ -	₱ 6,448,195,660
Services	-	646,324,208	121,245,761	767,569,969
Total revenue from contracts with customers	₱ 6,448,195,660	₱ 646,324,208	₱ 121,245,761	₱ 7,215,765,629
Timing of revenue recognition:				
At a point in time	₱ 6,448,195,660	₱ 379,854,673	₱ 121,245,761	₱ 6,949,296,094
Over time	-	266,469,535	-	266,469,535
Total revenue from contracts with customers	₱ 6,448,195,660	₱ 646,324,208	₱ 121,245,761	₱ 7,215,765,629

\*Other Operations include ASAC and AHL.

*Contract liabilities*

Contract liabilities amounted to P101.1 million and P76.1 million as at December 31, 2022 and 2021, respectively. These pertain to customer advances received for customer orders (see Note 18). In 2022, 2021 and 2020, the Group recognized revenue from sales of goods and services from the contract liabilities amounting to P76.1 million, P54.3 million and P52.7 million, respectively.

Information about the Group's performance obligations are summarized below:

*Sale of goods*

The Group enters into contracts to sell with one identified performance obligation, which is satisfied upon delivery of the goods. Receivables are generally collected within 30 to 60 days from the delivery of goods and receipt of invoice.

*Villa development project*

The performance obligation is satisfied at a point in time and payment is generally received in advance during the construction of the villa.

*Resort operations*

This pertains to the services provided to the guests which is satisfied over time. Some payments are received in advance from the guests.

## 6. Segment Information

The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered, as discussed below.

- Holding company segment pertains to the operations of the Company.
- Resort Operations segment pertains to the Company's subsidiary providing hotel and resort accommodation, relaxation and entertainment, among others, while Villa Development includes the sale of villa lots, construction of structures and set-up of furniture, fixture and equipment. In 2022, 2021 and 2020, the Group has no sale of villa lots and construction of structures.
- Cable and Wire Manufacturing segment pertains to the Company's subsidiaries engaged in manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale, goods such as building wires, power cables, aluminum wires and cables, copper rods, automotive wires and other energy-related goods of electrical nature, including all equipment, materials, supplies used or employed in or related to the manufacture of its finished products.
- Other operations include air transportation, hangarage, real estate holding and management.

Amounts for the investments in associates comprise the Group's cost, equity in net losses and impairment loss.

Majority of the companies within the Group were incorporated and operating within the Philippines. The amounts disclosed were determined consistent with the measurement basis under PFRSs.

The following tables present the financial information of the business segments as at and for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	Before Eliminations					Total	Eliminations	Consolidated
	Holding Company (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	Other Operations <sup>1</sup>				
As at and for the year ended December 31, 2022								
Revenues, excluding interest income <sup>2</sup>	P 2,001,817	P 1,088,755	P 10,727,755	P 1,523,882	P 15,342,209	(P 3,027,040)	P 12,315,169	
Interest income	55,085	5,277	6,929	171	67,462	—	67,462	
Investment gains (losses)	(704,043)	—	12,900	1,512,594	821,451	393,962	1,215,413	
Interest expense	(10)	(68)	(1,186)	—	(1,264)	(3,424)	(4,688)	
Income tax expense (benefit from income tax)	(88,695)	36,231	295,120	7,494	250,150	(7,995)	242,155	
Equity in net earnings	—	—	—	26,640	26,640	—	26,640	
Net income	2,276,878	143,464	956,472	2,732,632	6,109,446	(3,253,404)	2,856,042	
Total assets	18,911,599	2,014,456	6,006,014	14,731,925	41,663,994	(16,525,759)	25,138,235	
Investments and advances	7,044,805	97,747	—	282,486	7,425,038	(7,068,007)	357,031	
Property and equipment	10,810	692,085	829,783	197,676	1,730,354	974,755	2,705,109	
Total liabilities	801,443	706,365	602,851	2,180,317	4,290,976	(1,766,471)	2,524,505	
Depreciation and amortization	18,172	111,388	112,238	66,297	308,095	16,293	324,388	
Cash flows from (used in):								
Operating activities	665,146	167,097	564,622	(203,686)	1,193,179	(1,001,272)	191,907	
Investing activities	1,234,073	(63,403)	(251,639)	165,774	1,084,805	300,253	1,385,058	
Financing activities	(1,319,919)	(161,411)	(336,939)	12,091	(1,806,178)	526,461	(1,279,717)	

<sup>1</sup> Other Operations include ASAC, AAC, Anscorcon, AI, AHI, IAI and the Group's equity in net earnings (losses) of associates and impairment loss.

<sup>2</sup> Majority of the revenues of the Group were derived in the Philippines.

	Before Eliminations					Total	Eliminations	Consolidated
	Holding Company (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	Other Operations¹				
As at and for the year ended December 31, 2021								
Revenues, excluding interest income²	P 1,417,559	P 836,087	P 8,751,666	P 1,168,237	P 12,173,549	(P 2,009,000)	P 10,164,549	
Interest income	48,849	1,942	2,657	86	53,534	—	53,534	
Investment gains (losses)	1,984,265	—	2,100	856,009	2,842,374	(1,717,781)	1,124,593	
Interest expense	(9)	(233)	(9,027)	(1,169)	(10,438)	178	(10,260)	
Income tax expense (benefit from income tax)	51,886	21,533	304,230	10,498	388,147	(7,995)	380,152	
Equity in net earnings	—	—	—	11,410	11,410	—	11,410	
Net income	3,359,704	77,733	909,950	1,789,262	6,136,649	(3,599,056)	2,537,593	
Total assets	19,252,541	1,910,305	5,355,905	14,653,052	41,171,803	(17,546,829)	23,624,974	
Investments and advances	7,556,096	97,747	—	2,153,034	9,806,877	(9,477,444)	329,433	
Property and equipment	7,261	703,161	680,194	152,365	1,542,981	1,001,406	2,544,387	
Total liabilities	891,199	596,838	659,955	3,186,100	5,334,092	(2,766,224)	2,567,868	
Depreciation and amortization	18,326	111,534	112,870	53,507	296,237	6,358	302,595	
Cash flows from (used in):								
Operating activities	857,570	262,620	109,205	(234,382)	995,013	(482,006)	513,007	
Investing activities	(180,406)	(181,838)	63	930,261	568,080	(661,683)	(93,603)	
Financing activities	(648,687)	15,894	(410,850)	(665,434)	(1,709,077)	922,770	(786,307)	

<sup>1</sup> Other Operations include ASAC, AAC, Anscorcon, AI, AHI, IAI and the Group's equity in net earnings (losses) of associates and impairment loss.

<sup>2</sup> Majority of the revenues of the Group were derived in the Philippines.

	Before Eliminations								
	Holding Company (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	Other Operations <sup>1</sup>		Total	Eliminations	Consolidated	
As at and for the year ended December 31, 2020									
Revenues, excluding interest income <sup>2</sup>	P 1,533,497	P 646,324	P 6,448,196	P 1,095,519	P 9,723,536	(P 2,248,661)	P 7,474,875		
Interest income	66,254	4,938	10,918	94	82,204	—	82,204		
Investment gains (losses)	(730,936)	—	(2,800)	746,378	12,642	(88,013)	(75,371)		
Interest expense	2,536	245	16,898	4,977	24,656	(245)	24,411		
Income tax expense (benefit from income tax)	(1,694)	13,698	284,623	2,688	299,315	(7,995)	291,320		
Equity in net losses and impairment loss	—	—	—	(598,006)	(598,006)	—	(598,006)		
Net income	569,610	626	692,026	1,138,401	2,400,663	(2,231,938)	168,725		
Total assets	17,394,215	1,783,053	4,866,355	13,323,536	37,367,159	(15,764,874)	21,602,285		
Investments and advances	7,623,492	—	—	2,044,491	9,667,983	(9,349,654)	318,329		
Property and equipment	7,128	752,878	595,628	97,151	1,452,785	1,028,056	2,480,841		
Total liabilities	565,491	551,421	833,657	3,078,431	5,029,000	(2,687,105)	2,341,895		
Depreciation and amortization	17,892	108,128	96,110	46,184	268,314	23,860	292,174		
Cash flows from (used in):									
Operating activities	1,292,360	13,038	693,227	281,550	2,280,175	(327,241)	1,952,934		
Investing activities	(116,222)	(181,208)	(62,843)	615,788	255,515	(86,132)	169,383		
Financing activities	(896,645)	76,367	(406,193)	(887,940)	(2,114,411)	781,182	(1,333,229)		

<sup>1</sup> Other Operations include ASAC, AAC, Anscorcon, AI, AHI, IAI and the Group's equity in earnings (losses) of associates and impairment loss.

<sup>2</sup> Majority of the revenues of the Group were derived in the Philippines.

## 7. Business Combinations

- a. Goodwill represents the excess of acquisition cost of the following subsidiaries over Anscor's share in the fair value of their net assets. As at December 31, 2022 and 2021, the carrying amount of goodwill allocated to each cash-generating unit (subsidiaries) is as follows:

PDP	P 1,202,945,277
SSRLI (Note 30)	99,330,987
	<b>P 1,302,276,264</b>

- b. Impairment Testing of Goodwill

- i. PDP Group

The recoverable amount of the investment in PDP Group has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a four or five-year period.

The key assumptions used to determine the recoverable amount as at December 31, 2022 and 2021 are discussed below:

### Discount rate

Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rates applied to cash flow projections in 2022 and 2021 are 12.9% and 11.9% respectively.

### Terminal value

Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 4.7% and 4.5% in 2022 and 2021, respectively, and the difference between the discount rate and growth rate.

*Growth rate*

PDP Group assumed a growth rate of 5.0% in 2022 and 2021, respectively. Management used the average industry growth rate for the forecast.

*Sensitivity to changes in assumptions*

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

## ii. SSRLI

The recoverable amount of the investment in SSRLI has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as at December 31, 2022 and 2021 are discussed below:

*Discount rate*

Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections in 2022 and 2021 are 12.9% and 11.1%, respectively.

*Terminal value*

Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 5.4% and 4.9% in 2022 and 2021, and the difference between the discount rate and growth rate.

*Growth rate*

Growth rate assumptions for the five-year cash flow projections in 2022 and 2021 are supported by the different initiatives of SSRLI. SSRLI used 1.57% to 10.78% and 9.5% to 20.8% growth rate in revenue for its cash flow projection in 2022 and 2021, respectively.

*Sensitivity to changes in assumptions*

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

## 8. Cash and Cash Equivalents

	2022	2021
Cash on hand and in banks	₱ 1,334,687,516	₱ 1,692,599,481
Cash equivalents	1,613,714,139	1,036,630,915
	₱ 2,948,401,655	₱ 2,729,230,396

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group. These investments earn interest at prevailing rates (see Note 23).



## 9. FVPL Investments

	2022	2021
Quoted equity shares	₱ 6,334,416,035	₱ 7,405,486,958
Unquoted equity shares	2,885,848,761	1,827,306,698
Funds and equities	2,139,724,268	1,790,855,560
Proprietary shares	518,127,073	399,877,073
Bonds	162,948,774	246,425,256
Others	5,739,091	7,862,440
	₱ 12,046,804,002	₱ 11,677,813,985

This account consists of investments that are designated as FVPL and held-for-trading investments. Quoted equity shares consist of marketable equity securities that are listed and traded in the Philippine Stock Exchange (PSE), Nasdaq Stock Market (NASDAQ) and New York Stock Exchange (NYSE). The fair market values of these listed shares are based on their quoted market prices as at December 31, 2022 and 2021, which are assessed to be the exit prices.

Held-for-trading investments include foreign currency-denominated mutual/hedge funds, and equity investments that are managed together on a fair value basis. These investments are classified under funds and equities.

Designated FVPL investments consist of foreign currency-denominated fixed income securities with embedded derivatives (e.g., call and put options) that significantly modify the security's cash flow. These investments are classified under bonds.

FVPL investments in bonds represent foreign currency-denominated bond securities with variable and fixed interest rates. The FVPL coupon interest rate per annum ranges from 2.3% to 8.3%, 4.2% to 6.5%, and 2.4% to 8.3% in 2022, 2021 and 2020, respectively.

As at December 31, 2022 and 2021, the Group has equity investments amounting to ₱11,883.9 million and ₱11,431.4 million, respectively.

The fair values of the unquoted equity shares are based on valuation techniques as at December 31, 2022 and 2021, which are assessed using income, market and cost approach (adjusted net asset value method).

The Group's FVPL unquoted equity shares and significant investment in funds and equities include the following:

### a. KSA Realty Corporation (KSA)

As at December 31, 2022 and 2021, the Company's investment in KSA amounted to ₱1,021.7 million (see Note 29).

The Company earned cash dividends from KSA amounting to ₱100.7 million, ₱185.6 million and ₱121.4 million in 2022, 2021 and 2020, respectively.

### b. Madaket, Inc. (Madaket)

Madaket developed Electronic Data Interchange Enrollment, a service platform that automates healthcare provider data management processes in the United States.

The Group, through AI, recognized losses in fair value adjustment in its investment in Madaket amounting to ₱16.4 million in 2020 (nil in 2022 and 2021).

As at December 31, 2022 and 2021, the Group's total investment in Madaket, inclusive of foreign exchange adjustment, amounted to nil.

**c. Element Data, Inc. (Element Data)**

Element Data, a Seattle, Washington-based Artificial Intelligence Company which uses Decision Intelligence platform incorporates a deep learning knowledge-graph with an active sense-and-response architecture, powering a decision intelligence engine that understands complex interdependencies between data and people.

In 2019, the Group, through AI recognized losses on fair value adjustment amounting to ₱26.7 million in its investment in Element Data (nil in 2022, 2021 and 2020).

Total investment carrying value in Element Data amounted to nil as at December 31, 2022 and 2021. On December 31, 2022, the said investment was sold with a consideration of US\$1 (₱55).

**d. Navegar I LP (Navegar I)**

The Group, through AI, recognized a gain (loss) on fair market value adjustment in its investment in Navegar I amounting to ₱21.5 million, ₱2.0 million and (₱2.4 million) in 2022, 2021 and 2020, respectively.

Total investment in Navegar I, inclusive of foreign exchange adjustment, amounted to ₱50.0 million and ₱25.4 million as at December 31, 2022 and 2021, respectively.

As at December 31, 2022 and 2021, the Group's remaining capital commitment to be called for Navegar I amounted to US\$0.04 million and US\$0.05 million, respectively.

**e. Navegar II LP (Navegar II)**

In 2019, the Group, through AI committed to invest US\$10.0 million in Navegar II. AI invested US\$1.70 (₱92.70 million), US\$1.49 million (₱76.08 million), and US\$1.0 million (₱46.5 million) in 2022, 2021 and 2020, respectively.

In 2022, 2021 and 2020, the Group recognized gains on fair market value adjustment in its investment in Navegar II amounting to ₱9.2 million and ₱31.8 million and ₱14.2 million, respectively.

Total investment in Navegar II, inclusive of foreign exchange adjustment, amounted to ₱286.4 million and ₱183.6 million as at December 31, 2022 and 2021, respectively.

As at December 31, 2022 and 2021, the Group's remaining capital commitment to be called for Navegar II amounted to US\$5.6 million (₱312.2 million) and US\$7.3 million (₱372.2 million), respectively.

**f. Sierra Madre Philippines I LP (Sierra Madre)**

Sierra Madre focuses on providing growth capital to small and mid-sized Philippine companies. The Group committed to invest US\$9.0 million in Sierra Madre.

In 2022, 2021 and 2020, the Group, through AI made additional investments to Sierra Madre amounting to US\$3.2 million (P175.9 million), US\$1.2 million (P63.5 million), and US\$1.1 million (P52.8 million), respectively. In 2022, the Group received distribution notice amounting to US\$0.6 million (P35.7 million (nil in 2021)).

The Group, recognized gain (loss) on fair market value adjustment amounting to (P39.2 million), P120.6 million and (P23.2 million), in 2022, 2021 and 2020, respectively.

As at December 31, 2022 and 2021, total investment in Sierra Madre, inclusive of foreign exchange adjustment, amounted to P498.0 million and P326.7 million, respectively.

As at December 31, 2022 and 2021, the Group's remaining capital commitment to be called for Sierra Madre amounted to US\$0.6 million (P33.4 million) and US\$4.4 million (P224.4 million), respectively.

**g. Asia Partners I LP, Asia Partners II LP and Asia Partners SCI (collectively Asia Partners)**

In 2021, the Group, through AI committed to invest US\$6.0 million in Asia Partners I LP, a Singapore-based private equity fund focused on high growth technology and technology enabled companies across Southeast Asia. In addition, the Group committed to invest US\$1.0 million in Asia Partners SCI and US\$10.0 million in Asia Partners II, LP.

In 2022 and 2021, the Group, made investment to Asia Partners amounting to US\$4.0 million (P219.1 million) and US\$5.2 million (P263.9 million), respectively.

In 2022 and 2021, the Group recognized gain on fair market value adjustment in its investment in Asia Partners amounting to P72.4 million and P5.9 million, respectively.

As at December 31, 2022 and 2021, total investment in Asia Partners, inclusive of foreign exchange adjustment, amounted to P591.71 million and P269.9 million, respectively.

As at December 31, 2022 and 2021, the Group's remaining capital commitment to be called for Asia Partners amounted to US\$9.0 million (P502.5 million) and US\$9.0 million (P458.9 million), respectively.

**h. Blue Voyant**

In 2022, the Group, through AI invested US\$3.0 million (P154.3 million) in Blue Voyant, a cybersecurity company that enables cybersecurity defense and protection through technology and tailored services. No recognized gains or losses during year. As at December 31, 2022, total investment in Blue Voyant inclusive of foreign exchange and investment amounted to P167.3 million.

**i. Third Prime Alpha III-A and Third Prime (Kafene B) (collectively Third Prime Series)**

In 2022, the Group, through AI invested US\$0.6 million (P31.8 million) in Third Prime Alpha III-A, a venture firm focused primarily on the FinTech, PropTech and Crypto sectors. In addition, AI invested US\$1.5 million (P79.3 million) in Third Prime (Kafene B).

In 2022, the Group recognized fair market value loss adjustment in its investment in Third Prime Alpha III-A and Third Prime (Kafene B) amounting to ₱0.5 million and ₱0.1 million, respectively.

As at December 31, 2022, the Group's remaining capital commitment to be called for Third Prime Alpha III-A amounted to US\$1.5 million (₱83.6 million).

As at December 31, 2022, total investment in Third Prime Alpha III-A and Third Prime (Kafene B), inclusive of foreign exchange adjustment, amounted to ₱32.9 million and ₱84.4 million, respectively.

Net gains (losses) on increase (decrease) in market value of FVPL investments as at December 31 are as follows (in millions):

	Unrealized Valuation Gains (Losses) in Market Value		Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments in 2022
	2022	2021	
Quoted equity shares	₱ 2,443.0	₱ 3,353.2	(₱ 910.2)
Unquoted equity shares	726.2	633.7	92.5
Proprietary shares	476.2	357.9	118.3
Funds and equities	(231.3)	91.1	(322.4)
Bonds	(63.5)	(42.5)	(21)
Others	(1.0)	1.0	(2)
Total	3,349.6	4,394.4	(1,044.8)
Add realized gain on sale of FVPL investments			50.7
Net loss on increase in market value of FVPL investments			(₱ 994.1)

	Unrealized Valuation Gains (Losses) in Market Value		Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments in 2021
	2021	2020	
Quoted equity shares	₱ 3,353.2	₱ 2,613.9	₱ 739.3
Unquoted equity shares	633.7	491.2	142.5
Proprietary shares	357.9	321.7	36.2
Funds and equities	91.1	44.9	46.2
Bonds	(42.5)	(17.8)	(24.7)
Others	1.0	3.7	(2.7)
Total	4,394.4	3,457.6	936.8
Add realized gain on sale of FVPL investments			187.3
Net gain on increase in market value of FVPL investments			₱ 1,124.1

	Unrealized Valuation Gains (Losses) in Market Value		Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments
	2020	2019	in 2020
Quoted equity shares	P 2,613.9	P 3,084.1	(P 470.2)
Unquoted equity shares	491.2	456.6	34.6
Proprietary shares	321.7	325.5	(3.8)
Funds and equities	44.9	(15.7)	60.6
Bonds	(17.8)	(17.3)	(0.5)
Others	3.7	(1.4)	5.1
Total	3,457.6	3,831.8	(374.2)
Add realized gain on sale of FVPL investments			297.7
Net loss on decrease in market value of FVPL investments			(P 76.5)

There were no outstanding forward transactions as at December 31, 2022, 2021 and 2020.

## 10. Receivables

	2022	2021
Trade	P 2,312,815,653	P 1,935,826,780
Receivables from villa owners	100,880,108	37,908,027
Interest receivable	8,563,901	6,172,679
Dividend receivable	—	22,251,559
Others	31,545,240	29,144,224
	2,453,804,902	2,031,303,269
Less allowance for expected credit losses	213,380,443	217,882,662
	P 2,240,424,459	P 1,813,420,607

Trade receivables are noninterest-bearing and are normally settled on a 30 to 60 days term.

Receivables from villa owners pertain to SSRLI's net rental share and handling fees and reimbursable expenses such as guest supplies and other amenities, operating supplies, utilities, manpower, laundry services and other materials used for repairs and maintenance of the villas.

Interest receivable pertains to accrued interest income from cash and cash equivalents, notes receivable, FVPL and FVOCI investments in debt instruments.

Dividend receivable in 2021 pertains to uncollected dividend income from investments in equity securities. This was subsequently collected in 2022.

Movements in the allowance for expected credit losses of trade and other receivable accounts are as follows:

	2022		
	Interest and Trade	Others	Total
At January 1	P 216,292,344	P 1,590,318	P 217,882,662
Provision for the year (Note 23)	906,550	—	906,550
Write-off	(5,327,273)	—	(5,327,273)
Recoveries (Note 23)	(81,496)	—	(81,496)
At December 31	P 211,790,125	P 1,590,318	P 213,380,443

	2021		
	Interest and Trade	Others	Total
At January 1	P 186,825,539	P 1,590,318	P 188,415,857
Provision for the year (Note 23)	29,731,764	—	29,731,764
Write-off	(264,959)	—	(264,959)
At December 31	P 216,292,344	P 1,590,318	P 217,882,662

## 11. Inventories

	2022	2021
At cost:		
Raw materials	P 296,310,774	P 153,323,893
Aircraft parts in transit	43,135,148	30,615,926
Reel inventory	23,320,516	9,519,683
Materials in transit	22,353,279	377,956,695
Food and beverage	16,845,661	10,964,889
	<b>401,965,378</b>	582,381,086
At net realizable value:		
Finished goods - net of allowance for inventory obsolescence of P32.0 million in 2022 and P34.1 million in 2021	746,835,910	611,042,906
Work in process - net of allowance for inventory obsolescence of P6.0 million in 2022 and P6.2 million in 2021	180,931,430	136,257,388
Raw materials - net of allowance for inventory obsolescence of P13.3 million in 2022 and P12.8 million in 2021	210,425,667	181,605,892
Spare parts and operating supplies - net of allowance for inventory obsolescence of P40.6 million in 2022 and P40.3 million in 2021	120,207,854	83,676,820
Aircraft spare parts and supplies - net of allowance for inventory obsolescence and losses of P9.6 million in 2022 and 2021	34,067,346	29,555,553
Construction-related materials - net of allowance for inventory obsolescence of P0.6 million in 2021 and 2020	605,556	605,556
	<b>1,293,073,763</b>	1,042,744,115
	<b>P1,695,039,141</b>	P 1,625,125,201

The total cost of inventories carried at NRV amounted to P1.4 billion and P1.1 billion as at December 31, 2022 and 2021, respectively.

Net provision for inventory obsolescence recognized in 2022, 2021 and 2020, which was recorded under “Materials used and changes in inventories”, amounted to ₱1.6 million, ₱18.8 million, and ₱1.5 million respectively (see Note 21).

Aircraft parts in transit are purchased from suppliers abroad under Freight on Board Shipping Point. These items are in the custody of either the Bureau of Customs or freight forwarder as at December 31, 2022 and 2021.

Operating supplies pertain to inventory items used in providing services such as printing, cleaning and office and guest supplies.

Construction-related materials are excess materials and supplies from Villa Development Project. These are held for use in construction of villa or future repair or renovation of villas.

Inventories charged to cost of goods sold and services sold amounted to ₱8,633.7 million, ₱6,697.5 million, and ₱4,675.9 million in 2022, 2021 and 2020, respectively (see Note 21).

## 12. FVOCI Investments

As at December 31, 2022 and 2021, FVOCI investments amounted to ₱41.5 million and ₱46.4 million, respectively, and these were recognized under noncurrent assets.

FVOCI investments in bonds represent the following:

- a. Foreign currency-denominated bond securities are subject to variable and fixed coupon interest rate per annum ranging from 2.35% to 6.13% in 2022, 4.13% to 6.13% in 2021 and 4.00% to 5.95% in 2020. Maturity dates range from February 16, 2025 to June 30, 2028 for bonds held as at December 31, 2022 and October 31, 2026 to June 30, 2028 for bonds held as at December 31, 2021.
- b. Geothermal Project

In January 2014, a loan and investment agreement was entered by the Company with SKI Construction Company, Inc. (SKI), Red Core Investment Corp. (Red Core), Tayabas Power, Tiaong Geothermal Power, Inc. (Tiaong Power) and San Juan Geothermal Power, Inc. (San Juan Power), collectively referred to as Red Core Group to jointly survey and explore the geothermal energy potential in the areas defined by the Tayabas, Tiaong and San Juan Geothermal Renewable Energy Service Contract (GRESO). Under this agreement, the Company committed to lend up to ₱172.0 million for the exploration phase of the three sites.

The Company may choose to convert each note into common shares of the three operating companies: Tayabas Power, Tiaong Power and San Juan Power to achieve 9.1% stake in each of these entities. If the Company opts not convert the note within the agreed time frame, these notes will accrue interest until they mature 62 months from the initial drawdown date.

In 2017, the Company recognized ₱82.9 million impairment loss, bringing the investment balance to nil as at December 31, 2022 and 2021.

In March 2018, the Company filed before the Regional Trial Court of Makati City a civil case for specific performance in order to compel Red Core Group to comply with the provisions of the loan and investment agreement signed by the parties. On November 23, 2020, the Court partially granted the Motion for Summary Judgment filed by the Company.



On August 15, 2022, the Court rendered a decision ordering Red Core Investments Corporation to pledge all its shares in Tayabas Geothermal Power, Inc., Tiaong Geothermal Power, Inc., and San Juan Geothermal Power Inc. and execute a deed of pledge in favor of the Company. The Court also decided to dismiss the claim of the Company for exemplary damages amounting to ₱0.1 million but granted the Company Attorney's fees amounting to ₱0.6 million and cost of suit against Red Core Group plus legal interest from judicial demand until amount is fully paid.

On October 3, 2022, the Company filed a demand for payment under the loan and investment agreement to Red Core Group. As of March 1, 2023, the Company is yet to collect the amount due from Red Core Group.

In 2022, 2021 and 2020, gain on sale of FVOCI investments amounted to ₱0.8 million, ₱0.5 million, and ₱1.2 million, respectively.

Below is the rollforward of the unrealized valuation gains (losses) on FVOCI investments recognized in equity:

	2022	2021
Beginning balance	₱ 273,449	₱ 2,521,749
Loss recognized directly in equity - net of tax	(2,884,259)	(1,849,250)
Amount removed from equity and recognized in consolidated statement of comprehensive income - net of tax	(573,124)	(399,050)
Ending balance	(₱ 3,183,934)	₱ 273,449

### 13. Investments and Advances

	2022	2021
Investments at equity - net of valuation allowance	₱ 354,423,186	₱ 327,783,660
Advances - net of allowance for expected credit losses of ₱564.8 million in 2022 and 2021	2,608,113	1,649,622
	₱ 357,031,299	₱ 329,433,282

Investments at equity consist of:

	2022	2021
Acquisition cost		
Common shares and Preferred shares	₱ 722,121,654	₱ 2,680,072,537
Accumulated equity in net losses and impairment loss	(367,698,471)	(2,586,450,673)
Effect of foreign exchange differences	—	234,161,796
	₱ 354,423,183	₱ 327,783,660

The significant transactions involving the Group's investments in associates in 2022 and 2021 follow:

#### AGP-SG and AGP-BVI

AGPI is a BVI business company formed in 2010 in connection with the acquisition of equity of Atlantic, Gulf and Pacific Company of Manila, Incorporated. AGPI, through its subsidiary and associates, is focused on providing modular engineering and construction and general engineering design services, including, fabrication, assembly and manpower services, particularly in the oil, gas, petrochemical, power generation and mining industries. In 2018, the Group decided to focus on the development and construction of LNG terminals, transportation assets and platforms to deliver natural gas to end-customers and its related business (the "LNG Business") gas logistics due to the identified opportunity to combine the Group's expertise in liquefied natural gas (LNG) industry and decades-long experience in modular construction.

The principal place of business of AGP-SG is 600 North Bridge Road, Parkview Square, Singapore.

The total acquisition cost of the investment in AGP-SG amounted to US\$45.0 million (P1,958.0 million). The Group recognized an impairment loss of P232.3 million (after considering the effect of dilution) in 2019. In 2020 and 2019, the Group recognized equity in net losses amounting to P601.4 million and P294.1 million, respectively. The unrecognized share in net losses of AGP-SG as at December 31, 2020 amounted to P417.1 million. The Group is not committed to contribute to AGP-SG for any losses in excess of the cost of the investment.

The following are the significant financial information of AGP-SG as at and for the year ended December 31, 2020 (in millions):

#### Statements of Financial Position \*:

Current assets	P	6,125.2
Noncurrent assets		13,657.9
Current liabilities		9,391.9
Noncurrent liabilities		8,348.6
Equity		2,042.6

#### Statement of Comprehensive Income\*:

Revenue	P	4,646.9
Loss before tax		4,859.0
Net loss		4,952.4

*\*Based on the latest available unaudited financial information.*

As at December 31, 2020, the carrying value of the investment amounted to nil.

On November 19, 2021, the BOD authorized its representative to negotiate for the sale of all its AGP-SG shares with the potential buyer. Management believes that all the criteria for recognition of noncurrent asset held-for-sale (NCAHFS) in accordance with PFRS 5 are met on that date. Accordingly, effective November 2021, the Group discontinued the use of the equity method for its investment in AGP-SG and classified such investment as NCAHFS. Based on the available financial information, for the period ended before the classification as NCAHFS, AGP-SG incurred net losses and, as at date of classification as NCAHFS, the carrying value of the investment in AGP-SG remains nil. On February 17, 2022, the said investment in associate held for sale was sold for a total consideration of US\$35.8 million (P1,974.6 million). The Group recognized P2,208.8 million gain in its consolidated statements of comprehensive income, including the reversal of the related cumulative translation adjustment of P234.2 million.

**AIMP**

AIMP reported net income amounting to ₱133.5 million, ₱67.5 million and ₱23.3 million in 2022, 2021 and 2020, respectively. The Group recognized equity in net earnings amounting to ₱27.1 million, ₱13.5 million and ₱4.4 million in 2022, 2021 and 2020, respectively.

As at December 31, 2022 and 2021, the carrying value of the investment in AIMP amounted to ₱179.4 million and ₱152.3 million, respectively.

**FHI**

In 2021, FHI made a cash advance to the Company amounting to ₱76.6 million (nil in 2022). Total outstanding cash advance from FHI amounted to ₱104.3 million as of December 31, 2022 and 2021, respectively, which is presented under “Accounts payable and accrued expenses” (see Note 18).

FHI reported a net loss amounting to ₱1.9 million, ₱8.2 million and ₱5.5 million in 2022, 2021 and 2020, respectively. The Group recognized equity in net losses amounting to ₱0.5 million, ₱2.1 million and ₱1.4 million in 2022, 2021 and 2020, respectively.

As at December 31, 2022 and 2021, the carrying value of the investment and advances in FHI amounted to ₱175.0 million and ₱175.5 million, respectively.

**BM**

As at December 31, 2022 and 2021, the net carrying value of the Group’s investment in BM amounted to nil.

On December 31, 2022, the said investment in associate was sold with a consideration of \$1 (₱55).

**Prople Limited**

In 2020, Prople Limited redeemed the preference shares held by the Group amounting to ₱10.1 million.

As at December 31, 2022 and 2021, the net carrying value of AI’s investment in Prople Limited amounted to nil.

The Group has no share in the contingent liabilities of any associates as at December 31, 2022 and 2021.

In 2022 and 2021, the Group received advances from Prople Limited amounting to ₱32.4 million and ₱20.3 million, respectively.

## 14. Property and Equipment

2022						
	Land, Buildings and Improvements	Flight, Ground, Machineries and Other Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
<b>Cost</b>						
January 1	₱ 2,856,525,648	₱ 1,445,488,604	₱ 590,993,498	₱ 242,667,463	₱ 133,199,797	₱ 5,268,875,010
Additions	16,046,794	85,662,447	36,510,093	43,373,136	277,101,077	458,693,547
Reclassification	53,469,254	155,731,340	9,400,215	6,234,844	(224,835,653)	—
Retirement/disposals	—	—	(2,641,518)	(16,617,494)	—	(19,259,012)
<b>December 31</b>	<b>2,926,041,696</b>	<b>1,686,882,391</b>	<b>634,262,288</b>	<b>275,657,949</b>	<b>185,465,221</b>	<b>5,708,309,545</b>
<b>Accumulated Depreciation and Amortization</b>						
January 1	1,057,063,996	955,993,020	509,685,407	201,745,977	—	2,724,488,400
Depreciation and amortization (Note 21)	80,684,749	147,102,326	50,854,564	16,397,803	—	295,039,442
Retirement/disposals	—	—	(2,641,518)	(13,685,529)	—	(16,327,047)
<b>December 31</b>	<b>1,137,748,745</b>	<b>1,103,095,346</b>	<b>557,898,453</b>	<b>204,458,251</b>	<b>—</b>	<b>3,003,200,795</b>
<b>Net Book Value</b>	<b>₱ 1,788,292,951</b>	<b>₱ 583,787,045</b>	<b>₱ 76,363,835</b>	<b>₱ 71,199,698</b>	<b>₱ 185,465,221</b>	<b>₱ 2,705,108,750</b>

2021						
	Land, Buildings and Improvements	Flight, Ground, Machineries and Other Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
<b>Cost</b>						
January 1	₱ 2,827,677,520	₱ 1,299,169,781	₱ 562,058,832	₱ 227,167,476	₱ 15,247,681	₱ 4,931,321,290
Additions	759,943	107,695,404	23,829,693	14,579,629	194,947,264	341,811,933
Reclassification	28,088,185	38,623,419	5,104,973	5,178,571	(76,995,148)	—
Retirement/disposals	—	—	—	(4,258,213)	—	(4,258,213)
<b>December 31</b>	<b>2,856,525,648</b>	<b>1,445,488,604</b>	<b>590,993,498</b>	<b>242,667,463</b>	<b>133,199,797</b>	<b>5,268,875,010</b>
<b>Accumulated Depreciation and Amortization</b>						
January 1	974,260,193	823,535,504	470,055,166	182,629,005	—	2,450,479,868
Depreciation and amortization (Note 21)	82,803,803	132,457,516	39,630,241	23,375,185	—	278,266,745
Retirement/disposals	—	—	—	(4,258,213)	—	(4,258,213)
<b>December 31</b>	<b>1,057,063,996</b>	<b>955,993,020</b>	<b>509,685,407</b>	<b>201,745,977</b>	<b>—</b>	<b>2,724,488,400</b>
<b>Net Book Value</b>	<b>₱ 1,799,461,652</b>	<b>₱ 489,495,584</b>	<b>₱ 81,308,091</b>	<b>₱ 40,921,486</b>	<b>₱ 133,199,797</b>	<b>₱ 2,544,386,610</b>

Construction in progress includes cost of the on-going construction of the land and building improvements and cost of assembling machineries and equipment.

Depreciation amounted to ₱295.0 million, ₱278.3 million and ₱267.9 million in 2022, 2021 and 2020, respectively (see Note 21).

## 15. Investment Properties

	2022		
	Land	Condominium	Total
<b>Cost</b>			
January 1	₱ 241,924,965	₱ 293,595,000	₱ 535,519,965
Additions	6,607,517	—	6,607,517
<b>December 31</b>	<b>248,532,482</b>	<b>293,595,000</b>	<b>542,127,482</b>
<b>Accumulated Depreciation and Amortization</b>			
January 1	—	30,582,812	30,582,812
Depreciation and amortization (Note 21)	—	14,679,750	14,679,750
<b>December 31</b>	<b>—</b>	<b>45,262,562</b>	<b>45,262,562</b>
<b>Accumulated Impairment Loss</b>	<b>—</b>	<b>24,812,188</b>	<b>24,812,188</b>
<b>Net Book Value</b>	<b>₱ 248,532,482</b>	<b>₱ 223,520,250</b>	<b>₱ 472,052,732</b>

	2021		
	Land	Condominium	Total
<b>Cost</b>			
January 1	₱ 238,010,571	₱ 293,595,000	₱ 531,605,571
Additions	3,914,394	—	3,914,394
<b>December 31</b>	<b>241,924,965</b>	<b>293,595,000</b>	<b>535,519,965</b>
<b>Accumulated Depreciation and Amortization</b>			
January 1	—	15,903,062	15,903,062
Depreciation and amortization (Note 21)	—	14,679,750	14,679,750
<b>December 31</b>	<b>—</b>	<b>30,582,812</b>	<b>30,582,812</b>
<b>Accumulated Impairment Loss</b>			
Provision for impairment loss (Note 23)	—	24,812,188	24,812,188
<b>Net Book Value</b>	<b>₱ 241,924,965</b>	<b>₱ 238,200,000</b>	<b>₱ 480,124,965</b>

The Group's investment properties include 136.8 hectares of land in Palawan, 36.9 hectares of land in Cebu, and 97.4 hectares of land in Guimaras. Condominium pertains to the two (2) commercial condominium units purchased by the Company in 2019 and are held for lease to other parties and associate. The aggregate fair value of these investment properties as at December 31, 2022 amounted to ₱3.6 billion.

Fair valuation of the land properties was performed by professionally qualified, SEC-accredited and independent appraiser as at October 2022. The fair value was determined using the sales comparison approach which considers the sale of similar or substitute properties, related market data and the assets' highest and best use. The fair value of the investment properties is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation.

The inputs used were offer prices of similar land. Significant increases or decreases in offer price would result in higher or lower fair value of the asset.

The appraisers determined that the highest and best use of these properties are either for residential, agricultural, commercial and recreational utility. For strategic reasons, the properties are not being used in this manner. These properties are currently held by the Group for capital appreciation.

The Group has no restrictions on the realizability of the investment properties. Under Department of Agrarian Reform (DAR) rules, AAC has to complete the development on the Guimaras land by September 2018. On November 11, 2018, DAR approved the Group's request for extension to develop the property within a non-extendible period of five years from the receipt of order or until December 6, 2023. The notice of order was received by the Group on December 7, 2018.

Fair valuation of the condominium units was also performed by a professionally qualified, SEC-accredited, and independent appraiser. Based on the report of the appraiser rendered for 2022, the fair value of the condominium units is ₱270.1 million.

The fair value of the condominium units was arrived at through the use of the "sales comparison approach." They used properties that are situated within the subject building or in other comparable condominium buildings nearby for comparison. The fair value of the condominium units is categorized as Level 3. The highest and best use of these properties is for leasing.

The Group recognized rental income of ₱13.0 million, ₱12.6 million, and ₱12.3 million from these investment properties in 2022, 2021 and 2020, respectively (see Note 30).

The aggregate direct expenses pertaining to real property taxes, condominium dues and depreciation expense amounted to ₱16.1 million, ₱15.5 million, and ₱19.2 million in 2022, 2021 and 2020, respectively.

## 16. Other Noncurrent Assets and Other Noncurrent Liabilities

The Group's other noncurrent assets comprise the following as of December 31:

	2022	2021
Fund for villa operations and capital expenditures (Note 30)	₱ 82,722,493	₱ 108,519,123
Property held for future development (Note 30)	26,950,301	3,676,224
Refundable deposits	3,210,124	1,068,312
Computer software - net of accumulated depreciation of ₱14.3 million and ₱13.1 million as of December 31, 2022 and 2021, respectively	3,646,890	4,896,118
Other receivables	3,502,696	3,502,696
Others	4,376,112	1,177,093
	₱ 124,408,616	₱ 122,839,566

Fund for villa operations and capital expenditures is a restricted cash fund of PRI and PUI held as a source of future maintenance requirements and for future replacement of power generating units and desalination plant. Interest income on this fund shall accrue to the villa owners. A liability related to the fund was recognized and is presented as "Other noncurrent liabilities" in the consolidated statements of financial position (see Note 30).

Other receivables pertain to claims for the sold land in Quezon, Palawan.

Other noncurrent liabilities amounted to ₱111.7 million and ₱113.7 million as at December 31, 2022 and 2021, respectively, which include the related liability for the fund asset of PRI and PUI recognized above and other liabilities arising from funds for future infrastructure and utility development of villas and funds for replacement of power generating units and desalination plant.

## 17. Notes Payable

As at December 31, 2021, notes payable represent unsecured, short-term, interest-bearing liabilities of IAI amounting to ₱23.2 million (nil in 2022).

Details of the Group's short-term borrowing transactions are as follows:

- a. In January and February 2020, IAI obtained loans from a bank amounting to ₱10.2 million and ₱18.0 million, respectively. The amounts loaned from the bank were used for the additional working capital of IAI. The loans have interest initially fixed at 5.0% subject to review and resetting by the bank every 30 days based on prevailing market rates at such time of review and resetting. On January 11, 2021 and February 19, 2021, the loans were rolled-over for a year amounting to ₱5.2 million and ₱18.0 million with interest fixed at a rate of 5.5% based on prevailing market rates and subject to the same terms. Subsequently, on January 6, 2022 and February 14, 2022, the loans were rolled-over for another year with the same respective principal amounts and with interest fixed at rates of 4.3% and 4.5%, respectively.
- b. Total interest expense from these loans recognized in the consolidated profit or loss amounted to ₱0.35 million, ₱1.1 million, and ₱1.2 million in 2022, 2021 and 2020, respectively
- c. The Group's unavailed credit line from the banks amounted to ₱2,850.0 million and ₱3,165.0 million as at December 31, 2022 and 2021, respectively.

## 18. Accounts Payable and Accrued Expenses

	2022	2021
Trade payables	₱ 397,486,369	₱ 329,381,248
Refundable deposits	272,260,088	194,596,351
Accruals for:		
Personnel expenses	168,865,274	156,783,490
Taxes and licenses	7,329,816	4,643,847
Others	38,872,422	58,013,297
Payable to a related party (Note 13)	170,219,545	144,043,755
Contract liabilities (Note 5)	101,124,098	76,098,883
Payable to villa owners	59,523,979	81,123,952
Payable to contractors	18,296,102	16,613,819
Payable to government agencies	92,059,039	32,552,217
Other payables	17,064,958	16,931,574
	₱ 1,343,101,690	₱ 1,110,782,433

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.



Other accrued expenses include unpaid operating costs of the Group.

Refundable deposits mainly pertain to advance payments made by guests.

Contract liabilities pertain to the customers' advances for the delivery of goods and services.

Payable to contractors are amounts due to suppliers for ongoing and completed construction projects.

## 19. Long-term Debt

As at December 31, 2021, The Group's outstanding long-term debt from a local bank amounting to ₱75.7 million presented under current liabilities pertain to PDP Energy.

- a. In 2015, PDP Energy obtained a long-term loan to partially fund the ₱1.5 billion cash dividend paid to Anscor. Principal amount of the loan amounted to ₱1.2 billion payable in seven years with annual interest of 4.5%, subject to repricing at the end of the fifth year.

PDP Energy is subject to the following negative covenants for as long as the long-term loan remains outstanding, which include, but are not limited to: (a) permitting any material change in its business or in the ownership or control of its business or in the composition of its top management; (b) incurring any indebtedness (long-term loan or borrowings) with other banks except for working capital requirement; (c) allowing declaration or payment of cash dividends to its stockholders if the debt service covenant ratio is below 1.25 times or in the event of default; (d) selling, leasing, transferring or otherwise disposing all or substantially all of PDP Energy's properties and assets; (e) extending loans, advances or subsidies to any corporation it owned other than for working capital requirements or with prior consent of the bank; and (f) undertaking any capital expenditures or purchase additional capital equipment outside of the ordinary course of business. The long-term loan also provides that PDP Energy has to maintain a ratio of current assets to current liabilities of at least 1.0 times and debt-to-equity ratio should not be more than 2.0 times until final payment date. As at December 31, 2021, PDP Energy is in compliance with the debt covenants. The loan is fully paid in 2022.

In addition, the long-term loan is secured by the following collaterals, among others:

- Real estate mortgage over the land owned by Minuet;
- Chattel mortgage over machineries and equipment of PDP Energy and PDEI located in PDP Energy and PDEI's premises;
- Pledge over the shares of stock for 1,121,000 shares of PDIPI held by Anscor; and
- Assignment of leasehold rentals of the properties located in PDP Energy's premises.

On December 19, 2016, the pledge over the shares of stock for 1,121,000 shares of PDIPI held by Anscor was released by the bank.

The long-term loan also provides for pretermination without penalty.

## 20. Equity

### *Equity holders of the Parent*

Authorized capital stock as at December 31 consists of the following shares:

	2022		2021	
	Number of Shares	Amount	Number of Shares	Amount
Common - ₱1.0 par value	3,459,310,958	₱ 3,459,310,958	3,459,310,958	₱ 3,459,310,958
Preferred - ₱0.01 par value	500,000,000	5,000,000	500,000,000	5,000,000
	<b>3,959,310,958</b>	<b>₱ 3,464,310,958</b>	3,959,310,958	₱ 3,464,310,958

Issued and outstanding shares as at December 31 consists of the following:

	2022		2021	
	Number of Shares	Amount	Number of Shares	Amount
Common	2,500,000,000	₱ 2,500,000,000	2,500,000,000	₱ 2,500,000,000
Preferred	500,000,000	5,000,000	500,000,000	5,000,000
	<b>3,000,000,000</b>	<b>₱ 2,505,000,000</b>	3,000,000,000	₱ 2,505,000,000

On February 19, 2020, the Company's BOD approved the amendment of its Articles of Incorporation (AOI) wherein authorized capital stock of 5,000,000 common shares (par value of ₱1.00 per share) amounting to ₱5.0 million will be reclassified to 500,000,000 preferred shares (par value of ₱0.01 per share) amounting to ₱5.0 million. In August 2020, the Company applied for the amendment of the AOI with the SEC and this was approved by SEC on June 21, 2021.

Outstanding common shares, net of shares held by a subsidiary, as at December 31, 2022 and 2021 totaled 1,227,570,239. The Company's equity holders as at December 31, 2022 and December 31, 2021 is 11,049 and 11,070, respectively.

The Philippine SEC authorized the offering/sale to the public of the Company's 10.0 million and 140.0 million common shares with par value of ₱1.00 each on December 29, 1948 and January 17, 1973, respectively. On August 30, 1996, the Philippine SEC authorized the licensing of 910,476,302 common shares at the subscription price of ₱2.50 per share.

In 2022, 2021 and 2020, the Company declared the following cash dividends:

	2022	2021	2020
Month of declaration	March and November	February and November	March
Cash dividend per share	₱0.50 and ₱0.50	₱0.50 and ₱0.25	₱0.75
Total cash dividend	₱2,500.0 million	₱1,875.0 million	₱1,875.0 million
Share of a subsidiary	₱1,272.4 million	₱920.7 million	₱937.4 million

As at December 31, 2022 and 2021, the Company's dividends payable amounted to ₱502.0 million and ₱519.5 million, respectively, and represents mainly dividend checks that were returned by the post office and which remained outstanding as at December 31, 2022 and 2021 due to problematic addresses of some of the Company's stockholders.

The Company's BOD approved the following appropriation of the Company's unrestricted retained earnings:

Date of Appropriation	Amount
2011	₱ 2,100,000,000
2013	900,000,000
2014	1,600,000,000
2015	1,700,000,000
2016	850,000,000
	₱ 7,150,000,000

The appropriation will be used for the Company's investment program within the next three years on business activities related to tourism, business process outsourcing and manufacturing, whether based in the Philippines or offshore.

Appropriations in 2011 and 2013 were extended in 2017. Appropriations in 2014 and 2015 were extended in 2018 and 2019, respectively.

On November 11, 2020, the BOD approved the extension of the appropriation of retained earnings totaling ₱7,150.0 million for another three years.

The unappropriated retained earnings is restricted for the dividend declaration by the following:

- Balance of gross deferred income tax assets, fair value adjustments related to unrealized market to market gains of FVPL investments and unrealized foreign exchange gains (except those attributable to cash and cash equivalents) amounting to ₱6,491.4 million and ₱4,344.2 million as at December 31, 2022 and 2021, respectively.
- Shares in the undistributed retained earnings of subsidiaries and accumulated equity in net earnings of associates amounting to ₱6.1 billion and ₱4.3 billion as at December 31, 2022 and 2021, respectively, which are included in retained earnings, are not available for declaration as dividends until declared by the subsidiaries.

#### *Shares held by a subsidiary*

As at December 31, 2022 and 2021, Anscorcon holds 1,272,429,761 shares of the Company. Anscorcon purchased the Company's shares amounting to ₱285.8 million (22,557,515 shares) in 2020. In 2019, Anscorcon sold 56.0 million Company shares for ₱359.9 million.

## 21. Cost of Goods Sold, Cost of Services Rendered and Operating Expenses

Cost of goods sold consists of:

	2022	2021	2020
Materials used and changes in inventories (Note 11)	₱ 8,602,843,214	₱ 6,664,260,843	₱ 4,654,071,070
Salaries, wages and employee benefits (Note 22)	155,455,583	127,037,370	108,218,705
Utilities	101,357,802	68,495,190	72,743,297
Depreciation and amortization (Note 14)	100,590,598	109,216,132	92,478,983
Repairs and maintenance	47,393,337	81,254,728	75,010,253
Professional fees	10,469,808	495,257	378,179
Security services	7,433,248	6,922,570	5,992,989
Insurance	4,470,742	2,078,351	2,127,082
Transportation and travel	3,806,819	3,359,266	6,045,156
Others	14,597,283	8,500,250	6,622,521
	₱ 9,048,418,434	₱ 7,071,619,957	₱ 5,023,688,235

Cost of services rendered consists of:

	2022	2021	2020
Resort operating costs	P 142,844,960	P 125,670,705	P 101,363,691
Salaries, wages and employee benefits (Note 22)	87,778,405	68,582,611	50,926,678
Depreciation and amortization (Note 14)	52,910,287	32,500,287	28,521,875
Materials and supplies - resort operations (Note 11)	30,894,212	33,249,480	21,855,679
Fuel cost	24,469,324	24,299,842	16,956,751
Transportation and travel	23,824,212	18,607,935	18,045,475
Commissions	13,057,150	8,096,975	7,191,262
Repairs and maintenance	10,869,034	14,100,851	9,122,274
Insurance	10,151,631	7,996,096	6,063,533
Taxes and licenses	5,871,088	3,224,122	3,247,109
Outside services	1,268,152	1,268,843	726,978
Others	587,714	10,325,835	4,681,144
	P 404,526,169	P 347,923,582	P 268,702,449

Operating expenses consist of:

	2022	2021	2020
Salaries, wages and employee benefits (Note 22)	P 340,845,513	P 262,348,562	P 292,989,341
Depreciation and amortization (Notes 14, 15 and 30)	170,886,909	160,879,035	171,173,222
Utilities	136,737,400	84,926,823	63,194,782
Advertising, marketing and management fee (Note 30)	129,279,596	94,978,399	92,191,957
Shipping and delivery expenses	125,034,606	96,400,481	72,923,630
Taxes and licenses	74,963,797	90,916,131	72,842,002
Repairs and maintenance	67,321,569	41,843,014	61,348,628
Professional and directors' fees	62,323,136	25,274,180	37,395,138
Transportation and travel	50,266,466	32,264,886	24,703,019
Commissions	27,408,445	27,212,971	19,791,818
Insurance	26,822,760	26,084,688	23,278,643
Security services	21,306,153	19,182,366	20,457,933
Office supplies	18,472,462	18,925,461	6,817,298
Donation and contribution	14,742,214	12,940,389	10,026,883
Communications	14,444,211	14,102,634	13,399,461
Association dues	8,624,847	8,400,598	7,769,547
Medical expenses	7,629,053	4,262,816	3,805,958
Meetings and conferences	7,611,742	8,255,195	8,299,842
Trainings	5,382,846	2,428,179	2,676,059
Entertainment, amusement and recreation	5,030,562	6,054,664	6,692,946
Computer programming	3,838,143	3,166,553	2,546,436
Others	54,884,879	51,132,446	37,325,871
	P 1,373,857,309	P 1,091,980,471	P 1,051,650,414

In 2022 and 2020, the Company paid bonus to its non-executive directors amounting to P19.3 million, and P14.0 million, respectively, (nil in 2021).

As approved in 2004, the directors are given bonus representing no more than 1.0% of previous year's net income of the Company.

## 22. Personnel Expenses

	2022	2021	2020
Salaries and wages	P 481,002,471	P 372,619,250	P 381,286,501
Social security premiums and other employee benefits	87,064,856	62,179,760	52,725,038
Pension costs (Notes 23 and 24)	16,012,174	23,169,533	18,123,185
	P 584,079,501	P 457,968,543	P 452,134,724

In 2022 and 2020, the Group declared and paid bonuses to its executive officers amounting to P78.8 million, and P65.5 million, respectively (nil in 2021).

Annual bonus of no more than 3.0% of the preceding year's net income is given to executive officers of the Company as approved in 2004.

## 23. Interest Income, Interest Expense and Other Income (Charges)

Interest income consists of:

	2022	2021	2020
Debt instruments (Notes 9 and 12)	P 25,807,800	P 32,197,278	P 47,215,234
Cash and cash equivalents (Note 8)	24,918,106	6,235,233	15,417,105
Notes receivable (Note 27)	15,393,943	15,043,868	18,038,590
Others	1,342,020	57,711	1,532,894
	P 67,461,869	P 53,534,090	P 82,203,823

Interest income on debt instruments is net of bond discount amortization amounting to P0.3 million, P0.2 million, and P0.2 million in 2022, 2021 and 2020, respectively.

Interest expense arose from the following:

	2022	2021	2020
Lease liabilities (Note 30)	P 2,379,491	P 1,890,962	P 2,520,847
Long-term debt (Note 19)	1,943,829	7,135,812	19,230,512
Notes payable (Note 17)	347,493	1,054,460	1,215,914
Others	16,864	178,452	1,443,865
	P 4,687,677	P 10,259,686	P 24,411,138

Other income (charges)-net consists of:

	2022	2021	2020
Rental income (Note 30)	P 13,228,239	P 12,809,631	P 12,579,912
Retirement benefit income	1,321,427	–	–
Provision for impairment losses on receivables (Note 10)	(906,550)	(29,731,764)	(75,243,352)
Recovery of impairment losses (Note 10)	81,496	–	10,322,694
Impairment loss on investment properties (Note 15)	–	(24,812,188)	–
Receipt of escrow fund and tax refund	–	–	83,967,456
Gain on rent concession (Note 30)	–	–	3,917,535
Others - net	8,526,899	(11,973,969)	15,655,945
	P 22,251,511	(P 53,708,290)	P 51,200,190

Others included ASAC's reimbursement from lessees and reversal of accrued expenses.

## 24. Pension

The Group has funded defined benefit pension plans covering substantially all of its officers and employees. The benefits to be received by the officers and employees under the pension plans shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641.

The funds are administered by trustee banks under the control and supervision of the Board of Trustees (BOT) of the pension plans, which is composed of the executive officers of the Company.

The Group contributes to the funds as required under accepted actuarial principles to maintain the plan in sound condition and reserves the right to discontinue, suspend or change the rate and amount of its contribution to the funds at any time.

### Funding Policy

The Group contributes to the plans amounts (estimated by an actuary on the basis of reasonable actuarial assumptions) which are necessary to provide the defined benefits. No member is required to make any contribution to the plans. Contributions to the plans are determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service cost (PSC) is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

The Group's management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group's current strategic investment strategy consists of 40% of equity instruments and 60% of debt instruments.

As at December 31, 2022 and 2021, the Company's defined benefit retirement fund (Fund) has investments in shares of stock of the Company with a cost of ₱413.6 million. The fair value of the shares of stock amounted to ₱575.8 million and ₱506.4 million as at December 31, 2022 and 2021, respectively.

All of the fund's investing decisions are made by the BOT of the pension plans. The retirement benefit fund's gain arising from the changes in market prices amounted to ₱61.04 million and ₱75.6 million in 2022 and 2021, respectively.

As at December 31, 2022 and 2021, the Fund's fair value amounted to ₱839.9 million and ₱720.6 million, respectively.

The following tables summarize the components of net benefit expense recognized in the consolidated profit or loss and the fund status and amounts recognized in the consolidated statements of financial position.

	2022	2021	2020
Retirement benefit cost:			
Current service cost	₱ 19,185,398	₱ 24,193,146	₱ 20,555,238
Net interest income	(4,494,651)	(1,023,613)	(2,432,053)
Net benefit expense (Notes 22 and 23)	₱ 14,690,747	₱ 23,169,533	₱ 18,123,185
Actual return on plan assets	₱ 107,014,499	₱ 160,279,066	₱ 46,900,559

Changes in net retirement plan asset are as follows:

	2022	2021	2020
Net retirement plan assets, beginning	₱ 147,141,624	₱ 91,612,330	₱ 84,470,839
Current service cost	(9,314,406)	(13,409,755)	(12,178,895)
Net interest income	6,681,667	2,910,178	4,034,196
	(2,632,739)	(10,499,577)	(8,144,699)
Actuarial changes arising from:			
Changes in financial assumptions	(13,603,079)	12,608,462	(15,731,936)
Experience adjustments	26,120,992	14,654,816	3,213,923
Changes in the effect of asset ceiling	(124,421,947)	(113,372,593)	(1,514,499)
Remeasurement of plan assets	81,047,994	143,381,265	21,595,526
Changes in demographic adjustments	836,842	1,033,745	—
	(30,019,198)	58,305,695	7,563,014
Contribution	8,219,373	7,723,176	7,723,176
Transfer to net retirement payable	(357,977)	—	—
Net retirement plan assets, end	₱ 122,351,083	₱ 147,141,624	₱ 91,612,330



Changes in net retirement benefits payable are as follows:

	2022	2021	2020
Net retirement benefits payable, beginning	(P 48,147,054)	(P 56,895,050)	(P 32,252,060)
Current service cost	(9,870,992)	(10,783,391)	(8,376,343)
Net interest expense	(2,187,016)	(1,886,565)	(1,602,143)
	(12,058,008)	(12,669,956)	(9,978,486)
Actuarial changes arising from:			
Changes in financial assumptions	12,435,292	14,172,068	(18,812,882)
Experience adjustments	(3,206,968)	(4,452,910)	(3,225,553)
Remeasurement of plan assets	(7,128,106)	(2,801,571)	1,377,734
Changes in demographic adjustments	—	39,289	—
Changes in the effect of asset ceiling	—	(3,004)	—
	2,100,218	6,953,872	(20,660,701)
Contribution	17,815,512	14,464,080	5,996,197
Transfer from net retirement assets	357,977	—	—
Net retirement benefits payable, end	(P 39,931,355)	(P 48,147,054)	(P 56,895,050)

Changes in the present value of defined benefit obligation:

	2022	2021
Defined benefit obligation, beginning	P 482,724,903	P 493,788,432
Current service cost	19,185,398	24,193,146
Interest cost	22,398,989	16,625,399
Remeasurement in other comprehensive income:		
Actuarial gain - changes in financial assumptions	(33,621,857)	(26,787,615)
Actuarial loss (gain) - experience adjustments	28,515,892	(10,183,068)
Actuarial loss (gain) - changes in demographic assumptions	107,278	(1,086,929)
Benefits paid from plan assets	(13,697,334)	(13,712,153)
Benefits paid from the Company's fund	—	(112,307)
Defined benefit obligation, ending	P 505,613,269	P 482,724,905

Changes in the fair value of plan assets:

	2022	2021
Fair value of plan assets, beginning	P 720,570,814	P 551,816,645
Interest income	33,094,611	19,699,372
Contributions	26,034,885	22,187,256
Remeasurement gain	73,919,888	140,579,694
Benefits paid from plan assets	(13,697,334)	(13,712,153)
Fair value of plan assets, ending	P 839,922,864	P 720,570,814

Changes in the effect of asset ceiling:

	2022	2021
Beginning balance	₱ 138,851,339	₱ 23,310,933
Changes in the effect of asset ceiling	107,835,361	113,375,597
Interest on the effect of asset ceiling	6,203,004	2,164,809
Ending balance	₱ 252,889,704	₱ 138,851,339

The fair value of plan assets as at December 31 are as follows:

	2022	2021
Equity instruments	₱ 384,920,021	₱ 293,820,138
Debt instruments	224,485,094	410,413,591
Cash and cash equivalents	195,832,140	11,157,674
Unit investment trust funds	18,815,551	1,084,512
Others	15,870,058	4,094,899
	₱ 839,922,864	₱ 720,570,814

The financial instruments with quoted prices in active market amounted to ₱533.2 million and ₱561.4 million as at December 31, 2022 and 2021, respectively. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

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

2022	Change in Rates	Effect on Present Value of Defined Benefit Obligation Increase (Decrease)
Discount rates	+100 bps	(₱ 8,404,905)
	-100 bps	9,570,911
Future salary increases	+100 bps	9,684,474
	-100 bps	(8,645,252)

		Effect on Present Value of Defined Benefit Obligation Increase (Decrease)
2021	Change in Rates	
Discount rates	+100 bps	(P 17,213,823)
	-100 bps	19,452,832
Future salary increases	+100 bps	19,333,257
	-100 bps	(17,429,176)

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

		Effect on Present Value of Defined Benefit Obligation Increase (Decrease)
2022	Change in Rates	
Discount rates	+100 bps	(P 8,633,715)
	-100 bps	9,508,484
Future salary increases	+100 bps	10,290,778
	-100 bps	(9,569,584)

		Effect on Present Value of Defined Benefit Obligation Increase (Decrease)
2021	Change in Rates	
Discount rates	+100 bps	(P 1,199,594)
	-100 bps	1,356,306
Future salary increases	+100 bps	1,328,139
	-100 bps	(1,198,536)

The Group expects to make contributions amounting to P57.4 million to its defined benefit pension plans in 2023.

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	2022	2021
Discount rate	5.21% to 7.19%	3.00% to 5.05%
Future salary increases	3.00% to 5.00%	4.00% to 5.00%

The weighted average duration of the defined benefit obligation as at December 31, 2022 and 2021 ranges from 3.5 to 8.1 years and 1.4 to 10.3 years, respectively.

Shown below is the maturity analysis of the expected future benefit payments as at December 31, 2022:

Year	Amount
2023	P 291,550,959
2024	23,176,741
2025	20,584,478
2026	22,348,901
2027	84,112,126
2028 to 2032	181,589,911

There were no changes from the previous period in the method and assumptions used in preparing the sensitivity analysis.

## 25. Income Taxes

The provision for income tax consists of:

	2022	2021	2020
Current	P 338,153,898	P 327,071,822	P 332,501,209
Deferred	(95,998,699)	53,080,192	(41,181,668)
	P 242,155,199	P 380,152,014	P 291,319,541

As at December 31, 2022 and 2021, tax credits or refunds included in "other current assets" amounted to P201.9 million and P190.5 million, respectively.

The components of the net deferred income tax assets (liabilities) are as follows:

	2022		2021	
	Net Deferred Income Tax Assets <sup>(1)</sup>	Net Deferred Income Tax (Liabilities) <sup>(2)</sup>	Net Deferred Income Tax Assets <sup>(1)</sup>	Net Deferred Income Tax (Liabilities) <sup>(2)</sup>
<b>Recognized in the consolidated profit or loss:</b>				
Deferred income tax assets on:				
Allowance for expected credit losses	₱ 66,674,274	₱ —	₱ 66,503,058	₱ —
Allowance for inventory obsolescence and losses	23,130,697	—	23,659,440	—
Net retirement benefits payable	16,393,630	—	17,481,703	—
Unamortized past service cost	3,728,945	926,771	1,340,091	926,771
Unrealized foreign exchange loss	505,747	—	—	—
Others	9,622,011	—	8,889,196	—
	120,055,304	926,771	117,873,488	926,771
Deferred income tax liabilities on:				
Unrealized foreign exchange gains	(262,065)	(32,715,001)	(500,115)	(2,934,499)
Net retirement plan assets	(50,628)	(9,278,564)	(315,838)	(7,017,414)
Fair value adjustment on equity investments	—	(292,426,401)	—	(300,421,730)
Market adjustment on FVPL investments	—	(62,559,448)	—	(175,482,323)
Others	—	—	—	(5,206,010)
	(312,693)	(396,979,414)	(815,953)	(491,061,976)
	119,742,611	(396,052,643)	117,057,535	(490,135,205)
<b>Recognized in other comprehensive income:</b>				
Deferred income tax assets (liabilities) on:				
Unrealized valuation gains on FVOCI investments	—	1,061,311	—	(91,150)
Cumulative actuarial gains	(5,627,383)	(22,855,098)	(5,534,433)	(31,057,473)
	(5,627,383)	(21,793,787)	(5,534,433)	(31,148,623)
	₱ 114,115,228	(₱ 417,846,430)	₱ 111,523,102	(₱ 521,283,828)

(1) Pertain to SSRLI, ASAC, PDP and AHL.

(2) Pertain to Anscor and Anscorcon.

The following are the deductible temporary differences and carryforward benefits for which no deferred income tax assets were recognized as future realizability of these deferred income tax assets is not probable:

	2022	2021
Deductible temporary differences on:		
Allowances for:		
Impairment losses	P 1,050,380,658	P 1,812,677,232
Expected credit losses	567,537,073	567,537,073
Accrued pension benefits and others	880,535	1,603,894
Carryforward benefits of:		
NOLCO	45,313,509	43,908,287
MCIT	6,293,385	7,603,047
Others	87,084	—

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic corporations.
- For domestic corporations with net taxable income not exceeding P5.0 million and with total assets not exceeding P100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax of 10% is repealed.

The reconciliation of provision for income tax computed at the statutory income tax rate (25% in 2022 and 2021 and 30% in 2020) with the provision for income tax is as follows:

	2022	2021	2020
Provision for income tax at statutory tax rates	₱ 774,549,289	₱ 729,436,234	₱ 138,013,361
Additions to (reductions from) income taxes resulting from:			
Nontaxable income	(493,648,900)	—	(218,673,569)
Movement in unrecognized deferred income tax assets	191,691,568	38,363,894	41,862,258
Decrease (increase) in market values of marketable equity securities and other investments subjected to final tax	(145,941,385)	(326,645,836)	216,649,877
Dividend income not subject to income tax	(66,751,373)	(90,948,354)	(72,379,100)
Income tax at 5% GIT	(33,624,145)	(7,253,409)	(17,975,832)
Equity in net losses (earnings) of associates not subject to income tax	(6,659,881)	(2,852,401)	179,401,942
Interest income already subjected to final tax	(123,402)	(131,030)	(1,458,413)
Change in income tax rate (impact of CREATE)	—	15,507,248	—
Others	22,663,428	24,675,668	25,879,017
	₱ 242,155,199	₱ 380,152,014	₱ 291,319,541

The Group has available NOLCO and MCIT which can be claimed as deduction from taxable income and as credit against income tax due, respectively, as follows:

#### NOLCO

Period of Recognition	Availment Period	Beginning of the year	Additions	Applied	Expired	End of the year
2019	2020-2022	₱ 15,633,297	₱ —	₱ —	(₱ 15,633,297)	₱ —
2020	2021-2025	18,174,117	—	—	—	18,174,117
2021	2022-2026	10,100,873	—	—	—	10,100,873
2022	2023-2025	—	17,038,519	—	—	17,038,519
		₱ 43,908,287	₱ 17,038,519	₱ —	(₱ 15,633,297)	₱ 45,313,509

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. Hence, the incurred NOLCO of the Group in taxable year 2020 and 2021 can be claimed as deduction from the regular taxable income from taxable years 2021 to 2025 and taxable years 2022 to 2026, respectively, in pursuant to the Bayanihan to Recover As One Act.



MCIT

Period of Recognition	Availment Period		Beginning of the year	Additions	Applied	Expired	End of the year
2019	2020-2022	P	3,866,181	P —	P —	(P 3,866,181)	P —
2020	2021-2023		1,713,931	—	—	—	1,713,931
2021	2022-2024		2,022,934	—	—	—	2,022,934
2022	2023-2025		—	2,556,520	—	—	2,556,520
		P	7,603,046	P 2,556,520	P —	(P 3,866,181)	P 6,293,385

**26. Earnings Per Share - Basic / Diluted**

Earnings per share - basic / diluted were computed as follows:

	2022	2021	2020
Net income attributable to equity holders of the Parent	P 2,800,557,660	P 2,504,080,376	P 165,646,806
Total comprehensive income (loss) attributable to equity holders of the Parent	2,728,710,414	2,680,681,495	(24,105,756)
Weighted average number of shares	1,227,570,239	1,227,570,239	1,241,967,264
<b>Earnings (Loss) Per Share</b>			
Basic/diluted, for net income attributable to equity holders of the Parent	P 2.28	P 2.04	P 0.13
Basic/diluted, for comprehensive income (loss) attributable to equity holders of the Parent	P 2.22	P 2.18	(P 0.02)

The Company does not have potentially dilutive common stock equivalents in 2022, 2021 and 2020.

**27. Related Party Transactions**

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

All related party transactions exceeding P5.0 million in a single transaction or in aggregate transactions within the last twelve (12) months shall be disclosed to and evaluated by the Related Party Transaction Committee for approval by at least majority of the BOD.

All material related party transactions, representing 10% or more of the consolidated total assets of the Group, shall be approved by at least two-thirds (2/3) vote of the BOD, with at least majority of the independent directors voting to approve the material related party transactions. These transactions shall be disclosed with the SEC.

In the normal course of business and in addition to those disclosed in Notes 13 and 30, the Group grants/ receives cash advances to/from its associates and affiliates. Related party transactions are generally settled through cash.

Compensation of the Group's key management personnel (in millions):

	2022	2021	2020
Short-term employee benefits (Notes 21 and 22)	P 205.9	P 106.8	P 146.4
Retirement benefits (Notes 21, 22 and 24)	4.4	4.4	4.4
Total	P 210.3	P 111.2	P 150.8

There are no termination benefits, share-based payments or other long-term employee benefits granted to key management personnel.

On November 4, 2019, the Company granted a five-year loan amounting to P363.5 million to A. Soriano Corporation Retirement Plan (the Retirement Plan) at 5% interest per annum. The loan is secured by the Company's shares of stock held by the Retirement Plan with a fair value of P506.2 million and P445.2 million as at December 31, 2022 and 2021, respectively.

The balance of the loan, which is presented as "Notes receivable" in the consolidated statements of financial position, amounted to P245.9 million and P297.6 million as at December 31, 2022 and 2021, respectively.

## 28. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long-term bank loans. The Group's other financial instruments include accounts payable, lease liabilities and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

- maintaining a bond portfolio that earns adequate cash yields, and
- maintaining a stable equity portfolio that generates capital gains through a combination of long-term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk, price risk of mutual funds, foreign currency risk, copper rod price risk, and operating and regulatory risks. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, Treasurer and Corporate Development Officer, and an independent consultant. The Committee meets at least every quarter for the review and evaluation. The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

*Credit risk*

The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being unable to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from default of the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a counterparty that accounts for more than 10% of the consolidated revenue.

*Credit risk management*

In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

*Credit risk exposures*

The table below shows the gross maximum exposure for each class of financial assets before the effects of collateral, credit enhancements and other credit risk mitigation techniques:

	<b>2022</b>	2021
Cash in banks	P 1,333,555,278	P 1,691,559,733
Cash equivalents	1,613,714,139	1,036,630,915
FVPL investments - bonds	162,948,774	246,425,256
FVOCI investments - bonds	41,453,401	46,396,340
Advances	567,408,113	566,449,622
	<b>3,719,079,705</b>	3,587,461,866
Receivables:		
Trade	2,312,815,653	1,935,826,780
Notes receivable	245,854,878	297,608,131
Receivable from villa owners	100,880,108	37,908,027
Interest receivable	8,563,901	6,172,679
Dividend receivable	—	22,251,559
Others	31,545,240	29,144,224
	<b>2,699,659,780</b>	2,328,911,400
	<b>P 6,418,739,485</b>	P 5,916,373,266

*Credit quality per class of financial assets*

For the Group's financial assets, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy.

*Trade receivables*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix.

December 31, 2022	Current	Days Past Due But Not Impaired					Total
		Less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	
Expected credit loss rate	0%	0% - 0.01%	0% - 0.02%	0% - 0.04%	0% - 99.49%	100%	
Estimated total gross carrying amount at default	P 1,358,737,772	P 316,259,359	P 242,520,337	P 183,419,945	P 43,423,375	P 168,454,865	P 2,312,815,653
Expected credit loss	P —	P 21,552	P 45,977	P 64,251	P 43,203,480	P 168,454,865	P 211,790,125

December 31, 2021	Current	Days Past Due But Not Impaired					Total
		Less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	
Expected credit loss rate	0%	0% - 1.05%	0% - 0.02%	0%	0% - 19.45%	100%	
Estimated total gross carrying amount at default	P 1,027,300,883	P 414,967,480	P 133,918,402	P 61,636,855	P 108,415,875	P 189,587,285	P 1,935,826,780
Expected credit loss	P —	P 4,685,005	P 24,441	P —	P 21,995,613	P 189,587,285	P 216,292,344

#### Other financial assets

Credit risk from balances with banks and financial institutions is managed by the Group in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group invests only on quoted debt securities with very low credit risk. The Group's debt instruments at fair value through OCI comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments.

The tables below present the summary of the Group's exposure to credit risk as of December 31 and show the credit quality of the assets by indicating whether the assets are subjected to the 12-month ECL or lifetime ECL.

2022	12-month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks	P 1,333,555,278	P —	P —	P 1,333,555,278
Cash equivalents	1,613,714,139	—	—	1,613,714,139
FVOCI investments	41,453,401	—	—	41,453,401
Receivables:				
Notes receivable	245,854,878	—	—	245,854,878
Receivable from villa owners	100,880,108	—	—	100,880,108
Interest receivable	7,972,806	—	591,095	8,563,901
Others	30,546,017	—	999,223	31,545,240
Advances	2,608,113	—	564,800,000	567,408,113
	P 3,376,584,740	P —	P 566,390,318	P 3,942,975,058

2021	12-month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks	P 1,691,559,733	P —	P —	P 1,691,559,733
Cash equivalents	1,036,630,915	—	—	1,036,630,915
FVOCI investments	46,396,340	—	—	46,396,340
Receivables:				
Notes receivable	297,608,131	—	—	297,608,131
Receivable from villa owners	37,908,027	—	—	37,908,027
Interest receivable	5,581,584	—	591,095	6,172,679
Dividend receivable	22,251,559	—	—	22,251,559
Others	28,145,001	—	999,223	29,144,224
Advances	1,649,622	—	564,800,000	566,449,622
	P 3,167,730,912	P —	P 566,390,318	P 3,734,121,230

#### Liquidity risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due. This is done by primarily investing in highly liquid investments.

The tables below summarize the maturity profile of the Group's financial liabilities based on undiscounted contractual payments as well as the financial assets used for liquidity management.

December 31, 2022	Within 6 Months	Over 6 to 12 Months	Over 1 Year to 5 Years	Over 5 Years	Total
Cash on hand					
and in banks	P 1,334,687,516	P —	P —	P —	P 1,334,687,516
Cash equivalents	1,613,714,139	—	—	—	1,613,714,139
FVPL investments - bonds	—	—	29,909,658	133,039,115	162,948,773
FVOCI investments - bonds	—	—	27,817,958	13,635,443	41,453,401
Receivables*	2,240,424,459	—	245,854,878	—	2,486,279,337
	P 5,188,826,114	P —	P 303,582,494	P 146,674,558	P 5,639,083,166
Accounts payable and accrued expenses**	P 1,192,641,934	P —	P —	P —	P 1,192,641,934
Lease liabilities	7,053,815	7,053,814	6,509,093	—	20,676,722
Notes payable	—	—	—	—	—
Long-term debt	—	—	—	—	—
Dividends payable	501,959,779	—	—	—	501,959,779
	P 1,701,655,528	P 7,053,814	P 6,509,093	P —	P 1,715,278,435

\* Including notes receivable amounting to P245.8 million.

\*\* Excluding non-financial liabilities amounting to P100.2million.

December 31, 2021	Within 6 Months	Over 6 to 12 Months	Over 1 Year to 5 Years	Over 5 Years	Total
Cash on hand and in banks	P 1,692,599,481	P —	P —	P —	P 1,692,599,481
Cash equivalents	1,036,630,915	—	—	—	1,036,630,915
FVPL investments - bonds	52,012,606	15,039,605	70,620,865	108,752,180	246,425,256
FVOCI investments - bonds	—	—	46,396,340	—	46,396,340
Receivables*	1,813,420,607	—	297,608,131	—	2,111,028,738
	P 4,594,663,609	P 15,039,605	P 414,625,336	P 108,752,180	P 5,133,080,730
Accounts payable and accrued expenses**	P 1,002,131,333	P —	P —	P —	P 1,002,131,333
Lease liabilities	4,969,201	4,969,201	7,729,869	—	17,668,271
Notes payable	23,166,200	—	—	—	23,166,200
Long-term debt	75,714,286	—	—	—	75,714,286
Dividends payable	519,529,172	—	—	—	519,529,172
	P 1,625,510,192	P 4,969,201	P 7,729,869	P —	P 1,638,209,262

\* Including notes receivable amounting to P297.6 million.

\*\* Excluding non-financial liabilities amounting to P108.6 million.

Accounts payable and accrued expenses, dividends payable, lease liabilities, notes payable and current portion of long-term debt are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

#### Market risks

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, equity price risk, price risk of mutual funds, foreign currency risk, copper rod price risk and operating and regulatory risk.

Investments exposed to market risk are foreign and local currency-denominated quoted debt instruments, foreign and local-currency denominated equity instruments and mutual fund/hedge fund investments.

There has been no change to the Group's manner in managing and measuring the risk.

#### a. Interest rate risks

##### Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following table demonstrates management's best estimate of the sensitivity to reasonably possible change in interest rates, with all other variables held constant (in millions):

Floating Debt Instrument	Effect on Income Change in Interest Rates [in Basis Points (bps)]	Before Tax and Equity Increase (Decrease)
2022	—	₱ —
	—	—
2021	+150	₱ 0.23
	-150	(0.23)

The sensitivity analysis shows the effect on the consolidated profit or loss of assumed changes in interest rates on the net interest income for one year, based on the floating rate of financial assets and financial liabilities held as at December 31, 2022 and 2021. There is no other impact on equity other than those affecting profit or loss.

*Fair value interest rate risk*

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

The tables below show the impact on income before income tax and equity of the estimated future bond yields using a duration-based sensitivity approach. Items affecting profit or loss are bonds classified as FVPL and items affecting equity account are bonds classified as FVOCI. The impact of change in interest rates are as follows (in millions):

2022	Change in Interest Rates (in bps)	Increase (Decrease)	
		Effect on Income Before Tax	Effect on Equity
FVOCI investments	+100	₱ —	(₱ 1.03)
	-100	—	(1.08)
FVPL investments	+100	(₱ 14.25)	₱ —
	100	(4.46)	—

2021	Change in Interest Rates (in bps)	Increase (Decrease)	
		Effect on Income Before Tax	Effect on Equity
FVOCI investments	+100	₱ —	(₱ 2.06)
	-100	—	2.19
FVPL investments	+100	(₱ 4.85)	₱ —
	-100	5.11	—

b. Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of the equity indices and the values of individual stock. The equity price risk exposure arises from the Group's investment in stock listed in the PSE, NASDAQ and NYSE.



The sensitivity analysis assumes that the stock's standard deviation on its historical returns for the past one year provides the basis for the range of reasonably possible changes in prices of the stock investments. In establishing the relative range of the stock investment returns, the Group also assumes a 99% confidence level.

The table below shows the impact on income before income tax and equity of the estimated future return of the stock investments using a Beta-based sensitivity approach. The impact of the change in equity prices are as follows (in millions):

<b>FVPL Investments</b>	<b>Change in PSE Price Index</b>	<b>Effect on Income Before Tax and Equity Increase (Decrease)</b>
<b>2022</b>	<b>+20.49%</b>	<b>₱ 1,050.13</b>
	<b>-20.49%</b>	<b>(1,050.13)</b>
<b>2021</b>	<b>+18.77%</b>	<b>₱ 859.33</b>
	<b>-18.77%</b>	<b>(859.33)</b>

The annual standard deviation of the PSE price index is approximately with 18.77% and 33.14% and with 99% confidence level, the possible change in PSE price index could be +/-20.49% and +/- 18.77% in 2022 and 2021, respectively.

c. Price risk of mutual funds

The Group is exposed to the risk of changes in the fund's net asset value (NAV) due to its market risk exposures.

The sensitivity analysis demonstrates management's best estimate of the impact of reasonably possible change in NAV, with all other variables held constant.

The table below shows the impact on income before income tax and equity of assumed changes in NAV. A negative amount in the table reflects a potential reduction on income before income tax or equity while a positive amount reflects a potential increase on income before income tax or equity.

The impact of the change in mutual fund prices are as follows (in millions):

<b>Mutual funds</b>	<b>Change in NAV</b>	<b>Effect on Income Before Tax and Equity Increase (Decrease)</b>
<b>2022</b>	<b>+10.00%</b>	<b>₱ 224.17</b>
	<b>-10.00%</b>	<b>(224.17)</b>
<b>2021</b>	<b>+10.00%</b>	<b>₱ 153.90</b>
	<b>-10.00%</b>	<b>(153.90)</b>

d. Foreign currency risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure arises primarily from investments in foreign currency-denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency - denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar, Australian dollar and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies.

On borrowings, it is the Company's group-wide policy for its subsidiaries to minimize any foreign exchange risks. Thus, all borrowings, whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, PRI and SSRLI can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

The analysis discloses management's best estimates of the effect of reasonably possible movement of the currency rate against the Philippine peso on income before tax. It assumes that all other variables remain constant. The impact of the change in currency rates are as follows (in millions):

	Change in Currency Rate	Effect on Income Before Tax and Equity Increase (Decrease)
<b>2022</b>		
US Dollar	+7.44%	₱ 15.36
	-7.44%	(15.36)
<b>2021</b>		
US Dollar	+4.38%	₱ 7.69
	-4.38%	(7.69)
Indonesian Rupiah	+19.11%	(₱ 34.01)
	-19.11%	34.01

e. Copper rod price risk

The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced. Average monthly purchase of copper rods amounted to ₱638.0 million, with an average quantity of about 1,255 metric tons in 2022 and ₱490.9 million, with an average quantity of about 1,182 metric tons in 2021.

Copper rods are priced based on the London Metal Exchange prices and are affected by the volatility in the price of metal in the world market. The following table represents the effect on income before tax and equity of the reasonably possible change in metal prices, as they affect prices of copper rods, with all other variables held constant.

The impact of the change in copper prices are as follows (in millions):

	% Change in Copper Rod Prices	Effect on Income Before Income Tax and Equity Increase (Decrease)
<b>2022</b>	<b>+4.13</b>	<b>(P 45.13)</b>
	<b>-4.13</b>	<b>45.13</b>
<b>2021</b>	<b>+9.02</b>	<b>(P 76.65)</b>
	<b>-9.02</b>	<b>76.65</b>

PDP Group's exposure to price risk on copper rod purchases is managed through back-to-back purchase of rods versus sales orders, average pricing on the firm orders like automobile wire products with long-term contracts, and obtaining orders from contractors with a fixed price or locked-in contracts with a specified period.

#### *Capital management*

The primary objective of the Group's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Group establishes an optimum risk-return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Group establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position.

No changes were made in the objectives, policies or process for the years ended December 31, 2022 and 2021.

## 29. Financial Instruments

### *Categorization of Financial Instruments*

<b>December 31, 2022</b>	<b>At Amortized Cost</b>	<b>Assets at FVPL</b>	<b>Financial Assets at FVOCI</b>	<b>Financial Total</b>
Cash and cash equivalents	P 2,948,401,655	P —	P —	P 2,948,401,655
FVPL investments	—	12,046,804,002	—	12,046,804,002
FVOCI investments	—	—	41,453,401	41,453,401
Receivables*	2,486,279,337	—	—	2,486,279,337
	P 5,434,680,992	P 12,046,804,002	P 41,453,401	P 17,522,938,395

\*Including notes receivable amounting to P245.8 million.

<b>December 31, 2021</b>	<b>At Amortized Cost</b>	<b>Assets at FVPL</b>	<b>Financial Assets at FVOCI</b>	<b>Financial Total</b>
Cash and cash equivalents	P 2,729,230,396	P —	P —	P 2,729,230,396
FVPL investments	—	11,677,813,985	—	11,677,813,985
FVOCI investments	—	—	46,396,340	46,396,340
Receivables*	2,111,028,738	—	—	2,111,028,738
	P 4,840,259,134	P 11,677,813,985	P 46,396,340	P 16,564,469,459

\*Including notes receivable amounting to P297.6 million.

*Fair Values of Financial Assets and Financial Liabilities*

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable, current portion of lease liabilities and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments.

The carrying values of long-term debt, which have floating rates with quarterly repricing, approximate their fair values.

FVPL and FVOCI investments are carried at fair value. The following methods and assumptions were used to estimate the fair values:

- FVPL quoted equity shares, investments in bonds, funds and equities, proprietary shares and others are derived from quoted market prices in active markets.
- FVOCI investments in bonds are derived from quoted market prices in active markets.
- FVPL investment in KSA are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.
- FVPL investments in private equity funds are valued using the adjusted net asset method. The underlying investments under these private equity funds are carried at fair value. Other FVPL investments in unquoted equity shares are based on prices and other relevant information generated by market transactions involving identical and comparable assets, liabilities or a group of assets and liabilities, such as business. The valuation requires management to use market multiples derived from a set of comparables. Multiples might be in ranges with a different multiple for each comparable. The selection of the appropriate multiple within the range requires judgement, considering qualitative and quantitative factors specific to the measurement.

The following tables provide the Group's fair value measurement hierarchy of its assets:

		Fair Value Measurement Using		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2022</b>	<b>Total</b>			
FVPL investments:				
Quoted equity shares	₱ 6,334,416,035	₱ 6,334,416,035	₱ —	₱ —
Unquoted equity shares	2,885,848,761	—	1,696,874,762	1,188,973,999
Funds and equities	2,139,724,268	—	2,139,724,268	—
Proprietary shares	518,127,073	—	518,127,073	—
Bonds	162,948,774	162,948,774	—	—
Others	5,739,091	5,739,091	—	—
	12,046,804,002	6,503,103,900	4,354,726,103	1,188,973,999
FVOCI investments				
	41,453,401	41,453,401	—	—
	₱ 12,088,257,403	₱ 6,544,557,301	₱ 4,354,726,103	₱ 1,188,973,999

		Fair Value Measurement Using		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021	Total			
FVPL investments:				
Quoted equity shares	₱ 7,405,486,958	₱ 7,405,486,958	₱ -	₱ -
Unquoted equity shares	1,827,306,698	-	805,597,624	1,021,709,074
Funds and equities	1,790,855,560	-	1,790,855,560	-
Proprietary shares	399,877,073	-	399,877,073	-
Bonds	246,425,256	246,425,256	-	-
Others	7,862,440	7,862,440	-	-
	11,677,813,985	7,659,774,654	2,996,330,257	1,021,709,074
FVOCI investments	46,396,340	46,396,340	-	-
	₱ 11,724,210,325	₱ 7,706,170,994	₱ 2,996,330,257	₱ 1,021,709,074

Description of significant unobservable inputs to valuation of investment in KSA classified under Level 3 (amounts in millions):

2022	Valuation Technique	Significant Unobservable inputs	Range	Sensitivity of Input to Fair Value
KSA	DCF Model	Dividend payout is ₱100.7 million with 5% annual increase at the end of 2nd year	0% to 5%	0%: fair value of ₱649 5%: fair value of ₱1,045
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱1,175 30%: fair value of ₱914
		Cost of equity of 13.20%	12.20% to 14.20%	12.20%: fair value of ₱1,185% 14.20%: fair value of ₱936

2021	Valuation Technique	Significant Unobservable inputs	Range	Sensitivity of Input to Fair Value
KSA	DCF Model	Dividend payout is ₱121.0 million with 3% annual increase at the end of 2nd year	0% to 5%	0%: fair value of ₱780 5%: fair value of ₱1,069

(Forward)

2021	Valuation Technique	Significant Unobservable inputs	Range	Sensitivity of Input to Fair Value
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱1,034 30%: fair value of ₱805
		Cost of equity of 13.20%	12.20% to 14.00%	12%: fair value of ₱981 14% fair value of ₱879

An increase in the expected lease income of KSA would increase the dividend payout, which would lead to an increase in the fair value of the investment in KSA.

As at December 31, 2022 and 2021, the carrying value of the investment in KSA amounts to ₱1,021.7 million. No unrealized gain or loss recognized for the years 2022, 2021 and 2020.

In 2021, Grab was listed in NASDAQ which resulted to transfer from Level 2 to Level 1 fair value measurement.

For the years ended December 31, 2022, 2021 and 2010, there were no transfers other than those mentioned above.

### 30. Contracts and Agreements

#### Anscor

- a. On November 29, 2019, the Company entered into a lease agreement with ATR Asset Management, Inc., ATRAM Trust Corporation and MET Holdings, Inc. for the lease of its condominium unit commencing on the agreement date until April 30, 2021. The contract was renewed for another five (5) years effective May 1, 2021 and the Company will receive monthly rental payments of ₱1.2 million, which is subject to 5% escalation rate starting May 1, 2022.

The Company recognized rental income amounting to ₱13.0 million, ₱12.6 million, and ₱12.3 million in 2022, 2021 and 2020, respectively (see Notes 15 and 23).

#### IAI

- a. On August 23, 2006, IAI entered into a Maintenance Service Plan (MSP) with Honeywell for the latter to service IAI's additional aircraft engine acquired in 2007. Under the terms of the programs, IAI agrees to pay a fee computed at a rate of the engine's actual operating hours or the minimum operating hours, subject to annual escalation. The engine shall be shipped to the United States to undergo repairs and maintenance as necessary by a Honeywell authorized service center. Deposits for the MSP as at December 31, 2022 and 2021 amounted to nil and ₱22.19 million, respectively, and included as part of "Other noncurrent assets" account in the consolidated balance sheets.

- b. IAI entered into a lease or concessionaire agreement with Manila International Airport Authority (MIAA) which granted IAI to operate as an aircraft hangar and conduct fixed base operations within the leased premises. The agreement shall be effective for a period of one (1) year commencing on January 1, 2016. After the end of the first year, the lease is automatically renewed until IAI is permitted to stay in Ninoy Aquino International Airport (NAIA) Complex. IAI will continue to operate at NAIA Complex by virtue of the Certificate of Public Convenience and Necessity (CPCN) to operate Domestic Scheduled Air Transportation Services issued on March 31, 2017 and valid from March 1, 2017 up to February 28, 2022. On March 28, 2022, the CPCN was renewed for a period of 5 years, effective from March 1, 2022 up to February 28, 2027.

On October 15, 2019, MIAA issued a memorandum stating that all general aviation operations be transferred to other alternate airports to ease the traffic congestion at the NAIA Complex. MIAA gave general aviation companies until May 31, 2020 to vacate and turn over the leased premises.

IAI continues to operate in the leased premises after May 31, 2020 and the lease agreement was converted to a month-to-month basis starting June 1, 2020.

On January 28, 2021, IAI received a letter from MIAA stating that should IAI desire to renew the agreement, documentary requirements must be submitted on or before February 15, 2021 and that IAI should provide its best lease offer. Rent expense in 2021 and 2020 amounted to ₱5.2 million and ₱1.5 million.

At the beginning of February 2021, Federation of Aviation Organization, of which IAI is a member, sent a letter proposal to MIAA for the best lease offer price which was agreed by all of its members.

A new lease arrangement between MIAA and ASAC was executed on April 21, 2022 effective for a period of three years starting January 1, 2022 to December 31, 2024 or earlier depending on MIAA's development plan affecting the area. The contract may be renewed or extended only upon the written agreement by the parties on such terms and conditions as they may be mutually agreed upon. The new lease arrangement between MIAA and ASAC superseded the month-to-month arrangement between MIAA and IAI.

	<b>2022</b>
Cost	
Additions for the year	₱ 17,652,622
Accumulated Amortization	
Amortization for the year	(5,884,207)
Net Book Value	₱ 11,768,415

Set out below is the carrying amount of lease liability and its movement:

	<b>2022</b>
Additions for the year	₱ 17,652,621
Accretion of interest	760,575
Lease payments	(6,192,000)
	12,221,196
Less current portion of lease liability	(5,845,738)
Noncurrent portion of lease liability	₱ 6,375,458



The future aggregate minimum lease payments under the said lease are as follows:

	<b>2022</b>
Not later than 1 year	P 6,377,760
More than 1 year but not later than 5 years	6,569,093
	<b>P 12,946,853</b>

- c. On November 7, 2022, the Board approved the acquisition of two (2) twin Otter aircraft from Viking Air Limited (VAL). On the same date, the Board authorized IAI to avail a 10-year loan amounting to P1.0 billion from Banco De Oro (BDO) with variable or floating interest rate for the first two (2)— years and an interest (for evaluation whether fixed, variable or a combination of both) for the succeeding years.
- d. On November 29, 2022, IAI entered into a purchase agreement with VAL to acquire two twin Otter aircraft with a total purchase price US\$17.07 million. As of December 31, 2022, IAI deposited to VAL advance payment for the aircraft amounting to P245 million funded by the advance from SSRLI.

#### SSRLI and PRI

- a. On January 9, 2007, SSRLI and the Philippine Economic Zone Authority (PEZA) signed a Registration Agreement declaring SSRLI as an Ecozone Developer/Operator, entitling SSRLI to establish, develop and construct the villas and to operate the Ecozone. SSRLI is entitled to four-year income tax holiday and tax-free importation of machineries and equipment on PEZA-covered registered activities under the Registration Agreement.

On December 18, 2009, SSRLI's resort operations have been registered with PEZA to engage in the renovation and expansion of Amanpulo Resort at the Pamalican Island Tourism Ecozone. SSRLI's resort operations are entitled to 5% gross income tax on revenues generated from foreign clients and regular income tax on non-foreign clients under the Registration Agreement.

On July 1, 2011, PRI took over the resort operations of SSRLI. On the same date, PEZA approved PRI's application for registration as a locator at the Pamalican Island Ecozone Tourism Zone. SSRLI also transferred in the name of PRI all resort operation-related contracts entered into with related parties and third parties, including its long-term loans with a bank, except for the foreshore lease contract with the Department of Environment and Natural Resources (DENR) which is nontransferable.

On October 3, 2012, PRI entered into an operating lease agreement with SSRLI covering all rights and interests in resort-related assets, which include land, land improvements and buildings for a period of 20 years beginning July 1, 2011. Annual lease rental amounted to P53.5 million, payable within the first five days at the beginning of each quarter.

Effective January 1, 2016, the annual rental fee upon mutual agreement of both parties was reduced to P42.8 million.

- b. On February 18, 2011, the BOD of the Company approved the Company's acquisition of additional shares from the shareholders of SSRLI. The acquisition increased the ownership of the Company from 46.79% to 62.30% of the total outstanding common and preferred shares of SSRLI. Total acquisition price for the additional shares is US\$5.9 million (P255.9 million) cash consideration plus fair value of the 46.79% investment amounting to P302.7 million. Goodwill recognized from the acquisition amounted to P99.3 million (see Note 7).
- c. Since 1995, the Company charges a monthly fee amounting to US\$15,000 or its Peso equivalent for the Company's general, administrative, treasury, tax and legal services rendered to PRI.

Starting January 1, 2018, both parties mutually agreed to a monthly fee amounting to P650,000 (eliminated in the consolidated statements of comprehensive income), inclusive of VAT. AHI also charges PRI for a monthly fee of P100,000 (eliminated in the consolidated statements of comprehensive income), inclusive of VAT. Effective August 2021, P375,000 (inclusive of VAT) is billed by AHI to PRI and the same amount is charged by the Company by PRI.

- d. PRI executed in the past an Operating and Management Agreement (OMA) with Amanresorts Management, B.V. (AMBV, the Operator of Amanresorts), a company based in Amsterdam, the Netherlands, for a fee of 5% of PRI's gross operating profits, as defined in the OMA. The OMA provides for, among others, the reimbursements by PRI to Amanresorts of all costs and expenses incurred by the latter in connection with the management and operation of the resort and a reserve cash funding equivalent to 3% of gross revenues, which will be used to cover the cost of replacements, renewals, and additions to furniture, fixtures and equipment.

On June 24, 2013, both parties have mutually entered into a new OMA, effective on the same date, in which PRI will pay a basic fee amounting to 4% of gross revenue and an incentive fee of 10% based on the gross operating profit collectively known as "Management fee". In addition to the management fees discussed, PRI shall also reimburse AMBV for all costs and expenses incurred by AMBV directly in connection with rendering services under the new OMA.

Likewise, a Marketing Service Agreement (MSA) was entered into by PRI with Amanresorts Services Limited (ASL) with marketing fee charges of 3% of PRI's annual gross hotel revenues. On June 24, 2013, both parties mutually entered into a new marketing services agreement of the same terms and conditions, except for a lower marketing fee rate of 1% of gross revenue from 3%.

On June 24, 2011, PRI also executed a Reservation Service Agreement with Hotel Sales Services Ltd. (HSSL), a company established in British Virgin Islands, in which PRI will pay the latter a monthly fee of 6.5% on gross accommodation charges for all realized bookings processed through HSSL's central sales and reservation offices with the exception of bookings made through the Global Distribution System (GDS) in which PRI will pay US\$100 per booking. An annual maintenance fee of US\$1,000 shall also be paid to HSSL.

On October 10, 2014, PRI and HSSL executed a new agreement, effective January 1, 2015, with similar terms as the original agreement, except for a higher annual maintenance fee which increased to US\$3,000 from US\$1,000 and a lower transaction fee for GDS Network bookings for US\$100 from US\$300.

PRI also obtained from Amanresorts I.P.R.B.V. (AIPRBV), a company incorporated in Amsterdam, the Netherlands, the nonexclusive license to use the Amanresorts Marks in connection with the operation of the Resort for a monthly fee of US\$1,000.

The OMA, marketing and license contracts will expire on the thirty first (31st day) of December of the fifth full calendar year following their commencement. Further, AMBV has the option to extend the operating term for a period of five years from the date of its expiration.

On January 18, 2018 and March 9, 2018, the Aman Group notified PRI of the assignment of the OMA, MSA and RSA, among others, to Aman Group S.A.R.L., a company incorporated in Switzerland.

On November 28, 2018, Aman Group issued a Notice of Extension to PRI containing its election and intention to extend the operating term with PRI for a period of five (5) years or until December 31, 2023 from the date of expiration, which was on December 31, 2018, under the same terms and conditions as contained in the management agreement.

Total fees related to these agreements amounted to ₱98.1 million, ₱75.1 million and ₱52.6 million in 2022, 2021 and 2020, respectively.

- e. PRI entered into an agreement with IAI wherein the latter will provide regular air transport service to PRI. IAI shall charge PRI a fixed round trip rate, subject to an annual review by both parties, with a guarantee that all IAI's operating cost will be covered. The agreement has a duration of three (3) years and was executed effective July 1, 2011. The agreement was renewed for another three (3) years on February 13, 2015. The duration of the contract may be extended upon such terms and condition as may be mutually agreed by both parties.

On February 15, 2018, both parties entered into a renewal agreement which shall have a duration of not less than three (3) years unless otherwise pre-terminated. This was subsequently renewed for another three (3) years, i.e., until February 2024.

- f. PRI entered into a lease agreement with IAI for the guest lounge, purchasing office including storage space and vehicle parking lots. In addition, in 2020, PRI entered into short-term lease agreements with IAI for PRI's disinfecting and rapid testing area, isolation area, staff room and additional vehicle parking slots.

In 2022, the Company renewed its lease agreements with IAI for the Company's disinfecting and rapid testing area, isolation area, staff room and additional vehicle parking slots. These lease agreements are subjected to a lease term of one year or less.

On April 21, 2022, a new lease arrangement between Manila International Airport Authority (MIAA) and A. Soriano Air Corporation (ASAC) was executed effective for a period of three years starting January 1, 2022 to December 31, 2024. This new lease agreement between MIAA and ASAC superseded the month-to-month arrangement between MIAA and IAI. Accordingly, all the existing lease agreements between IAI and the Company was terminated. New lease agreements was executed between the Company and ASAC starting August 1, 2022. These lease agreements are subjected to a lease term of one year or less.

Total rent expense (eliminated in the consolidated profit or loss) relating to these lease agreements amounted to ₱3.84 million and ₱5.1 million in 2022 and 2021, respectively.

- g. On July 1, 2011, PRI entered into management agreements with the villa owning companies wherein it shall provide general maintenance and accounting and administrative services for the villas. PRI shall also be responsible for the marketing and promotion of the villas. In return for these services, PRI shall be entitled to 50% of the net villa rental proceeds. PRI shall also receive reimbursements of costs, with 15% handling fees (except for utilities, which are not subject to handling fees), incurred in providing services to the villa guests. PRI's share in the net villa rental proceeds including handling fees amounted to ₱193.0 million, ₱164.0 million and ₱90.9 million in 2022, 2021 and 2020, respectively, and presented as "Services" revenue account in the consolidated statements of comprehensive income.

As part of the agreement, PRI will also receive a fund which shall be used for future maintenance requirements of the villas. As at December 31, 2022 and 2021, the restricted fund amounted to ₱82.72 million and ₱87.01 million, respectively, which is included under "Other noncurrent assets" and "Other noncurrent liabilities" in the consolidated balance sheets (see Note 16).

- h. In November 2005, the DENR awarded to SSRLI the use of the foreshore land surrounding the Pamalican Island, where Amanpulo Resort is situated. The award has a duration of 25 years which may be renewed for another full period at the option of SSRLI. Annual rent shall be paid in advance on or before the 16th day of November every year.
- i. In 2014, SSRLI entered into a Construction Service Contract (Service Contract) with the PEZA-registered villa owners in which SSRLI shall provide project management general and specific administration and supervision over the preconstruction and construction stages of the Project. The villa owners shall pay SSRLI a handling fee which represents 15% of the actual project cost during the villa construction or renovation. As there are no ongoing projects, no handling fee was recognized in 2022, 2021 and 2020.
- j. Starting 2013, SSRLI has property development in progress, which pertains to the costs related to the development of various projects. As at December 31, 2022 and 2021, total property development in progress mainly for Phase 4 villa development amounted to ₱41.1 million and ₱32.2 million, respectively.

#### PDIPI and Subsidiaries

- a. The Company has a management contract with PDP Energy which provides, among others, for payment of annual management fees amounting to ₱7.2 million (VAT inclusive), plus certain percentages of audited income before tax and management and technical assistance fees (VAT exclusive). Due from PDP Energy (eliminated in the consolidated balance sheets) amounted to ₱44.7 million and ₱23.3 million as at December 31, 2022 and 2021, respectively. Management fees (eliminated in the consolidated profit or loss) amounted to ₱100.1 million, ₱103.6 million, and ₱85.1 million in 2022, 2021 and 2020, respectively.

A new management contract was executed effective January 1, 2022 subject to the same terms and conditions except for the payment of a fixed fee amounting to ₱7.2 million (VAT inclusive) per year.

- b. In 2012, PDP Energy entered into a contract of lease with a third party for the lease of its office building. The term is for a period of five years and renewable at the option of both parties. Set out below are the carrying amount of right-of-use asset recognized as at December 31, 2022 and 2021, and the movement during the period.

	2022	2021
Cost		
Beginning/Ending balance	P 35,792,042	P 35,792,042
Accumulated Amortization		
Beginning balance	22,605,501	15,070,334
Amortization for the year	7,535,167	7,535,167
Ending balance	30,140,668	22,605,501
Net Book Value	P 5,651,374	P 13,186,541

Set out below is the carrying amount of lease liability and its movements in 2022 and 2021:

	2022	2021
Beginning balance	P 16,600,449	P 24,130,777
Accretion of interest	1,618,916	1,890,962
Lease payments	(11,224,249)	(9,421,290)
	6,995,116	16,600,449
Less current portion of lease liability	4,288,032	9,810,744
Noncurrent portion of lease liability	P 2,707,084	P 6,789,705

*Operating Lease commitments - PDP Energy as lessee*

The future aggregate minimum lease payments under the said lease are as follows:

	2022	2021
Not later than 1 year	P 7,729,869	P 9,938,402
More than 1 year but not later than 5 years	—	7,729,869
	P 7,729,869	P 17,668,271

### 31. Changes in Liabilities Arising from Financing Activities

December 31, 2022	January 1, 2022	Cash Flow for Availability	Cash Flows for Repayments	Dividend Declaration	Noncash Movement	Accretion of Interest	December 31, 2022
Long-term debt	P 75,714,286	P —	(P 75,714,286)	P —	P —	P —	P —
Notes payable	23,166,200	23,166,200	(23,166,200)	—	(23,166,200)	—	—
Dividends payable	519,529,172	—	(1,189,139,632)	1,227,570,239	(56,000,000)	—	501,959,779
Lease liabilities	16,600,449	—	(17,416,249)	—	17,652,621	2,379,491	19,216,312
Total liabilities from financing activities	P 635,010,107	P 23,166,200	(P 1,305,436,367)	P 1,227,570,239	(P 61,513,579)	P 2,379,491	P 521,176,091

	January 1, 2021	Cash Flow for Availment	Cash Flows for Repayments	Dividend Declaration	Noncash Movement	Accretion of Interest	December 31, 2021
December 31, 2021							
Long-term debt	₱ 227,142,857	₱ —	(₱ 151,428,571)	₱ —	₱ —	₱ —	₱ 75,714,286
Notes payable	23,166,200	23,166,200	—	—	(23,166,200)	—	23,166,200
Dividends payable	366,069,163	—	(725,217,672)	920,677,681	(42,000,000)	—	519,529,172
Lease liabilities	24,130,777	—	(9,421,290)	—	—	1,890,962	16,600,449
Total liabilities from financing activities	₱ 640,508,997	₱ 23,166,200	(₱ 886,067,533)	₱ 920,677,681	(₱ 65,166,200)	₱ 1,890,962	₱ 635,010,107

	January 1, 2020	Cash Flow for Availment	Cash Flows for Repayments	Dividend Declaration	Noncash Movement	Foreign Exchange Movement	Accretion of Interest	December 31, 2020
December 31, 2020								
Long-term debt	₱ 503,307,603	₱ —	(₱ 275,719,246)	₱ —	₱ —	(₱ 445,500)	₱ —	₱ 227,142,857
Notes payable	—	28,166,200	(5,000,000)	—	—	—	—	23,166,200
Dividends payable	283,974,578	—	(813,500,482)	937,595,067	(42,000,000)	—	—	366,069,163
Lease liabilities	37,374,645	—	(12,038,287)	—	(3,917,535)	—	2,711,954	24,130,777
Total liabilities from financing activities	₱ 824,656,826	₱ 28,166,200	(₱ 1,106,258,015)	₱ 937,595,067	(₱ 45,917,535)	(₱ 445,500)	₱ 2,711,954	₱ 640,508,997

### 32. Other Matters

- ASAC is a defendant in labor lawsuits and claims. As at December 31, 2019, management has provisions for losses amounting to ₱5.7 million that may be incurred from these lawsuits. In 2020, ASAC reversed the provisions in full as management assessed that the claim is no longer probable due to the prescription of the period from which the complainants may file an independent action to re-open the labor lawsuits. The 10-year prescriptive period ended on April 20, 2020.
- The Group have claims, commitments, litigations and contingent liabilities that arise in the normal course of their operations which are not reflected in the consolidated financial statements. Management is of the opinion that as at December 31, 2022 and 2021, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.
- The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, are not disclosed as they may prejudice the Group's negotiation with third parties.

### 33. Notes to Consolidated Statements of Cash Flows

The Group's investing and financing activities in 2022 are as follows:

- 2021 additions to property and equipment amounting to ₱197.57 million was paid in 2022.

The Group's noncash investing activities in 2021 are as follows:

- Additions to property and equipment amounting to ₱197.57 million; and
- Loans amounting to ₱23.2 million were rolled-over for another year.

### 34. Subsequent Events

#### Anscor

- On March 1, 2023, the BOD approved the declaration of cash dividend of ₱0.50 per common share, payable on April 10, 2023 to common stockholders of record as at March 16, 2023.

#### SSRLI, PRI and PUI

- SSRLI sold its shares in PUI to PRI on January 31, 2023. On February 2, 2023, PRI transferred its assets to PUI amounting to ₱176.86 million.

#### IAI

- On January 6, 2023, SSRLI made an additional cash advance of ₱160 million to IAI for additional deposits to VAL (see Note 30).
- On January 9, 2023, a Facility Agreement (IAI-BDO Loan) was executed between IAI and BDO, for a term loan in the aggregate principal amount of up to ₱1 billion. On the same date, the Continuing Suretyship (CS) in favor of BDO was jointly and severally irrevocably executed by SSRLI and PRI duly identified as the sureties to secure the due and full payment and performance of the Secured Obligations as defined in the CS. Further, on the same date, IAI availed a 10-year loan from BDO amounting to ₱450.0 million with an interest rate of 6.5657%. The amount loaned was used to pay for the advances received from SSRLI amounting to ₱406 million.
- On February 14, 2023, SSRLI, PRI, PUI (the three companies as Trustors) and AB Capital and Investment Corporation (as Trustee) executed the Amended and Restated Mortgage Trust Indenture (MTI). PRI and PUI are now parties to the MTI which was originally entered by SSRLI and the Trustee on November 29, 2005. The Trustors in the MTI are now parties to the Mortgage Obligations for the IAI Loan with BDO Unibank Inc. (BDO). The Mortgaged properties include certain assets with an appraised value of at least 167% of the outstanding loan of IAI with BDO.

#### PDP

- On March 1, 2023, the Board of Directors of PD Energy approved the declaration of ₱336.0 million cash dividend to PDIPI representing ₱5.2 per share, payable as follows:

₱36 million - payable on March 22, 2023

₱150 million - payable on April 4, 2023

₱150 million - payable on June 29, 2023

- On March 1, 2023 the Board of Directors of PDIPI approved the declaration of ₱336.0 million cash dividend to each stockholders of record as of March 3, 2023 representing ₱3.9 per share, payable as follows:

₱36 million - payable on March 23, 2023

₱150 million - payable on April 5, 2023

₱150 million - payable on June 30, 2023



# Board of Directors



**ANDRES SORIANO III**  
Chairman of the Board and  
Chief Executive Officer



**EDUARDO J. SORIANO**  
Vice Chairman



**ERNEST K. CUYEGKENG**  
President and Chief Operating Officer



**JOHNSON ROBERT G. GO, JR.**



**OSCAR J. HILADO**



**WILLIAM H. OTTIGER**  
Executive Vice President and  
Corporate Development Officer



**ALFONSO S. YUCHENGCO III**



# Officers & Corporate Directory

## CORPORATE DIRECTORY

**Corporate Social Responsibility Arm**  
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[www.asorianofoundation.org](http://www.asorianofoundation.org)

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**Post Office Box**  
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1252 Makati City, Philippines

**Websites**  
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[www.sorianogroup.com.ph](http://www.sorianogroup.com.ph)

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**Fax Number**  
(632) 8811-50-68

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SyCip Gorres Velayo & Co.

**Stock Transfer Agent**  
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34th Floor, Unit D, Rufino Pacific Tower  
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**Legal Counsels**  
Angara Abello Concepcion Regala & Cruz  
Kapunan & Castillo  
Picazo Buyco Tan Fider & Santos  
Tan Acut Lopez & Pison

\* *Assigned to AHI*

\*\* *Assigned to ASF*

## OFFICERS

**ERNEST K. CUYEGKENG**  
President & Chief Operating Officer

**WILLIAM H. OTTIGER**  
Executive Vice President & Corporate Development Officer

**NARCISA M. VILLAFLORES**  
Vice President & Comptroller/Treasurer

**LORENZO D. LASCO\***  
Vice President

**JOSHUA L. CASTRO**  
Vice President & Assistant Corporate Secretary

**SALOME M. BUHION**  
Assistant Vice President

**MARIA VICTORIA L. CRUZ**  
Assistant Vice President

**LEMIA L. SIMBULAN\*\***  
Executive Assistant

**LORNA P. KAPUNAN**  
Corporate Secretary

## SUBSIDIARIES

A. Soriano Air Corporation  
AFC Agribusiness Corporation  
Anscor Consolidated Corporation  
Anscor Holdings, Inc. (AHI)  
Anscor International, Inc.  
IQ Healthcare Professional Connection, LLC  
Island Aviation, Inc.  
Minuet Realty Corporation  
Pamalican Island Holdings, Inc.  
Pamalican Resort, Inc.  
Pamalican Utilities, Inc.  
PD Energy International Corporation  
Phelps Dodge International Philippines, Inc.  
Phelps Dodge Philippines Energy Products Corporation  
Seven Seas Resorts and Leisure, Inc.

## AFFILIATES

Asia Partners LP  
ATRAM Investment Management Partners Corporation  
Fremont Holdings, Inc.  
KSA Realty Corporation  
Navegar LP  
Prople Limited  
Sierra Madre Philippines I LP  
Vicinetum Holdings, Inc.  
Y-mAbs Therapeutics, Inc.



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