

A. Soriano Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2023 and 2022
and for the Years Ended
December 31, 2023, 2022 and 2021

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
A. Soriano Corporation

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, 2023 and 2022, 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, 2023, and notes to the consolidated financial statements, including a summary of material accounting policy information.

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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 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 the 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 matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Valuation of Unquoted Equity Instruments

As at December 31, 2023, the Group has unquoted equity investments classified as financial assets through profit or loss, with carrying value of ₪2,921 million and accounts for 11% of the consolidated total assets. We considered the valuation of these unquoted equity investments as a key audit matter because of the materiality of the amount involved and the inherent subjectivity of the valuation as it involves the use of inputs that are not market observable. Management also applied judgment in selecting the valuation technique and the assumptions to be used.

The Group's disclosures about its equity investments are included in Notes 9 and 29 to the consolidated financial statements.

Audit Response

We involved our internal specialists in evaluating the valuation techniques and inputs and the 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 investment 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 investee 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 evaluated the competence, capabilities and objectivity of the investment managers by considering their qualifications, experience and reporting responsibilities. We also 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 Group's disclosures about those assumptions to which the outcome of the valuation is most sensitive; specifically, those that have the most significant effect on the determination of the fair value of the unquoted equity investments.

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, 2023, 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, 2023 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

BIR Accreditation No. 08-001998-098-2023, September 12, 2023, valid until September 11, 2026

PTR No. 10082016, January 6, 2024, Makati City

February 28, 2024



A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|------------------------|------------------------|
| | 2023 | 2022 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Note 8) | ₱3,027,406,563 | ₱2,948,401,655 |
| Fair value through profit or loss (FVPL) investments (Note 9) | 13,186,171,800 | 12,046,804,002 |
| Receivables (Note 10) | 2,167,277,147 | 2,240,424,459 |
| Inventories (Note 11) | 1,757,321,449 | 1,695,039,141 |
| Prepayments | 404,675,288 | 190,812,484 |
| Other current assets | 267,923,491 | 218,264,039 |
| Total Current Assets | 20,810,775,738 | 19,339,745,780 |
| Noncurrent Assets | | |
| Fair value through other comprehensive income (FVOCI) investments (Note 12) | 57,636,746 | 41,453,401 |
| Notes receivable (Note 27) | 416,774,404 | 245,854,878 |
| Investments and advances (Note 13) | 337,543,710 | 357,031,299 |
| Goodwill (Note 7) | 1,302,276,264 | 1,302,276,264 |
| Property and equipment (Notes 14 and 19) | 3,784,758,702 | 2,705,108,750 |
| Investment properties (Note 15) | 463,590,308 | 472,052,732 |
| Retirement plan asset - net (Note 24) | 179,367,643 | 122,351,083 |
| Deferred income tax assets - net (Note 25) | 118,241,184 | 114,115,228 |
| Right-of-use assets (Note 30) | 52,522,610 | 17,419,789 |
| Deposits to suppliers (Note 30) | 40,631,154 | 296,417,399 |
| Other noncurrent assets (Note 16) | 128,484,202 | 124,408,616 |
| Total Noncurrent Assets | 6,881,826,927 | 5,798,489,439 |
| TOTAL ASSETS | ₱27,692,602,665 | ₱25,138,235,219 |

LIABILITIES AND EQUITY

| | | |
|---|----------------------|----------------------|
| Current Liabilities | | |
| Accounts payable and accrued expenses (Note 18) | ₱1,385,273,515 | ₱1,343,101,690 |
| Current portion of lease liabilities (Note 30) | 18,763,285 | 10,133,770 |
| Dividends payable (Note 20) | 570,375,761 | 501,959,779 |
| Income tax payable | 77,027,664 | 90,712,935 |
| Total Current Liabilities | 2,051,440,225 | 1,945,908,174 |

(Forward)



| | December 31 | |
|--|------------------------|-----------------|
| | 2023 | 2022 |
| Noncurrent Liabilities | | |
| Lease liabilities - net of current portion (Note 30) | ₱35,296,241 | ₱9,082,542 |
| Long-term debt (Notes 14 and 19) | 1,000,000,000 | - |
| Deferred income tax liabilities - net (Note 25) | 493,566,194 | 417,846,430 |
| Retirement benefits payable - net (Note 24) | 22,609,622 | 39,931,355 |
| Other noncurrent liabilities (Note 16) | 101,722,393 | 111,736,509 |
| Total Noncurrent Liabilities | 1,653,194,450 | 578,596,836 |
| Total Liabilities | 3,704,634,675 | 2,524,505,010 |
| Equity Attributable to Equity Holders of the Parent (Note 20) | | |
| Capital stock | 2,505,000,000 | 2,505,000,000 |
| Additional paid-in capital (Note 27) | 1,724,358,371 | 1,859,383,287 |
| Cumulative translation adjustment | 167,266,370 | 179,017,188 |
| Net unrealized valuation gains (loss) on FVOCI investments (Note 12) | 605,619 | (3,183,933) |
| Remeasurement gain on retirement benefits (Note 24) | 84,220,038 | 54,423,304 |
| Retained earnings (Note 20): | | |
| Appropriated | 7,150,000,000 | 7,150,000,000 |
| Unappropriated | 14,196,742,307 | 12,872,294,566 |
| Cost of shares held by a subsidiary (1,272,429,761 shares in 2023 and 2022) (Note 20) | (2,655,215,372) | (2,655,215,372) |
| | 23,172,977,333 | 21,961,719,040 |
| Noncontrolling Interests (Notes 3 and 27) | 814,990,657 | 652,011,169 |
| Total Equity | 23,987,967,990 | 22,613,730,209 |
| TOTAL LIABILITIES AND EQUITY | ₱27,692,602,665 | ₱25,138,235,219 |

See accompanying Notes to Consolidated Financial Statements.



A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|--------------------------------|-----------------|-----------------|
| | 2023 | 2022 | 2021 |
| REVENUES | | | |
| Sale of goods - net (Note 5) | ₱10,147,489,118 | ₱10,727,755,227 | ₱8,751,666,475 |
| Services (Notes 5 and 30) | 1,709,328,620 | 1,292,106,914 | 1,013,453,849 |
| Dividend income (Note 9) | 368,356,295 | 295,306,868 | 399,429,444 |
| Interest income (Note 23) | 91,870,114 | 67,461,869 | 53,534,090 |
| | 12,317,044,147 | 12,382,630,878 | 10,218,083,858 |
| INVESTMENT GAINS (LOSSES) | | | |
| Gain (loss) on increase (decrease) in market values of FVPL investments - net (Notes 9 and 29) | 1,476,197,600 | (994,108,320) | 1,124,061,312 |
| Gain (loss) on sale of FVOCI investments - net (Note 12) | (3,496,596) | 764,165 | 532,067 |
| Gain on sale of noncurrent asset held for sale (Note 13) | - | 2,208,757,397 | - |
| | 1,472,701,004 | 1,215,413,242 | 1,124,593,379 |
| EQUITY IN NET EARNINGS ON INVESTMENTS IN ASSOCIATES (Note 13) | | | |
| | 8,742,755 | 26,639,523 | 11,409,604 |
| TOTAL | | | |
| Cost of goods sold (Note 21) | (8,470,102,746) | (9,048,418,434) | (7,071,619,957) |
| Cost of services rendered (Note 21) | (535,493,389) | (404,526,169) | (347,923,582) |
| Operating expenses (Note 21) | (1,737,010,603) | (1,373,857,309) | (1,091,980,471) |
| Interest expense (Note 23) | (62,479,987) | (4,687,677) | (10,259,686) |
| Foreign exchange gain (loss) - net | (26,915,621) | 282,751,590 | 139,150,079 |
| Other income (charges) - net (Note 23) | 50,710,170 | 22,251,511 | (53,708,290) |
| INCOME BEFORE INCOME TAX | 3,017,195,730 | 3,098,197,155 | 2,917,744,934 |
| PROVISION FOR INCOME TAX (Note 25) | 368,000,045 | 242,155,199 | 380,152,014 |
| NET INCOME | 2,649,195,685 | 2,856,041,956 | 2,537,592,920 |
| OTHER COMPREHENSIVE LOSS | | | |
| Other comprehensive gain (loss) to be reclassified to profit or loss in subsequent periods: | | | |
| Unrealized valuation gain (loss) on FVOCI investments (Note 12) | 1,556,140 | (3,845,678) | (2,705,833) |
| Income tax effect | (389,035) | 961,420 | 856,583 |
| | 1,167,105 | (2,884,258) | (1,849,250) |

(Forward)



| | Years Ended December 31 | | |
|--|--------------------------------|----------------|----------------|
| | 2023 | 2022 | 2021 |
| Realized gains on FVOCI investments recognized in profit or loss (Note 12) | ₱3,496,596 | (₱764,165) | (₱532,067) |
| Income tax effect | (874,149) | 191,041 | 133,017 |
| | 2,622,447 | (573,124) | (399,050) |
| | 3,789,552 | (3,457,382) | (2,248,300) |
| Cumulative translation adjustment | (11,750,818) | (47,156,996) | 126,913,660 |
| | (7,961,266) | (50,614,378) | 124,665,360 |
| Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods: | | | |
| Remeasurement gain (loss) on retirement benefits (Note 24) | 39,728,979 | (27,918,980) | 65,259,567 |
| Income tax effect | (9,932,245) | 6,686,112 | (13,323,808) |
| | 29,796,734 | (21,232,868) | 51,935,759 |
| OTHER COMPREHENSIVE INCOME (LOSS) | 21,835,468 | (71,847,246) | 176,601,119 |
| TOTAL COMPREHENSIVE INCOME | ₱2,671,031,153 | ₱2,784,194,710 | ₱2,714,194,039 |
| Net Income Attributable to: | | | |
| Equity holders of the Parent | ₱2,552,017,982 | ₱2,800,557,660 | ₱2,504,080,376 |
| Noncontrolling interests | 97,177,703 | 55,484,296 | 33,512,544 |
| | ₱2,649,195,685 | ₱2,856,041,956 | ₱2,537,592,920 |
| Total Comprehensive Income | | | |
| Attributable to: | | | |
| Equity holders of the Parent | ₱2,573,853,450 | ₱2,728,710,414 | ₱2,680,681,495 |
| Noncontrolling interests | 97,177,703 | 55,484,296 | 33,512,544 |
| | ₱2,671,031,153 | ₱2,784,194,710 | ₱2,714,194,039 |
| Earnings Per Share | | | |
| Basic/diluted, for net income attributable to equity holders of the Parent (Note 26) | ₱2.08 | ₱2.28 | ₱2.04 |
| Basic/diluted, for total comprehensive income attributable to equity holders of the Parent (Note 26) | ₱2.10 | ₱2.22 | ₱2.18 |

See accompanying Notes to Consolidated Financial Statements.



A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Equity Attributable to Equity Holders of the Parent (Note 20) | | | | | | | | | | |
|---|---|----------------------------|-----------------------------------|--|--|--------------------------------|-------------------------------------|---------------------------|------------------------|---------------------|------------------------|
| | Capital Stock | Additional Paid-in Capital | Cumulative Translation Adjustment | Unrealized Valuation Gains (Losses) on FVOCI Investments (Note 12) | Remeasurement on Retirement Benefits (Note 24) | Retained Earnings Appropriated | Held by a Subsidiary Unappropriated | Cost of Shares Subsidiary | Noncontrolling Total | Interests | Total |
| BALANCES AT DECEMBER 31, 2020 | ₱2,500,000,000 | ₱1,859,383,287 | ₱99,260,524 | ₱2,521,749 | ₱23,720,413 | ₱7,150,000,000 | ₱9,715,904,450 | (₱2,655,215,372) | ₱18,695,575,051 | ₱564,815,483 | ₱19,260,390,534 |
| Net income | – | – | – | – | – | – | 2,504,080,376 | – | 2,504,080,376 | 33,512,544 | 2,537,592,920 |
| Other comprehensive loss | – | – | 126,913,660 | (2,248,300) | 51,935,759 | – | – | – | 176,601,119 | – | 176,601,119 |
| Total comprehensive income (loss) for the year | – | – | 126,913,660 | (2,248,300) | 51,935,759 | – | 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 ₱954.3 million (Note 20) | – | – | – | – | – | – | (920,677,681) | – | (920,677,681) | – | (920,677,681) |
| Movement in noncontrolling interests | – | – | – | – | – | – | – | – | – | (1,800,428) | (1,800,428) |
| BALANCES AT DECEMBER 31, 2021 | 2,505,000,000 | 1,859,383,287 | 226,174,184 | 273,449 | 75,656,172 | 7,150,000,000 | 11,299,307,145 | (2,655,215,372) | 20,460,578,865 | 596,527,599 | 21,057,106,464 |
| Net income | – | – | – | – | – | – | 2,800,557,660 | – | 2,800,557,660 | 55,484,296 | 2,856,041,956 |
| Other comprehensive income (loss) | – | – | (47,156,996) | (3,457,382) | (21,232,868) | – | – | – | (71,847,246) | – | (71,847,246) |
| Total comprehensive income (loss) for the year | – | – | (47,156,996) | (3,457,382) | (21,232,868) | – | 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 ₱1,272.4 million (Note 20) | – | – | – | – | – | – | (1,227,570,239) | – | (1,227,570,239) | – | (1,227,570,239) |
| Movement in noncontrolling interests | – | – | – | – | – | – | – | – | – | (726) | (726) |
| BALANCES AT DECEMBER 31, 2022 | 2,505,000,000 | 1,859,383,287 | 179,017,188 | (3,183,933) | 54,423,304 | 7,150,000,000 | 12,872,294,566 | (2,655,215,372) | 21,961,719,040 | 652,011,169 | 22,613,730,209 |
| Net income | – | – | – | – | – | – | 2,552,017,982 | – | 2,552,017,982 | 97,177,703 | 2,649,195,685 |
| Other comprehensive loss | – | – | (11,750,818) | 3,789,552 | 29,796,734 | – | – | – | 21,835,468 | – | 21,835,468 |
| Total comprehensive income (loss) for the year | – | – | (11,750,818) | 3,789,552 | 29,796,734 | – | 2,552,017,982 | – | 2,573,853,450 | 97,177,703 | 2,671,031,153 |
| Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱1,272.4 million (Note 20) | – | – | – | – | – | – | (1,227,570,241) | – | (1,227,570,241) | – | (1,227,570,241) |
| Movement in noncontrolling interests | – | (135,024,916) | – | – | – | – | – | – | (135,024,916) | 65,801,785 | (69,223,131) |
| BALANCES AT DECEMBER 31, 2023 | ₱2,505,000,000 | ₱1,724,358,371 | ₱167,266,370 | ₱605,619 | ₱84,220,038 | ₱7,150,000,000 | ₱14,196,742,307 | (₱2,655,215,372) | ₱23,172,977,333 | ₱814,990,657 | ₱23,987,967,990 |

See accompanying Notes to Consolidated Financial Statements.



A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|--|--------------------------------|-----------------|-----------------|
| | 2023 | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | ₱3,017,195,730 | ₱3,098,197,155 | ₱2,917,744,934 |
| Adjustments for: | | | |
| Loss (gain) on sale/disposal of: | | | |
| FVOCI investments (Note 12) | 3,496,596 | (764,165) | (532,067) |
| Property and equipment | (1,227,513) | 69,643 | (129,464) |
| Noncurrent asset held for sale (Note 13) | – | (2,208,757,397) | – |
| Loss (gain) on decrease (increase) in market values of FVPL investments - net (Note 9) | (1,476,197,600) | 994,108,320 | (1,124,061,312) |
| Depreciation and amortization (Note 21) | 366,992,689 | 324,387,794 | 302,595,454 |
| Dividend income (Note 9) | (368,356,295) | (295,306,868) | (399,429,444) |
| Unrealized foreign exchange losses (gains) - net | 8,951,986 | (122,004,309) | (98,948,706) |
| Interest income (Note 23) | (91,870,114) | (67,461,869) | (53,534,090) |
| Equity in net losses (earnings) and impairment loss on investments in associates (Note 13) | (8,742,755) | (26,639,523) | (11,409,604) |
| Retirement benefit costs (Note 24) | 14,511,904 | 14,690,747 | 23,169,533 |
| Interest expense (Note 23) | 62,479,987 | 4,687,677 | 10,259,686 |
| Expected credit losses – net of recoveries | 1,331,205 | | |
| Impairment losses, net of recoveries (Note 23) | 541,039 | 825,054 | 54,543,952 |
| Operating income before working capital changes | 1,529,106,859 | 1,716,032,259 | 1,620,268,872 |
| Decrease (increase) in: | | | |
| FVPL investments | 322,422,122 | (1,212,179,031) | (431,799,766) |
| Receivables | 65,998,787 | (473,640,997) | (99,723,528) |
| Inventories | (62,282,308) | (69,913,940) | (572,539,264) |
| Prepayments and other current assets | (245,620,834) | (160,925,805) | (10,492,160) |
| Increase (decrease) in accounts payable and accrued expenses | (39,203,545) | 400,843,702 | (40,807,883) |
| Cash generated from operations | 1,570,421,081 | 200,216,188 | 464,906,271 |
| Income taxes paid | (339,909,404) | (388,546,682) | (382,738,499) |
| Dividends received | 395,815,542 | 317,558,427 | 404,680,797 |
| Interest received | 88,226,867 | 91,022,401 | 56,714,726 |
| Interest paid | (1,844,780) | (2,308,186) | (8,368,724) |
| Retirement benefit contribution (Note 24) | (49,121,218) | (26,034,885) | (22,187,256) |
| Net cash flows from operating activities | 1,663,588,088 | 191,907,263 | 513,007,315 |

(Forward)



| | Years Ended December 31 | | |
|--|--------------------------------|-----------------|----------------|
| | 2023 | 2022 | 2021 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of: | | | |
| FVOCI investments (Note 12) | ₱59,408,143 | ₱31,323,320 | ₱147,576,210 |
| Property and equipment (Note 14) | 4,378,512 | 2,862,322 | 129,464 |
| Noncurrent asset held-for-sale (Note 13) | - | 1,974,595,600 | - |
| Additions to: | | | |
| FVOCI investments (Note 12) | (73,738,727) | (26,887,859) | (78,986,314) |
| Property and equipment (Notes 14 and 33) | (1,172,746,968) | (656,264,596) | (144,240,885) |
| Computer software | (7,036,767) | - | - |
| Investment properties (Note 15) | (6,217,326) | (6,607,517) | (3,914,394) |
| Notes receivable | (218,000,000) | - | - |
| Collection from (advances to) affiliates (Notes 13 and 27) | 771,097 | (958,492) | 57,197,246 |
| Decrease on investments at equity (Note 13) | - | 234,161,796 | - |
| Increase in other noncurrent assets | - | (167,166,153) | (71,364,670) |
| Net cash flows from (used in) investing activities | (1,413,182,036) | 1,385,058,421 | (93,603,343) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from long-term debt (Note 19) | 1,000,000,000 | - | - |
| Payments of (Note 31): | | | |
| Dividends (Note 20) | (1,103,154,257) | (1,189,139,632) | (725,217,672) |
| Interest on long term-debt (Note 19) | (42,917,505) | - | - |
| Lease liabilities (Note 30) | (15,886,869) | (17,416,249) | (9,421,290) |
| Long-term debt (Note 19) | - | (75,714,286) | (151,428,571) |
| Notes payable (Note 17) | - | (23,166,200) | - |
| Advances from affiliates (Note 13) | 66,326,000 | 25,719,337 | 99,760,513 |
| Dividends paid to noncontrolling interest - net (Notes 20 and 27) | (69,176,769) | - | - |
| Net cash flows used in financing activities | (164,809,400) | (1,279,717,030) | (786,307,020) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 85,596,652 | 297,248,654 | (366,903,048) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (6,591,744) | (78,077,395) | 4,174,099 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 2,948,401,655 | 2,729,230,396 | 3,091,959,345 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 8) | ₱3,027,406,563 | ₱2,948,401,655 | ₱2,729,230,396 |

See accompanying Notes to Consolidated Financial Statements.



A. SORIANO CORPORATION AND SUBSIDIARIES

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 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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 were authorized for issue by the Board of Directors (BOD) on February 28, 2024.

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 for the adoption of new standards effective in 2023. 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 PAS 1 and PFRS Practice Statement (PS) 2, *Disclosure of Accounting Policies*

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

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

The amendments to the Practice Statement provide non-mandatory guidance.

The Group also referred to the guidance provided under Q&A No. 2022-02: *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* in applying the amendments to PAS 1 and PS 2. The adoption resulted to removal of accounting policy information that are not considered material and thus had no material impact on the consolidated financial statements.

- 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, 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.

- 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).

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’, respectively.



The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

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 applicable pronouncements when they become effective.

Effective beginning on or after January 1, 2024

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

The amendments clarify 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.
- classification is unaffected by the likelihood that an entity will exercise its deferral right.
- 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 required to 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 required to be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts* – not expected to apply to the Group.
- Amendments to PAS 21, *Lack of exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. This is not correctly expected to apply to the Group.



3. Basis of Consolidation and Summary of Material 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 | | |
|---|---------------------------|-------------------------|------|------|
| | | 2023 | 2022 | 2021 |
| 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 | 97 | 100 | 100 |
| Minuet Realty Corporation (Minuet, Note 7) | Landholding | 97 | 100 | 100 |
| Phelps Dodge Philippines Energy Products Corporation (PDP Energy, Notes 7 and 30) | Wire Manufacturing | 97 | 100 | 100 |
| PD Energy International Corporation (PDEIC, Note 7) | Wire Manufacturing | 97 | 100 | 100 |
| Summerside Corp. (Summerside) | Investment Holding | 100 | 100 | 100 |
| 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 | 62 | – |

*On March 31, 2023, PDPI issued new shares representing 3% of its total equity interest (see Note 27).

As at December 31, 2023, the Group has 97% beneficial ownership over PDPI

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

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 consolidated 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):

| | 2023 | 2022 |
|--|-----------------|----------|
| Statements of Financial Position: | | |
| Current assets | ₱1,144.6 | ₱1,114.3 |
| Noncurrent assets | 914.8 | 849.9 |
| Current liabilities | 694.8 | 544.4 |
| Noncurrent liabilities | 104.5 | 111.7 |
| Equity | 1,260.1 | 1,308.1 |
| Equity attributable to NCI | 475.1 | 493.1 |
| | 2023 | 2022 |
| Statements of Comprehensive Income: | | |
| Revenue | ₱1,453.8 | ₱1,094.0 |
| Income before tax | 222.1 | 179.7 |
| Net income | 202.7 | 143.5 |
| Other comprehensive income | 0.6 | 1.2 |
| Total comprehensive income | 203.3 | 144.7 |
| Total comprehensive income allocated to NCI during the year | 76.6 | 54.6 |
| | 2023 | 2022 |
| Statements of Cash Flows: | | |
| Cash flows from operations | ₱412.3 | ₱167.1 |
| Cash flows used in investing activities | (152.9) | (63.4) |
| Cash flows used in financing activities | (260.0) | (161.4) |

Subsidiaries are all entities over which the Group has control.

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 the Company's equity.

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control of the subsidiary are accounted for as equity transactions.

When the proportion of the equity held by the NCI changes, the Group adjusts the carrying amount of the controlling and noncontrolling interests to reflect the changes in their relative interests in the subsidiary. The Group recognizes directly in equity (i.e., Additional Paid-in Capital) any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the Company.



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

The Group holds interest in entities over which it has significant influence and are accounted for as investments in associates using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

After application of the equity method, the Group determines whether objective evidence that the investment in associate is impaired and recognizes an impairment loss if the recoverable amount exceeds the carrying value. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. Thus, reversals of impairments may effectively include reversal of goodwill impairments. Any loss or reversal is recognized under “Equity in net earnings on investments in associates” in the consolidated statement of comprehensive income.

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. Accordingly, no adjustments are made when measuring and recognizing the Group’s share of the profit or loss of the investees after the date of acquisition.

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 | | |
|---------------------------------------|------------------------------|-------------------------|------|------|
| | | 2023 | 2022 | 2021 |
| 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 |



| | Nature of Business | Percentage of Ownership | | |
|--|-----------------------------|-------------------------|------|------|
| | | 2023 | 2022 | 2021 |
| 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 |
| BehaviorMatrix, LLC (BM, Note 13)* | Behavior Analytics Services | – | – | 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.

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.

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 investments 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. For certain unquoted investments, the Group also makes use of the report of the fund managers in developing assumptions and estimating the fair value.

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 (e.g., appraisers and fund managers) are involved for valuation of significant assets, such as investment properties and certain unquoted securities. 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

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 FVPL, 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 solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, 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 FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

As at December 31, 2023 and 2022, 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 FVPL, 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 SPPI 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-net”. 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, 2023 and 2022, the Group has designated as FVPL all equity investments, money market papers, investments in bonds that have callable and other features and managed/hedged (see Note 9). No financial liability at FVPL is outstanding as at December 31, 2023 and 2022.

(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 (SPPI) 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. Any losses arising from impairment of such financial assets are recognized as “Provision for impairment losses on receivables” account under “Other income (charges) - 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 SPPI 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, 2023 and 2022, 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, 2023 and 2022, 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.

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.

"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.

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.



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 entity. 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 was allowed to be applied against output VAT upon purchase/payment and was no longer 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.

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.

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.

| <u>Category</u> | <u>Number of Years</u> |
|---|------------------------|
| 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 directly related expenditures.

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.

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 estimates the recoverable amount of the related asset. 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. 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. 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.

Additional Paid-in Capital

Additional paid-in capital is the amount paid in excess of the par value of the shares issued, including equity adjustments relating to changes in equity interest of the Noncontrolling interests.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared and the effects 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 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.

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.

Other Comprehensive Income

Other comprehensive income comprises of 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:

| <u>Category</u> | <u>Number of Years</u> |
|-----------------------|------------------------|
| 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.

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.

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, 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 an independent qualified actuary.

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. 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.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing consolidated 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, 2023, 2022 and 2021.



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, and other comprehensive income (loss). 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 Philippine 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, 2023 and 2022, the Group made an irrevocable election at initial recognition to designate the instruments as FVPL investments.

Determining ability to comply with contractual obligations

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 2023, 2022 and 2021 as there was no significant increase in the credit risk. The carrying value of FVOCI debt investments amounted to ₱57.6 million and ₱41.5 million as at December 31, 2023 and 2022, respectively (see Note 12).



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, 2023 and 2022 amounted to ₱779.5 million and ₱778.2 million, respectively. Receivables and advances, net of valuation allowance, amounted to ₱2,585.9 million and ₱2,488.9 million as at December 31, 2023 and 2022, 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. The fair market values of the unquoted equity shares are based on valuation techniques applied as at December 31, 2023 and 2022 using income, market and cost approach (adjusted net asset value method). The inputs used to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values (see Notes 9 and 29).

Unquoted equity investments amounted to ₱2,921.4 million and ₱2,885.8 million as at December 31, 2023 and 2022, respectively (see Notes 9 and 29).



Estimation of allowance for inventory obsolescence 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 ₱101.6 million and ₱102.1 million as at December 31, 2023 and 2022, respectively. The carrying amount of the inventories amounted to ₱1,757.3 million and ₱1,695.0 million as at December 31, 2023 and 2022, 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, 2023 and 2022, the carrying value of depreciable property and equipment and investment properties amounted to ₱3,864.4 million and ₱2,799.4 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.

The carrying amounts of the investments in associates amounted to ₱335.7 million and ₱354.4 million as at December 31, 2023 and 2022, 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, 2023 and 2022, the carrying value of property and equipment and investment properties amounted to ₱4,248.3 million and ₱3,177.2 million, respectively (see Notes 14 and 15).

No impairment loss indicator has been identified and therefore no impairment loss was recognized on property and equipment for each of the three years in the period ended December 31, 2023 (see Note 14). For investment properties, management recognized impairment loss amounting to ₱24.8 million in 2021 (nil in 2023 and 2022; see Notes 15 and 23).

(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. Calculations indicated that there is no impairment on the Group's goodwill for each of the years ended.

As at December 31, 2023 and 2022, 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, 2023 and 2022, the Group recognized gross deferred income tax assets amounting to ₱126.9 million and ₱122.0 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, 2023 and 2022 amounted to ₱179.4 million and ₱122.4 million, respectively. Net retirement benefits payable as at December 31, 2023 and 2022 amounted to ₱22.6 million and ₱39.9 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.



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, 2023 | | | | |
|--|------------------------------------|--|----------------------|------------------------|
| | Cable and Wire Manufacturing | Resort Operations and Villa Development | Other Operations* | Total |
| Type of revenues: | | | | |
| Sale of goods | ₱10,147,489,118 | ₱- | ₱- | ₱10,147,489,118 |
| Services | - | 1,450,243,745 | 259,084,875 | 1,709,328,620 |
| Total revenue from contracts with customers | ₱10,147,489,118 | ₱1,450,243,745 | ₱259,084,875 | ₱11,856,817,738 |
| Timing of revenue recognition: | | | | |
| At a point in time | ₱10,147,489,118 | ₱839,259,988 | ₱259,084,875 | ₱11,245,833,981 |
| Over time | - | 610,983,757 | - | 610,983,757 |
| Total revenue from contracts with customers | ₱10,147,489,118 | ₱1,450,243,745 | ₱259,084,875 | ₱11,856,817,738 |

*Other Operations include ASAC and AHL.

| For the Year Ended December 31, 2022 | | | | |
|--|------------------------------------|--|----------------------|------------------------|
| | Cable and Wire Manufacturing | Resort 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 | Resort 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.

Contract liabilities

Contract liabilities amounted to ₱77.1 million and ₱101.1 million as at December 31, 2023 and 2022, respectively. These pertain to customer advances received for customer orders (see Note 18). In 2023, 2022 and 2021, the Group recognized revenue from sales of goods and services from the contract liabilities amounting to ₱35.2 million, ₱76.1 million and ₱54.3 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 2023, 2022 and 2021, 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, 2023, 2022 and 2021 (in thousands):

| | Before Eliminations | | | | Total | Eliminations | Consolidated |
|--|--------------------------|---|------------------------------|-------------------------------|-------------|--------------|--------------|
| | Holding Company (Parent) | Resort Operations and Villa Development | Cable and Wire Manufacturing | Other Operations ¹ | | | |
| As at and for the year ended | | | | | | | |
| December 31, 2023 | | | | | | | |
| Revenues, excluding interest income ² | ₱2,252,557 | ₱1,450,244 | ₱10,147,489 | ₱1,615,988 | ₱15,466,278 | (₱3,241,104) | ₱12,225,174 |
| Interest income | 61,465 | 3,572 | 26,295 | 537 | 91,869 | 1 | 91,870 |
| Investment gains (losses) | 1,340,140 | – | 9,200 | 3,488,958 | 4,838,298 | (3,365,597) | 1,472,701 |
| Interest expense | (1,918) | (7) | (1,105) | (59,450) | (3,030) | – | (62,480) |
| Income tax expense (benefit from income tax) | 68,350 | 19,397 | 287,126 | 1,123 | 375,996 | (7,996) | 368,000 |
| Equity in net earnings | – | – | – | 8,743 | 8,743 | – | 8,743 |
| Net income | 3,314,329 | 197,431 | 963,476 | 4,625,001 | 9,100,237 | (6,451,041) | 2,649,196 |
| Total assets | 19,991,201 | 2,059,449 | 6,480,712 | 16,005,321 | 44,536,683 | (16,844,080) | 27,692,603 |
| Investments and advances | 7,306,028 | 1,496 | – | 280,535 | 7,588,059 | (7,250,515) | 337,544 |
| Property and equipment | 15,489 | 766,641 | 1,007,823 | 1,046,702 | 2,836,655 | 948,104 | 3,784,759 |
| Total liabilities | 1,025,762 | 799,326 | 435,176 | 3,166,309 | 5,426,573 | (1,721,938) | 3,704,635 |
| Depreciation and amortization | 18,172 | 111,388 | 112,238 | 66,297 | 308,095 | 54,758 | 362,853 |
| Cash flows from (used in): | | | | | | | |
| Operating activities | 1,285,398 | 412,279 | 763,858 | 44,186 | 2,505,721 | (843,308) | 1,662,413 |
| Investing activities | (351,542) | (152,887) | (343,800) | (938,156) | (1,786,385) | 373,203 | (1,413,182) |
| Financing activities | (1,036,819) | (260,014) | (324,567) | 1,003,302 | (618,098) | 453,289 | (164,809) |

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

² 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 Operations ¹ | | | |
| As at and for the year ended December 31, 2022 | | | | | | | |
| Revenues, excluding interest income ² | ₱2,001,817 | ₱1,088,755 | ₱10,727,755 | ₱1,523,882 | ₱15,342,209 | (₱3,027,040) | ₱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 | 248,630 | – | 282,486 | 7,575,921 | (7,218,890) | 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) |

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

² 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 Operations ¹ | | | |
| As at and for the year ended December 31, 2021 | | | | | | | |
| Revenues, excluding interest income ² | ₱1,417,559 | ₱836,087 | ₱8,751,666 | ₱1,168,237 | ₱12,173,549 | (₱2,009,000) | ₱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 | (648,667) | 15,894 | (410,850) | (665,434) | (1,709,057) | 922,770 | (786,307) |

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

² 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, 2023 and 2022, the carrying amount of goodwill allocated to each cash-generating unit (subsidiaries) is as follows:

| | |
|-----------------|----------------|
| PDP | ₱1,202,945,277 |
| SSRLI (Note 30) | 99,330,987 |
| | ₱1,302,276,264 |

- 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, 2023 and 2022 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 2023 and 2022 are 16.8% and 12.9% 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 4.42% and 4.5% in 2023 and 2022, respectively, and the difference between the discount rate and growth rate.

Growth rate

Management used the average industry growth rate of 4.42% and 5.0% in 2023 and 2022, 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.

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, 2023 and 2022 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 2023 and 2022 are 12.7% and 12.9%, 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 0% and 5.4% in 2023 and 2022, and the difference between the discount rate and growth rate.

Growth rate

Growth rate assumptions for the five-year cash flow projections in 2023 and 2022 are supported by the different initiatives of SSRLI. SSRLI used 0% and 1.57% to 10.78% growth rate in revenue for its cash flow projection in 2023 and 2022, 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

| | 2023 | 2022 |
|---------------------------|-----------------------|----------------|
| Cash on hand and in banks | ₱1,139,149,381 | ₱1,334,687,516 |
| Cash equivalents | 1,888,257,182 | 1,613,714,139 |
| | ₱3,027,406,563 | ₱2,948,401,655 |

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).

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 (see Note 16).

9. FVPL Investments

| | 2023 | 2022 |
|------------------------|------------------------|-----------------|
| Quoted equity shares | ₱7,026,985,641 | ₱6,334,416,035 |
| Unquoted equity shares | 2,921,429,748 | 2,732,294,685 |
| Funds and equities | 2,459,415,391 | 2,293,278,344 |
| Proprietary shares | 625,177,073 | 518,127,073 |
| Bonds | 147,453,547 | 162,948,774 |
| Others | 5,710,400 | 5,739,091 |
| | ₱13,186,171,800 | ₱12,046,804,002 |

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, 2023 and 2022, 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 rates per annum ranges from 2.0% to 8.3% and 2.3% to 8.3% in 2023 and 2022, respectively.

As at December 31, 2023 and 2022, the Group has equity investments amounting to ₱13,038.7 million and ₱11,883.9 million, respectively.

The fair market values of the unquoted equity shares are based on valuation techniques applied as at December 31, 2023 and 2022 using income, market and cost (adjusted net asset value method) approach (see Note 29).



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

a. Income approach

KSA Realty Corporation (KSA)

As at December 31, 2023 and 2022, the Company's investment in KSA amounted to ₱927.4 million and ₱1,021.7 million, respectively (see Note 29).

The Company earned cash dividends from KSA amounting to ₱89.1 million, ₱100.7 million and ₱185.6 million in 2023, 2022 and 2021, respectively.

b. Market approach

i. Blue Voyant

In 2023 and 2022, the Group, through AI, invested US\$0.3 million (₱16.6 million) and US\$3.0 million (₱154.3 million), respectively in Blue Voyant, a cybersecurity company that enables cybersecurity defense and protection through technology and tailored services.

No recognized gains or losses on fair value adjustment in 2023 and 2022.

As of December 31, 2023 and 2022, total investment in Blue Voyant, inclusive of foreign exchange gain, amounted to ₱182.7 million and ₱167.3 million, respectively.

ii. 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.

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

c. Cost approach (adjusted net asset value method)

i. Navegar I LP (Navegar I)

The Group, through AI, recognized a gain on fair market value adjustment in its investment in Navegar I amounting to ₱24.1 million, ₱21.5 million and ₱2.0 million in 2023, 2022 and 2021, respectively.

Total investment in Navegar I, inclusive of foreign exchange adjustment, amounted to ₱74.4 million and ₱50.0 million as at December 31, 2023 and 2022, respectively.

As at December 31, 2023 and 2022, the Group's remaining capital commitment to be called for Navegar I amounted to US\$0.03 million (₱1.65 million) and US\$0.04 million (₱2.20 million), respectively.



ii. Navegar II LP (Navegar II)

In 2019, the Group committed to invest US\$10.0 million in Navegar II. AI invested US\$1.76 million (₱97.44 million), US\$1.70 (₱92.70 million), and US\$1.49 million (₱76.08 million) in 2023, 2022 and 2021, respectively.

In 2023, 2022 and 2021, the Group recognized gains on fair market value adjustment in its investment in Navegar II amounting to ₱73.0 million, ₱9.2 million and ₱31.8 million, respectively.

Total investment in Navegar II, inclusive of foreign exchange adjustment, amounted to ₱454.8 million and ₱286.4 million as at December 31, 2023 and 2022, respectively.

As at December 31, 2023 and 2022, the Group's remaining capital commitment to be called for Navegar II amounted to US\$3.8 million (₱212.7 million) and US\$5.6 million (₱312.2 million), respectively.

iii. 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 2023, 2022 and 2021, the Group, through AI, made additional investments to Sierra Madre amounting to US\$0.2 million (₱9.4 million), US\$3.2 million (₱175.9 million), and US\$1.2 million (₱63.5 million), respectively. In 2022, the Group received distribution notice amounting to S\$0.9 million (₱50.2 million).

The Group recognized gain (loss) on fair market value adjustment amounting to ₱36.0 million, (₱39.2 million) and ₱120.6 million in 2023, 2022 and 2021, respectively.

As at December 31, 2023 and 2022, total investment in Sierra Madre, inclusive of foreign exchange adjustment, amounted to ₱540.0 million and ₱498.0 million, respectively.

As at December 31, 2023 and 2022, the Group's remaining capital commitment to be called for Sierra Madre amounted to US\$0.5 million (₱25.8 million) and US\$0.6 million (₱33.4 million), respectively.

iv. Asia Partners I LP, Asia Partners II LP and AP-I Tycho Co-invest Ltd (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, AI committed to invest US\$1.0 million in AP-I Tycho Co-invest Ltd and US\$10.0 million in Asia Partners II, LP.

In 2023, 2022 and 2021, the Group made investment to Asia Partners amounting to US\$0.1 million (₱3.9 million), US\$4.0 million (₱219.1 million) and US\$5.2 million (₱263.9 million), respectively.

In 2023, 2022 and 2021, the Group recognized gain (loss) on fair market value adjustment in its investment in Asia Partners amounting to (₱34.5 million), ₱72.4 million and ₱5.9 million, respectively.



As at December 31, 2023, 2022 and 2021, total investment in Asia Partners, inclusive of foreign exchange adjustment, amounted to ₱552.4 million, ₱591.7 million and ₱269.9 million, respectively.

As at December 31, 2023, 2022 and 2021, the Group's remaining capital commitment to be called for Asia Partners amounted to US\$9.0 million (₱498.6 million), US\$9.0 million (₱502.5 million) and US\$9.0 million (₱458.9 million), respectively.

v. Third Prime Alpha III-A, Third Prime (Kafene B) and Third Prime (Kafene B-1) (collectively Third Prime Series)

In 2023 and 2022, the Group, through AI invested US\$0.5 million (₱27.7 million) and US\$0.6 million (₱31.8 million) in Third Prime Alpha III-A, respectively, a venture firm focused primarily on the FinTech, PropTech and Crypto sectors. In 2022, AI also invested US\$1.5 million (₱79.3 million) in Third Prime (Kafene B). In 2023, AI invested US\$0.8 million (₱44.7 million) in Third Prime (Kafene B-1).

In 2023 and 2022, the Group recognized fair market value gain (loss) adjustment in its investment in Third Prime series amounting to ₱0.7 million and (₱0.6 million), respectively.

As at December 31, 2023 and 2022, total investment in Third Prime series, inclusive of foreign exchange adjustment, amounted to ₱189.6 million and ₱117.3 million, respectively.

As at December 31, 2023 and 2022, the Group's remaining capital commitment to be called for Third Prime Alpha III-A amounted to US\$0.9 million (₱49.8 million) and US\$1.5 million (₱83.6 million), respectively.

There were no changes in the valuation techniques applied for each of the period ended (e.g., changing from a market approach to an income approach or the use of an additional valuation technique).

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 |
|---|--|----------|--|
| | 2023 | 2022 | in 2023 |
| Quoted equity shares | ₱3,492.3 | ₱2,443.0 | ₱1,049.3 |
| Unquoted equity shares | 804.1 | 804.4 | (0.3) |
| Proprietary shares | 586.3 | 476.2 | 110.1 |
| Funds and equities | 177.7 | (145.6) | 323.3 |
| Bonds | (88.2) | (63.5) | (24.7) |
| Others | (1.1) | (1.1) | — |
| Total | 4,971.1 | 3,513.4 | 1,457.7 |
| Add realized gain on sale of FVPL investments | | | 18.5 |
| Net gain on increase in market value of FVPL investments | | | ₱1,476.2 |



| | 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 | 804.4 | 633.7 | 170.7 |
| Proprietary shares | 476.2 | 357.9 | 118.3 |
| Funds and equities | (145.6) | 91.1 | (236.7) |
| Bonds | (63.5) | (42.5) | (21.0) |
| Others | (1.1) | 1.0 | (2.1) |
| Total | 3,513.4 | 4,394.4 | (881) |
| Add realized loss on sale of FVPL investments | | | (113.1) |
| Net gain 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 loss on decrease in market value of FVPL investments | | | ₱1,124.1 |

There were no outstanding forward transactions as at December 31, 2023, 2022 and 2021.

10. Receivables

| | 2023 | 2022 |
|---|----------------|----------------|
| Trade | ₱2,262,546,217 | ₱2,312,815,653 |
| Receivables from villa owners | 77,279,674 | 100,880,108 |
| Interest receivable | 12,744,830 | 9,101,583 |
| Others | 29,418,074 | 31,007,558 |
| | 2,381,988,795 | 2,453,804,902 |
| Less allowance for expected credit losses | 214,711,648 | 213,380,443 |
| | ₱2,167,277,147 | ₱2,240,424,459 |

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, and FVPL and FVOCI investments in debt instruments.

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

| | 2023 | | |
|----------------------------------|---------------------|--------------------------------|---------------------|
| | Trade | Interest and Others | Total |
| At January 1 | ₱211,790,125 | ₱1,590,318 | ₱213,380,443 |
| Provision for the year (Note 23) | 1,418,536 | – | 1,418,536 |
| Recoveries (Note 23) | (87,331) | – | (87,331) |
| At December 31 | ₱213,121,330 | ₱1,590,318 | ₱214,711,648 |

| | 2022 | | |
|----------------------------------|---------------------|--------------------------------|---------------------|
| | Trade | Interest and Others | Total |
| At January 1 | ₱216,292,344 | ₱1,590,318 | ₱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 | ₱211,790,125 | ₱1,590,318 | ₱213,380,443 |

11. Inventories

| | 2023 | 2022 |
|--|---------------------|--------------|
| <i>At cost:</i> | | |
| Raw materials | ₱416,523,259 | ₱296,310,774 |
| Aircraft parts in transit | 37,728,780 | 43,135,148 |
| Reel inventory | 21,134,720 | 23,320,516 |
| Materials in transit | 17,070,682 | 22,353,279 |
| Food and beverage | 23,189,806 | 16,845,661 |
| | 515,647,247 | 401,965,378 |
| <i>At net realizable value:</i> | | |
| Finished goods - net of allowance for inventory obsolescence of ₱32.0 million in 2023 and 2022 | 506,245,203 | 746,835,910 |
| Work in process - net of allowance for inventory obsolescence of ₱6.0 million in 2023 and 2022 | 287,657,959 | 180,931,430 |

(Forward)



| | 2023 | 2022 |
|---|-----------------------|----------------|
| Raw materials - net of allowance for inventory obsolescence of ₱13.3 million in 2023 and 2022 | ₱207,134,337 | ₱210,425,667 |
| Spare parts and operating supplies - net of allowance for inventory obsolescence of ₱40.1 million in 2023 and ₱40.6 million in 2022 | 150,520,960 | 120,207,854 |
| Aircraft spare parts and supplies - net of allowance for inventory obsolescence and losses of ₱9.6 million in 2023 and 2022 | 89,510,187 | 34,067,346 |
| Construction-related materials - net of allowance for inventory obsolescence of ₱0.6 million in 2023 and 2022 | 605,556 | 605,556 |
| | 1,241,674,202 | 1,293,073,763 |
| | ₱1,757,321,449 | ₱1,695,039,141 |

The total cost of inventories carried at NRV amounted to ₱1.3 billion and ₱1.4 billion as at December 31, 2023 and 2022, respectively.

Net provision (recovery) for inventory obsolescence recognized in 2023, 2022 and 2021, which was recorded under “Materials used and changes in inventories”, amounted to (₱0.5 million), (₱1.6 million), and ₱18.8 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, 2023 and 2022.

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 ₱8,046.5 million, ₱8,633.7 million, and ₱6,697.5 million in 2023, 2022 and 2021, respectively (see Note 21).

12. FVOCI Investments

As at December 31, 2023 and 2022, FVOCI investments amounted to ₱57.6 million and ₱41.5 million, respectively, and these consist of 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 2.20% to 6.38% in 2023, 2.35% to 6.13% in 2022 and 4.13% to 6.13% in 2021. Maturity dates range from February 16, 2025 to June 15, 2032 for bonds held as at December 31, 2023, and February 16, 2025 to June 30, 2028 for bonds held as at December 31, 2022.



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 (GRESK). Under this agreement, the Company committed to lend up to ₱172.0 million for the exploration phase of the three sites, of which ₱140.0 million was actually invested by the Company to Red Core.

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.

Considering the status to Red Core, impairment losses were recognized on the investment (in 2017 and earlier), which brought the investment balance to nil as at December 31, 2023 and 2022.

In March 2018, the Company filed before the Regional Trial Court (RTC) of Makati City a civil case for specific performance in order to compel Red Core Group to comply with the provisions of the loan 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. On October 3, 2022, the Company filed a demand for payment under the loan and investment agreement to Red Core Group. As of February 28, 2024, the Company is yet to collect the amount due from Red Core Group.

In 2023, 2022 and 2021, gain (loss) on sale of FVOCI investments amounted to (₱3.5 million), ₱0.8 million, and ₱0.5 million, respectively.

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

| | 2023 | 2022 |
|---|---------------------|--------------|
| Beginning balance | (₱3,183,933) | ₱273,449 |
| Unrealized valuation gain (loss) on FVOCI investments - net of tax | 1,167,105 | (2,884,258) |
| Realized gain (loss) on FVOCI investments recognized in profit or loss - net of tax | 2,622,447 | (573,124) |
| Ending balance | ₱605,619 | (₱3,183,933) |



13. Investments and Advances

| | 2023 | 2022 |
|---|---------------------|--------------|
| Investments at equity - net of valuation allowance | ₱335,706,693 | ₱354,423,186 |
| Advances - net of allowance for expected credit losses of ₱564.8 million in 2023 and 2022 | 1,837,017 | 2,608,113 |
| | ₱337,543,710 | ₱357,031,299 |

Investments at equity consist of:

| | 2023 | 2022 |
|--|----------------------|---------------|
| Acquisition cost | | |
| Common shares and Preferred shares | ₱722,121,654 | ₱722,121,654 |
| Accumulated equity in net losses and impairment loss | (386,414,961) | (367,698,468) |
| | ₱335,706,693 | ₱354,423,186 |

The significant transactions involving the Group's investments in associates in 2023 and 2022 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 total acquisition cost of the investment in AGP-SG amounted to US\$45.0 million (₱1,958.0 million). The Group in prior years has recognized impairment losses and has taken up equity in net losses of AGPI to the extent that its carrying amount was reduced to nil (with unrecognized share in net losses, for which the Group has no commitment to contribute).

On November 19, 2021, the BOD authorized its representative to negotiate for the sale of all its AGP-SG shares with the potential buyer and, on February 17, 2022, the investment in associate held for sale carried at nil was sold for a total consideration of US\$35.8 million (₱1,974.6 million). The Group recognized ₱2,208.8 million gain in its 2022 consolidated statements of comprehensive income, including the reversal of the related cumulative translation loss of ₱234.2 million.

AIMP

AIMP reported net income amounting to ₱43.6 million, ₱133.5 million and ₱67.5 million in 2023, 2022 and 2021, respectively. The Group recognized equity in net earnings amounting to ₱8.7 million, ₱27.1 million and ₱13.5 million in 2023, 2022 and 2021, respectively.

In 2023, the Group received from AIMP cash dividend amounting to ₱27.5 million.

As at December 31, 2023 and 2022, the carrying value of the investment in AIMP amounted to ₱160.7 million and ₱179.4 million, respectively.



FHI

FHI reported a net income (loss) amounting to ₱0.1 million, (₱1.9 million) and (₱8.2 million) in 2023, 2022 and 2021, respectively. The Group recognized equity in net gain (losses) amounting to ₱0.02 million, (₱0.5 million) and (₱2.1 million) in 2023, 2022 and 2021, respectively.

As at December 31, 2023 and 2022, the carrying value of the investment and advances in FHI amounted to ₱175.0 million.

In 2023, FHI made a cash advance to the Company amounting to ₱66.3 million (nil in 2022). Total outstanding cash advance from FHI amounted to ₱170.7 million and ₱104.3 million as of December 31, 2023 and 2022, respectively, which is presented under “Accounts payable and accrued expenses” (see Note 18).

Prople Limited

As at December 31, 2023 and 2022, the net carrying value of the Group’s investment in Prople Limited amounted to nil.

The Group has no share in the contingent liabilities of any associate as at December 31, 2023 and 2022.

In 2023 and 2022, the Group received advances from Prople Limited amounting to ₱10.4 million and ₱32.4 million, respectively.

14. Property and Equipment

| | 2023 | | | | | |
|---|----------------------------------|---|--|--------------------------|--------------------------|----------------|
| | Land, Buildings and Improvements | Flight, Ground, Machineries and Other Equipment | Furniture, Fixtures and Office Equipment | Transportation Equipment | Construction in Progress | Total |
| Cost | | | | | | |
| January 1 | ₱2,926,041,696 | ₱1,686,882,391 | ₱634,262,288 | ₱275,657,949 | ₱185,465,221 | ₱5,708,309,545 |
| Additions | 69,730,402 | 903,298,015 | 77,215,809 | 32,658,916 | 337,153,989 | 1,420,057,131 |
| Reclassification | 146,080,649 | 108,767,297 | 18,469,243 | 6,103,685 | (279,420,874) | – |
| Retirement/disposals | (25,846,434) | (777,482) | (11,167,647) | (23,861,403) | – | (61,652,966) |
| December 31 | 3,116,006,313 | 2,698,170,221 | 718,779,693 | 290,559,147 | 243,198,336 | 7,066,713,710 |
| Accumulated Depreciation and Amortization | | | | | | |
| January 1 | 1,137,748,745 | 1,103,095,346 | 557,898,453 | 204,458,251 | – | 3,003,200,795 |
| Depreciation and amortization (Note 21) | 92,903,649 | 167,560,931 | 47,684,527 | 29,107,073 | – | 337,256,180 |
| Retirement/disposals | (25,327,984) | (777,482) | (11,167,646) | (21,228,855) | – | (58,501,967) |
| December 31 | 1,205,324,410 | 1,269,878,795 | 594,415,334 | 212,336,469 | – | 3,281,955,008 |
| Net Book Value | ₱1,910,681,903 | ₱1,428,291,426 | ₱124,364,359 | ₱78,222,678 | ₱243,198,336 | ₱3,784,758,702 |
| | | | | | | |
| | 2022 | | | | | |
| | Land, Buildings and Improvements | Flight, Ground, Machineries and Other Equipment | Furniture, Fixtures and Office Equipment | Transportation Equipment | Construction in Progress | Total |
| Cost | | | | | | |
| 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) |
| December 31 | 2,926,041,696 | 1,686,882,391 | 634,262,288 | 275,657,949 | 185,465,221 | 5,708,309,545 |
| Accumulated Depreciation and Amortization | | | | | | |
| 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) |
| December 31 | 1,137,748,745 | 1,103,095,346 | 557,898,453 | 204,458,251 | – | 3,003,200,795 |
| Net Book Value | ₱1,788,292,951 | ₱583,787,045 | ₱76,363,835 | ₱71,199,698 | ₱185,465,221 | ₱2,705,108,750 |



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 ₱337.2 million, ₱295.0 million and ₱278.3 million in 2023, 2022 and 2021, respectively (see Note 21).

At December 31, 2023, certain items of land, buildings and improvements and machinery and equipment with carrying amount of ₱31.0 million were included in a participating Mortgage Trust Indenture (MTI). The aggregate appraised value of these assets amounted to ₱9,170.8 million, based on an appraisal report commissioned for the purpose of the loan. The loanable value represents 60% of these assets' appraised value. The aggregate loaned amount (₱1 billion) represents 18.2% of the total loanable value. (see Note 19).

15. Investment Properties

| | 2023 | | |
|--|--------------|--------------|--------------|
| | Land | Condominium | Total |
| <i>Cost</i> | | | |
| January 1 | ₱248,532,482 | ₱293,595,000 | ₱542,127,482 |
| Additions | 6,217,326 | – | 6,217,326 |
| December 31 | 254,749,808 | 293,595,000 | 548,344,808 |
| <i>Accumulated Depreciation and Impairment</i> | | | |
| January 1 | – | 45,262,562 | 45,262,562 |
| Depreciation (Note 21) | – | 14,679,750 | 14,679,750 |
| December 31 | – | 59,942,312 | 59,942,312 |
| Accumulated Impairment Loss | – | 24,812,188 | 24,812,188 |
| Net Book Value | ₱254,749,808 | ₱208,840,500 | ₱463,590,308 |
| | | | |
| | 2022 | | |
| | Land | Condominium | Total |
| <i>Cost</i> | | | |
| January 1 | ₱241,924,965 | ₱293,595,000 | ₱535,519,965 |
| Additions | 6,607,517 | – | 6,607,517 |
| December 31 | 248,532,482 | 293,595,000 | 542,127,482 |
| <i>Accumulated Depreciation and Amortization</i> | | | |
| January 1 | – | 30,582,812 | 30,582,812 |
| Depreciation and amortization (Note 21) | – | 14,679,750 | 14,679,750 |
| December 31 | – | 45,262,562 | 45,262,562 |
| Accumulated Impairment Loss | – | 24,812,188 | 24,812,188 |
| Provision for impairment loss (Note 23) | – | 24,812,188 | 24,812,188 |
| Net Book Value | ₱248,532,482 | ₱223,520,250 | ₱472,052,732 |

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, 2023 and 2022 amounted to ₱3.3 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. On January 18, 2024, DAR approved the Group's request for another extension to develop the property within a non-extendible period of five years from the receipt of order or until February 13, 2029. The notice of order was received by the Group on February 14, 2024.

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.

Management assessed that the fair value of these investment properties as at December 31, 2022 approximates its fair value as at December 31, 2023 as no significant changes on the properties have taken place since the latest appraisal, or will take place in the near future, in the market, economic or legal environment in which the Group operates or in the market to which the investment property is dedicated.

The Group recognized rental income of ₱13.6 million, ₱13.0 million, and ₱12.6 million from these investment properties in 2023, 2022 and 2021, respectively (see Note 30).

The aggregate direct expenses pertaining to real property taxes and depreciation expense amounted to ₱15.5 million, ₱16.1 million, and ₱15.5 million in 2023, 2022 and 2021, respectively.



16. Other Noncurrent Assets and Other Noncurrent Liabilities

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

| | 2023 | 2022 |
|---|---------------------|--------------|
| Fund for villa operations and capital expenditures (Note 30) | ₱93,816,895 | ₱92,004,923 |
| Property held for future development (Note 30) | 18,703,423 | 26,950,301 |
| Computer software - net of accumulated depreciation of ₱14.6 million and ₱14.3 million as of December 31, 2023 and 2022, respectively | 9,617,133 | 3,646,890 |
| Others | 6,346,751 | 1,806,502 |
| | ₱128,484,202 | ₱124,408,616 |

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 noncurrent liabilities amounted to ₱101.7 million and ₱111.7 million as at December 31, 2023 and 2022, 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

There Group has no outstanding notes payable as at December 31, 2023 and 2022.

- a. Total interest expense from previous notes payable recognized in the consolidated profit or loss amounted to ₱0.35 million in 2022 (nil in 2023).
- b. The Group's unavailed credit line from banks amounted to ₱2,850.0 million as at December 31, 2023 and 2022, respectively.

18. Accounts Payable and Accrued Expenses

| | 2023 | 2022 |
|--------------------------------------|---------------------|--------------|
| Trade payables | ₱359,192,456 | ₱397,486,369 |
| Refundable deposits | 313,798,622 | 272,260,088 |
| Payable to a related party (Note 13) | 194,352,528 | 170,219,545 |
| Accruals for: | | |
| Personnel expenses | 145,360,975 | 168,865,274 |
| Utilities | 22,411,259 | 13,593,460 |
| Taxes and licenses | 19,409,399 | 7,329,816 |
| Others | 50,451,672 | 25,278,962 |

(Forward)



| | 2023 | 2022 |
|--------------------------------|-----------------------|-----------------------|
| Payable to government agencies | ₱98,703,902 | ₱92,059,039 |
| Contract liabilities (Note 5) | 77,116,715 | 101,124,098 |
| Payable to villa owners | 61,559,677 | 59,523,979 |
| Payable to contractors | 11,609,210 | 18,296,102 |
| Other payables | 31,307,100 | 17,064,958 |
| | ₱1,385,273,515 | ₱1,343,101,690 |

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, 2023, the Group's outstanding long-term debt from a local bank amounting to ₱1.00 billion presented under noncurrent liabilities pertain to ASAC group.

- a. 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 (see Note 14).
- b. On February 14, 2023, SSRLI, PRI and Pamalican Utilities Inc. (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 into by SSRLI and the Trustee on November 29, 2005. The Trustors in the MTI are now parties to the Mortgage Obligations for the loan. The Trustee issued as of December 31, 2023 mortgage participating certificates representing 18.2% of the appraised value of the assets covered by the MTI (see Note 14).

Drawdowns made in the Facility Agreement in 2023 are as follows:

| Date | Amount |
|-----------------|-----------------------|
| January 9, 2023 | ₱450,000,000 |
| March 15, 2023 | 63,500,000 |
| April 13, 2023 | 255,000,000 |
| May 25, 2023 | 231,500,000 |
| | ₱1,000,000,000 |

The loan is subject to an interest rate which shall be the higher of (a) the sum of the 3-month Benchmark Rate on interest setting date and on each repricing date plus 0.90% per annum, and (b) BSP Overnight Lending Facility Rate + 0.50% per annum; divided by the interest premium factor.



- c. On November 20, 2023, BDO and the Company agreed to adjust the interest rate to the higher of (a) the sum of the 3-month Benchmark Rate on interest setting date and on each repricing date plus 0.90% per annum, and (b) Target Reverse Repurchase Rate plus + 0.25% per annum; divided by the interest premium factor effective January 9, 2024.

The loan is payable quarterly after a 2-year grace period starting from the initial drawdown. Payment due date of the loan based on nominal values are scheduled as at December 31, 2023 as follows:

| Year | 2023 |
|--|----------------|
| More than 1 year but less than 2 years | ₱121,212,121 |
| More than 2 years | 363,636,364 |
| More than 5 years | 515,151,515 |
| | ₱1,000,000,000 |

The loan shall be subject to the maintenance of financial ratios which include; (i) maximum of 2.5 times debt-to-equity ratio and (ii) minimum debt service coverage ratio of 1.2 times starting May 31, 2024 and annually each May 31 thereafter.

- d. Total interest expense in 2023 from this loan recognized in the consolidated profit or loss amounted to ₱58.9 million.

20. Equity

Equity holders of the Parent

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

| | 2023 | | 2022 | |
|--------------------------------|------------------|----------------|------------------|----------------|
| | 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 |
| | 3,959,310,958 | ₱3,464,310,958 | 3,959,310,958 | ₱3,464,310,958 |

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

| | 2023 | | 2022 | |
|-----------|------------------|----------------|------------------|----------------|
| | 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 |
| | 3,000,000,000 | ₱2,505,000,000 | 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 the SEC on June 21, 2021.



Outstanding common shares, net of shares held by a subsidiary, as at December 31, 2023 and 2022 totaled 1,272,329,761. The Company's equity holders as at December 31, 2023 and December 31, 2022 is 11,020 and 11,049, 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 2023, 2022 and 2021, the Company declared the following cash dividends:

| | 2023 | 2022 | 2021 |
|-------------------------|-------------------------------|-----------------------|--------------------------|
| Month of declaration | March and November | March and November | February and November |
| Cash dividend per share | ₱0.50 and ₱0.50 | ₱0.50 and ₱0.50 | ₱0.50 and ₱0.25 |
| Total cash dividend | ₱2,500.0 million | ₱2,500.0 million | ₱1,875.0 million |
| Share of a subsidiary | ₱1,272.4 million | ₱1,272.4 million | ₱920.7 million |

As at December 31, 2023 and 2022, the Company's dividends payable amounted to ₱570.4 million and ₱502.0 million, respectively, and represents mainly dividend checks that were returned by the post office and which remained outstanding as at December 31, 2023 and 2022 due to problematic addresses of some of the Company's stockholders.

Dividends paid to and contributions from Noncontrolling interests in 2023 amounted to ₱104.8 million and ₱35.6 million, respectively (₱56.6 million dividends paid to and contributions from in 2022, nil for both in 2021).

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 for another three years. Appropriations in 2014 and 2015 were extended in 2018 and 2019, respectively for another three years.

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

On November 15, 2023, the BOD approved the extension of the appropriation of retained earnings totaling ₱7,150.0 million for another three years for the same investment program including business activities related to digital technology.



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 ₱3, million and ₱3,744.8 million as at December 31, 2023 and 2022, respectively.
- Shares in the undistributed retained earnings of subsidiaries and accumulated equity in net earnings of associates amounting to ₱6.6 billion and ₱6.1 billion as at December 31, 2023 and 2022, 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, 2023 and 2022, Anscorcon holds 1,272,429,761 shares of the Company amounting to ₱2.7 billion.

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

Cost of goods sold consists of:

| | 2023 | 2022 | 2021 |
|---|-----------------------|-----------------------|-----------------------|
| Materials used and changes in inventories (Note 11) | ₱7,993,666,485 | ₱8,602,843,214 | ₱6,664,260,843 |
| Salaries, wages and employee benefits (Note 22) | 179,177,764 | 155,455,583 | 127,037,370 |
| Depreciation and amortization (Note 14) | 121,275,291 | 100,590,598 | 109,216,132 |
| Utilities | 101,085,374 | 101,357,802 | 68,495,190 |
| Repairs and maintenance | 43,640,800 | 47,393,337 | 81,254,728 |
| Security services | 8,267,405 | 7,433,248 | 6,922,570 |
| Taxes and licenses | 5,343,441 | 2,318,459 | 2,210,123 |
| Transportation and travel | 3,818,057 | 3,806,819 | 3,359,266 |
| Insurance | 2,339,261 | 4,470,742 | 2,078,351 |
| Professional fees | 883,897 | 10,469,808 | 495,257 |
| Others | 10,604,971 | 12,278,824 | 6,290,127 |
| | ₱8,470,102,746 | ₱9,048,418,434 | ₱7,071,619,957 |

Cost of services rendered consists of:

| | 2023 | 2022 | 2021 |
|--|---------------------|---------------------|---------------------|
| Resort operating costs | ₱210,669,296 | ₱142,844,960 | ₱125,670,705 |
| Depreciation and amortization (Note 14) | 72,879,568 | 52,910,287 | 32,500,287 |
| Salaries, wages and employee benefits (Note 22) | 66,572,127 | 87,778,405 | 68,582,611 |
| Materials and supplies - resort operations (Note 11) | 52,882,524 | 30,894,212 | 33,249,480 |
| Fuel cost | 52,096,470 | 24,469,324 | 24,299,842 |
| Insurance | 27,466,338 | 10,151,631 | 7,996,096 |
| Commissions | 9,686,288 | 13,057,150 | 8,096,975 |
| Repairs and maintenance | 9,075,116 | 10,869,034 | 14,100,851 |
| Taxes and licenses | 6,902,507 | 5,871,088 | 3,224,122 |
| Outside services | 2,651,151 | 1,268,152 | 1,268,843 |
| Transportation and travel | 257,951 | 23,824,212 | 18,607,935 |
| Others | 24,354,053 | 587,714 | 10,325,835 |
| | ₱535,493,389 | ₱404,526,169 | ₱347,923,582 |



Operating expenses consist of:

| | 2023 | 2022 | 2021 |
|---|-----------------------|----------------|----------------|
| Salaries, wages and employee benefits (Note 22) | ₱462,901,033 | ₱347,040,443 | ₱262,348,562 |
| Utilities | 228,144,642 | 136,737,400 | 84,926,823 |
| Depreciation and amortization (Notes 14, 15 and 30) | 172,837,830 | 170,886,909 | 160,879,035 |
| Advertising, marketing and management fee (Note 30) | 168,253,796 | 129,279,596 | 94,978,399 |
| Shipping and delivery expenses | 122,724,609 | 125,034,606 | 96,400,481 |
| Repairs and maintenance | 110,548,597 | 67,321,569 | 41,843,014 |
| Taxes and licenses | 97,338,997 | 74,963,797 | 90,916,131 |
| Professional and directors' fees | 61,059,591 | 62,323,136 | 25,274,180 |
| Transportation and travel | 48,457,123 | 50,266,466 | 32,264,886 |
| Insurance | 37,216,181 | 26,822,760 | 26,084,688 |
| Commissions | 36,845,930 | 27,408,445 | 27,212,971 |
| Security services | 30,655,408 | 21,306,153 | 19,182,366 |
| Communications | 15,254,367 | 14,444,211 | 14,102,634 |
| Association dues | 13,926,186 | 8,624,847 | 8,400,598 |
| Donation and contribution | 12,152,600 | 14,742,214 | 12,940,389 |
| Office supplies | 11,722,874 | 18,472,462 | 18,925,461 |
| Computer programming | 10,104,655 | 3,838,143 | 3,166,553 |
| Entertainment, amusement and recreation | 8,091,840 | 5,030,562 | 6,054,664 |
| Meetings and conferences | 7,434,728 | 7,611,742 | 8,255,195 |
| Trainings | 6,455,677 | 5,382,846 | 2,428,179 |
| Medical expenses | 6,430,014 | 7,629,053 | 4,262,816 |
| Others | 68,453,925 | 48,689,949 | 51,132,446 |
| | ₱1,737,010,603 | ₱1,373,857,309 | ₱1,091,980,471 |

In 2023 and 2022, the Company paid bonus to its non-executive directors amounting to ₱18.1 million and ₱19.3 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

| | 2023 | 2022 | 2021 |
|--|---------------------|--------------|--------------|
| Salaries and wages | ₱603,880,806 | ₱481,002,471 | ₱372,619,250 |
| Social security premiums and other employee benefits | 90,258,214 | 93,259,786 | 62,179,760 |
| Pension costs (Notes 23 and 24) | 14,511,904 | 16,012,174 | 23,169,533 |
| | ₱708,650,924 | ₱590,274,431 | ₱457,968,543 |

In 2023 and 2022, the Group declared and paid bonuses to its executive officers amounting to ₱91.6 million and ₱78.8 million, respectively (nil in 2021).

An 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 by the Board of Directors in 2004.



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

Interest income consists of:

| | 2023 | 2022 | 2021 |
|------------------------------------|--------------------|-------------|-------------|
| Cash and cash equivalents (Note 8) | ₱51,436,960 | ₱24,918,106 | ₱6,235,233 |
| Debt instruments (Notes 9 and 12) | 20,742,464 | 25,807,800 | 32,197,278 |
| Notes receivable (Note 27) | 19,331,002 | 15,393,943 | 15,043,868 |
| Others | 359,688 | 1,342,020 | 57,711 |
| | ₱91,870,114 | ₱67,461,869 | ₱53,534,090 |

Interest income on debt instruments is net of bond discount amortization amounting to ₱0.8 million, ₱0.3 million, and ₱0.2 million in 2023, 2022 and 2021, respectively.

Interest expense arose from the following:

| | 2023 | 2022 | 2021 |
|-----------------------------|--------------------|------------|-------------|
| Long-term debt (Note 19) | ₱58,597,678 | ₱1,943,829 | ₱7,135,812 |
| Lease liabilities (Note 30) | 1,637,027 | 2,379,491 | 1,890,962 |
| Notes payable (Note 17) | – | 347,493 | 1,054,460 |
| Others | 2,245,282 | 16,864 | 178,452 |
| | ₱62,479,987 | ₱4,687,677 | ₱10,259,686 |

Other income (charges) - net consists of:

| | 2023 | 2022 | 2021 |
|--|--------------------|-------------|---------------|
| Rental income (Note 30) | ₱13,718,182 | ₱13,228,239 | ₱12,809,631 |
| Retirement benefit income | – | 1,321,427 | – |
| Provision for impairment losses on receivables (Note 10) | (1,418,536) | (906,550) | (29,731,764) |
| Recovery of impairment losses (Note 10) | 87,331 | 81,496 | – |
| Impairment loss on investment properties (Note 15) | – | – | (24,812,188) |
| Trading Income | 18,475,662 | – | – |
| Fuel Surcharge | 14,954,000 | – | 552,786 |
| Reimbursement | 2,811,144 | 3,291,769 | – |
| Gain on disposal of PPE | 1,227,513 | (69,643) | 129,464 |
| Others - net | 854,874 | 5,304,773 | (12,656,219) |
| | ₱50,710,170 | ₱22,251,511 | (₱53,708,290) |

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.

As at December 31, 2023 and 2022, the Company's defined benefit retirement fund (the 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 ₱742.6 million and ₱575.8 million as at December 31, 2023 and 2022, 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 ₱146.72 million and ₱61.04 million in 2023 and 2022, respectively.

As at December 31, 2023 and 2022, the Fund's fair value amounted to ₱1,082.3 million and ₱839.9 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.

| | 2023 | 2022 | 2021 |
|--|--------------|--------------|--------------|
| Retirement benefit cost: | | | |
| Current service cost | ₱19,687,831 | ₱19,185,398 | ₱24,193,146 |
| Net interest income | (5,175,927) | (4,494,651) | (1,023,613) |
| Net benefit expense (Notes 22 and 23) | ₱14,511,904 | ₱14,690,747 | ₱23,169,533 |
| Actual return on plan assets | ₱250,281,932 | ₱107,014,499 | ₱160,279,066 |

Changes in net retirement plan asset are as follows:

| | 2023 | 2022 | 2021 |
|--|--------------|--------------|--------------|
| Net retirement plan assets, beginning | ₱122,351,083 | ₱147,141,624 | ₱91,612,330 |
| Current service cost | (7,036,429) | (9,314,406) | (13,409,755) |
| Net interest income | 6,776,901 | 6,681,667 | 2,910,178 |
| | (259,528) | (2,632,739) | (10,499,577) |
| Actuarial changes arising from: | | | |
| Changes in financial assumptions | (5,304,655) | (13,603,079) | 12,608,462 |

(Forward)



| | 2023 | 2022 | 2021 |
|--|----------------------|---------------|---------------|
| Experience adjustments | ₱15,654,040 | ₱26,120,992 | ₱14,654,816 |
| Changes in the effect of asset ceiling | (164,334,396) | (124,421,947) | (113,372,593) |
| Remeasurement of plan assets | 203,537,923 | 81,047,994 | 143,381,265 |
| Changes in demographic adjustments | – | 836,842 | 1,033,745 |
| | 49,552,912 | (30,019,198) | 58,305,695 |
| Contribution | 7,723,176 | 8,219,373 | 7,723,176 |
| Transfer to net retirement payable | – | (357,977) | – |
| Net retirement plan assets, end | ₱179,367,643 | ₱122,351,083 | ₱147,141,624 |

Changes in net retirement benefits payable are as follows:

| | 2023 | 2022 | 2021 |
|--|----------------------|---------------|---------------|
| Net retirement benefits payable, beginning | (₱39,931,355) | (₱48,147,054) | (₱56,895,050) |
| Current service cost | (12,651,402) | (9,870,992) | (10,783,391) |
| Net interest cost | (1,600,974) | (2,187,016) | (1,886,565) |
| | (14,252,376) | (12,058,008) | (12,669,956) |
| Actuarial changes arising from: | | | |
| Changes in financial assumptions | (3,177,929) | 12,435,292 | 14,172,068 |
| Experience adjustments | 615,651 | (3,206,968) | (4,452,910) |
| Remeasurement of plan assets | (7,293,180) | (7,128,106) | (2,801,571) |
| Changes in demographic adjustments | – | – | 39,289 |
| Changes in the effect of asset ceiling | 31,525 | – | (3,004) |
| | (9,823,933) | 2,100,218 | 6,953,872 |
| Contribution | 41,398,042 | 17,815,512 | 14,464,080 |
| Transfer from net retirement assets | – | 357,977 | – |
| Net retirement benefits payable, end | (₱22,609,622) | (₱39,931,355) | (₱48,147,054) |

Changes in the present value of defined benefit obligation:

| | 2023 | 2022 |
|--|---------------------|--------------|
| Defined benefit obligation, beginning | ₱505,613,269 | ₱482,724,903 |
| Current service cost | 14,511,904 | 19,185,398 |
| Interest cost | 33,153,794 | 22,398,989 |
| Remeasurement in other comprehensive income: | | |
| Actuarial gain (loss) - changes in financial assumptions | 7,730,675 | (33,621,857) |
| Actuarial gain- experience adjustments | 5,359,922 | 28,515,892 |
| Actuarial gain (loss) - changes in demographic assumptions | (15,654,040) | 107,278 |
| Benefits paid from plan assets | (59,319,468) | (13,697,334) |
| Defined benefit obligation, ending | ₱491,396,056 | ₱505,613,269 |



Changes in the fair value of plan assets:

| | 2023 | 2022 |
|--------------------------------------|-----------------------|---------------------|
| Fair value of plan assets, beginning | ₱839,922,864 | ₱720,570,814 |
| Interest income | 52,522,161 | 33,094,611 |
| Contributions | 47,841,494 | 26,034,885 |
| Remeasurement gain | 196,244,743 | 73,919,888 |
| Business combinations/disposals | 5,067,587 | - |
| Benefits paid from plan assets | (59,319,468) | (13,697,334) |
| Fair value of plan assets, ending | ₱1,082,279,381 | ₱839,922,864 |

Changes in the effect of asset ceiling:

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Beginning balance | ₱252,889,704 | ₱138,851,339 |
| Changes in the effect of asset ceiling | (164,334,396) | 107,835,361 |
| Interest on the effect of asset ceiling | 345,565,352 | 6,203,004 |
| Ending balance | ₱434,120,660 | ₱252,889,704 |

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

| | 2023 | 2022 |
|-----------------------------|-----------------------|---------------------|
| Debt instruments | ₱353,220,657 | ₱224,485,094 |
| Equity instruments | 653,897,385 | 384,920,021 |
| Unit investment trust funds | 67,329,763 | 18,815,551 |
| Cash and cash equivalents | 7,657,238 | 195,832,140 |
| Others | 174,338 | 15,870,058 |
| | ₱1,082,279,381 | ₱839,922,864 |

The financial instruments with quoted prices in active market amounted to ₱616.4 million and ₱533.2 million as at December 31, 2023 and 2022, 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:

| 2023 | Change in Rates | Effect on Present Value of Defined Benefit Obligation Increase (Decrease) |
|-------------------------|-----------------|---|
| Discount rates | +100 bps | (₱7,824,053) |
| | -100 bps | 9,103,344 |
| Future salary increases | +100 bps | 10,835,390 |
| | -100 bps | (9,704,310) |



| <u>2022</u> | <u>Change in Rates</u> | <u>Effect on Present Value of Defined Benefit Obligation Increase (Decrease)</u> |
|-------------------------|------------------------|--|
| 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) |

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:

| <u>2023</u> | <u>Change in Rates</u> | <u>Effect on Present Value of Defined Benefit Obligation Increase (Decrease)</u> |
|-------------------------|------------------------|--|
| Discount rates | +100 bps | (₱8,667,448) |
| | -100 bps | 9,520,264 |
| Future salary increases | +100 bps | 9,547,139 |
| | -100 bps | (8,850,312) |

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

The Group expects to make contributions amounting to ₱22.1 million to its defined benefit pension plans in 2024.

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

| | <u>2023</u> | <u>2022</u> |
|-------------------------|-----------------------|----------------|
| Discount rate | 6.01% to 6.10% | 5.21% to 7.19% |
| Future salary increases | 3.00% to 5.00% | 3.00% to 5.00% |

The weighted average duration of the defined benefit obligation as at December 31, 2023 and 2022 ranges from 2.8 to 5.9 years and 3.5 to 8.1 years, respectively.



Shown below is the maturity analysis of the expected future benefit payments as at December 31, 2023:

| Year | Amount |
|--------------|--------------|
| 2024 | ₱252,847,716 |
| 2025 | 21,359,815 |
| 2026 | 23,359,270 |
| 2027 | 81,120,750 |
| 2028 | 23,177,849 |
| 2029 to 2033 | 190,934,605 |

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:

| | 2023 | 2022 | 2021 |
|----------|---------------------|--------------|--------------|
| Current | ₱308,322,710 | ₱338,153,898 | ₱327,071,822 |
| Deferred | 59,677,335 | (95,998,699) | 53,080,192 |
| | ₱368,000,045 | ₱242,155,199 | ₱380,152,014 |

As at December 31, 2023 and 2022, tax credits or refunds included in “other current assets” amounted to ₱253.4 million and ₱201.9 million, respectively.

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

| | 2023 | | 2022 | |
|---|--|---|--|---|
| | Net Deferred Income Tax Assets ⁽¹⁾ | Net Deferred Income Tax (Liabilities) ⁽²⁾ | Net Deferred Income Tax Assets ⁽¹⁾ | Net Deferred Income Tax (Liabilities) ⁽²⁾ |
| <i>Recognized in the consolidated profit or loss:</i> | | | | |
| Deferred income tax assets on: | | | | |
| Allowance for expected credit losses | ₱66,809,534 | ₱- | ₱66,674,274 | ₱- |
| Allowance for inventory obsolescence and losses | 23,134,206 | - | 23,130,697 | - |
| Net retirement benefits payable | 13,284,792 | - | 16,393,630 | - |
| Unamortized past service cost | 9,162,158 | - | 3,728,945 | 926,771 |
| MCIT | 1,807,699 | - | - | - |
| NOLCO | 1,804,960 | - | - | - |
| Unrealized foreign exchange loss | 155,902 | - | 505,747 | - |
| Others | 10,713,715 | - | 9,622,011 | - |
| | 126,872,966 | - | 120,055,304 | 926,771 |
| Deferred income tax liabilities on: | | | | |
| Unrealized foreign exchange gains | (1,002,517) | (18,340,643) | (262,065) | (32,715,001) |
| Net retirement plan assets | - | (9,598,592) | (50,628) | (9,278,564) |
| Fair value adjustment on equity investments | - | (284,431,074) | - | (292,426,401) |
| Market adjustment on FVPL investments | (745,335) | (145,750,693) | - | (62,559,448) |
| | (1,747,852) | (458,121,002) | (312,693) | (396,979,414) |
| | 125,125,114 | (458,121,002) | 119,742,611 | (396,052,643) |
| <i>Recognized in other comprehensive income:</i> | | | | |
| Deferred income tax assets (liabilities) on: | | | | |
| Unrealized valuation gains on FVOCI investments | - | (201,873) | - | 1,061,311 |
| Cumulative actuarial gains | (6,883,930) | (35,243,319) | (5,627,383) | (22,855,098) |
| | (6,883,930) | (35,445,192) | (5,627,383) | (21,793,787) |
| | ₱118,241,184 | (₱493,566,194) | ₱114,115,228 | (₱417,846,430) |

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

⁽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:

| | 2023 | 2022 |
|--------------------------------------|-----------------------|----------------|
| Deductible temporary differences on: | | |
| Allowances for: | | |
| Impairment losses | ₱1,040,969,632 | ₱1,040,969,632 |
| Expected credit losses | 567,537,073 | 567,537,073 |
| Accrued pension benefits and others | 65,361 | 880,535 |
| Carryforward benefits of: | | |
| NOLCO | 61,820,195 | 45,313,509 |
| MCIT | 5,016,267 | 6,293,385 |
| Others | 217,612 | 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 ₱5.0 million and with total assets not exceeding ₱100.0 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 with the provision for income tax is as follows:

| | 2023 | 2022 | 2021 |
|--|----------------------|---------------|---------------|
| Provision for income tax at statutory tax rates | ₱754,298,933 | ₱774,549,289 | ₱729,436,234 |
| Additions to (reductions from) income taxes resulting from: | | | |
| Increase in market values of marketable equity securities and other investments subjected to final tax | (301,244,721) | (145,941,385) | (326,645,836) |
| Dividend income not subject to income tax | (93,290,258) | (66,751,373) | (90,948,354) |
| Interest income already subjected to final tax | (4,020,168) | (123,402) | (131,030) |

(Forward)



| | 2023 | 2022 | 2021 |
|---|---------------------|---------------|--------------|
| Income tax at 5% GIT | (₱4,012,024) | (₱33,624,145) | (₱7,253,409) |
| Movement in unrecognized deferred income tax assets | (2,678,391) | 191,691,568 | 38,363,894 |
| Equity in net losses (earnings) of associates not subject to income tax | (2,185,689) | (6,659,881) | (2,852,401) |
| Change in income tax rate | 782,393 | – | 15,507,248 |
| Nontaxable income | – | (493,648,900) | – |
| Others | 20,349,970 | 22,663,428 | 24,675,668 |
| | ₱368,000,045 | ₱242,155,199 | ₱380,152,014 |

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 |
|-----------------------|------------------|-----------------------|--------------------|-----------|-----------|--------------------|
| 2020 | 2021-2025 | ₱18,823,962 | ₱– | ₱– | ₱– | ₱18,823,962 |
| 2021 | 2022-2026 | 10,987,867 | – | – | – | 10,987,867 |
| 2022 | 2023-2025 | 17,928,564 | – | – | – | 17,928,564 |
| 2023 | 2024-2026 | – | 15,884,762 | – | – | 15,884,762 |
| | | ₱47,740,393 | ₱15,884,762 | ₱– | ₱– | ₱63,625,155 |

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 |
|-----------------------|------------------|-----------------------|-------------------|-----------|---------------------|-------------------|
| 2020 | 2021-2023 | ₱1,713,931 | ₱– | ₱– | (₱1,713,931) | ₱– |
| 2021 | 2022-2024 | 497,520 | – | – | – | 497,520 |
| 2022 | 2023-2025 | 2,556,521 | – | – | – | 2,556,521 |
| 2023 | 2024-2026 | – | 3,769,925 | – | – | 3,769,925 |
| | | ₱4,767,972 | ₱3,769,925 | ₱– | (₱1,713,931) | ₱6,823,966 |

26. Earnings Per Share - Basic / Diluted

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

| | 2023 | 2022 | 2021 |
|--|-----------------------|----------------|----------------|
| Net income attributable to equity holders of the Parent | ₱2,552,017,983 | ₱2,800,557,660 | ₱2,504,080,376 |
| Total comprehensive income (loss) attributable to equity holders of the Parent | ₱2,671,031,153 | ₱2,728,710,415 | ₱2,680,681,495 |
| Weighted average number of shares | 1,227,570,239 | 1,227,570,239 | 1,227,570,239 |

(Forward)



| | 2023 | 2022 | 2021 |
|--|--------------|-------|-------|
| Earnings Per Share | | | |
| Basic/diluted, for net income attributable to equity holders of the Parent | ₱2.08 | ₱2.28 | ₱2.04 |
| Basic/diluted, for comprehensive income attributable to equity holders of the Parent | ₱2.10 | ₱2.22 | ₱2.18 |

The Company does not have potentially dilutive common stock equivalents in 2023, 2022 and 2021.

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 ₱5.0 million in a single transaction or in aggregate transactions within the last 12 months are 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):

| | 2023 | 2022 | 2021 |
|---|---------------|--------|--------|
| Short-term employee benefits (Notes 21 and 22) | ₱195.4 | ₱205.9 | ₱106.8 |
| Retirement benefits (Notes 21, 22 and 24) | 5.1 | 4.4 | 4.4 |
| Total | ₱200.5 | ₱210.3 | ₱111.2 |

On March 29, 2023, PDPI sold and issued shares to a key officer representing 3% of its outstanding shares of stock for ₱35.6 million. At date of sale, the Group recognized the corresponding NCI and the related adjustment as a charge against the Additional Paid-in Capital in the consolidated financial statements amounting to ₱135.0 million.

On November 4, 2019, the Company granted a five-year loan amounting to ₱363.5 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 ₱652.9 million and ₱506.2 million as at December 31, 2023 and 2022, respectively. On February 28, 2024, the loan term was extended for another nine years effective November 3, 2024.



The balance of the loan, which is presented as “Notes receivable” in the consolidated statements of financial position, amounted to ₱198.8 million and ₱245.9 million as at December 31, 2023 and 2022, respectively.

On August 10, 2023, the Company entered into an agreement with AIMP for ₱218.0 million convertible note (“Note”), with interest rate of 8% per annum. The principal is payable on the third year anniversary of the Note issuance, while the interest is payable monthly. The Notes are convertible on or after the occurrence of an event of default. As at December 31, 2023 there has been no event of default and the Company intends to hold the Note until maturity. Accordingly, the Note was included under “Notes receivable” and accounted for at amortized cost.

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:

- a) maintaining a bond portfolio that earns adequate cash yields, and
- b) 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 composed of 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:

| | 2023 | 2022 |
|------------------------------|-----------------------|----------------|
| Cash in banks | ₱1,138,681,881 | ₱1,333,555,278 |
| Cash equivalents | 1,888,257,182 | 1,613,714,139 |
| FVPL investments - bonds | 147,453,547 | 162,948,774 |
| FVOCI investments - bonds | 57,636,746 | 41,453,401 |
| Advances | 566,637,017 | 567,408,113 |
| | 3,798,666,373 | 3,719,079,705 |
| Receivables: | | |
| Trade | 2,262,546,217 | 2,312,815,653 |
| Notes receivable | 416,774,404 | 245,854,878 |
| Receivable from villa owners | 77,279,674 | 100,880,108 |
| Interest receivable | 12,744,830 | 9,101,583 |
| Others | 29,418,074 | 31,007,558 |
| | 2,798,763,199 | 2,699,659,780 |
| | ₱6,597,429,572 | ₱6,418,739,485 |

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, 2023 | 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% - 0.02% | 0% - 0.20% | 0% - 0.47% | 0% - 96.35% | 98.91% | |
| Estimated total gross carrying amount at default | ₱1,402,081,696 | ₱392,216,755 | ₱163,807,399 | ₱24,709,838 | ₱23,488,179 | ₱256,242,350 | ₱2,262,546,217 |
| Expected credit loss | ₱- | ₱54,167 | ₱250,751 | ₱90,690 | ₱17,912,308 | ₱194,813,414 | ₱213,121,330 |

| 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 | ₱1,358,737,772 | ₱316,259,359 | ₱242,520,337 | ₱183,419,945 | ₱43,423,375 | ₱168,454,865 | ₱2,312,815,653 |
| Expected credit loss | ₱- | ₱21,552 | ₱45,977 | ₱64,251 | ₱43,203,480 | ₱168,454,865 | ₱211,790,125 |



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.

| 2023 | 12-month ECL | Lifetime ECL Not Credit Impaired | Lifetime ECL Credit Impaired | Total |
|------------------------------|-----------------------|---|---|-----------------------|
| Cash in banks | ₱1,138,681,881 | ₱- | ₱- | ₱1,138,681,881 |
| Cash equivalents | 1,888,257,182 | - | - | 1,888,257,182 |
| FVOCI investments | 57,636,746 | - | - | 57,636,746 |
| Receivables: | | | | |
| Notes receivable | 416,774,404 | - | - | 416,774,404 |
| Receivable from villa owners | 77,279,674 | - | - | 77,279,674 |
| Interest receivable | 12,153,735 | - | 591,095 | 12,744,830 |
| Others | 28,418,851 | - | 999,223 | 29,418,074 |
| Advances | 1,837,017 | - | 564,800,000 | 566,637,017 |
| | ₱3,621,039,490 | ₱- | ₱566,390,318 | ₱4,187,429,808 |
| 2022 | 12-month ECL | Lifetime ECL Not Credit Impaired | Lifetime ECL Credit Impaired | Total |
| Cash in banks | ₱1,333,555,278 | ₱- | ₱- | ₱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 | 8,510,488 | - | 591,095 | 9,101,583 |
| Others | 30,008,335 | - | 999,223 | 31,007,558 |
| Advances | 2,608,113 | - | 564,800,000 | 567,408,113 |
| | ₱3,376,584,740 | ₱- | ₱566,390,318 | ₱3,942,975,058 |

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, 2023 | Within 6 Months | Over 6 to 12 Months | Over 1 Year to 5 Years | Over 5 Years | Total |
|---|----------------------------|--------------------------------|-----------------------------------|-------------------------|-----------------------|
| Cash on hand and in banks | ₱1,139,149,381 | ₱- | ₱- | ₱- | ₱1,139,149,381 |
| Cash equivalents | 1,888,257,182 | - | - | - | 1,888,257,182 |
| FVPL investments - bonds | - | - | 14,515,661 | 132,937,886 | 147,453,547 |
| FVOCI investments - bonds | - | - | 29,622,064 | 28,014,682 | 57,636,746 |
| Receivables* | 2,167,277,147 | - | 416,774,404 | - | 2,584,051,551 |
| | ₱5,194,683,710 | ₱- | ₱460,912,129 | ₱160,952,568 | ₱5,816,548,407 |
| Accounts payable and accrued expenses** | ₱1,286,569,613 | ₱- | ₱- | ₱- | ₱1,286,569,613 |
| Lease liabilities | - | 17,152,948 | 39,869,521 | - | 57,022,469 |
| Long-term debt | - | - | 484,848,485 | 515,151,515 | 1,000,000,000 |
| Dividends payable | 570,375,761 | - | - | - | 570,375,761 |
| | ₱1,856,945,374 | ₱17,152,948 | ₱524,718,006 | ₱515,151,515 | ₱2,913,967,843 |

*Including notes receivable amounting to ₱416.7 million.

** Excluding non-financial liabilities amounting to ₱98.7 million.

| 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 | ₱1,334,687,516 | ₱- | ₱- | ₱- | ₱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 |
| | ₱5,188,826,114 | ₱- | ₱303,582,494 | ₱146,674,558 | ₱5,639,083,166 |
| Accounts payable and accrued expenses** | ₱1,251,042,651 | ₱- | ₱- | ₱- | ₱1,251,042,651 |
| Lease liabilities | 7,053,815 | 7,053,814 | 6,569,093 | - | 20,676,722 |
| Long-term debt | - | - | - | - | - |
| Dividends payable | 501,959,779 | - | - | - | 501,959,779 |
| | ₱1,760,056,245 | ₱7,053,814 | ₱6,569,093 | ₱- | ₱1,773,679,152 |

*Including notes receivable amounting to ₱245.8 million.

** Excluding non-financial liabilities amounting to ₱92.1 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 | Change in Interest Rates [in Basis Points (bps)] | Effect on Income Before Tax and Equity Increase (Decrease) |
|---------------------------------|---|---|
| 2023 | +0.25 | ₱2.1 |

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, 2023 and 2022. 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):

| | Change in Interest Rates (in bps) | Increase (Decrease) | |
|-------------------|--|--|-----------------------------|
| | | Effect on Income Before Tax | Effect on Equity |
| 2023 | | | |
| FVOCI investments | +100 | ₱- | (₱1.93) |
| | -100 | - | (2.05) |
| FVPL investments | +100 | (₱1.30) | ₱- |
| | -100 | 1.38 | - |

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

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):

| FVPL Investments | Change in PSE Price Index | Effect on Income Before Tax and Equity Increase (Decrease) |
|-------------------------|--------------------------------------|---|
| 2023 | +14.75% | ₱942.29 |
| | -14.75% | (942.29) |
| 2022 | +20.49% | ₱1,050.13 |
| | -20.49% | (1,050.13) |

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 +/-14.75% and +/-20.49% in 2023 and 2022, 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):

| Mutual Funds | Change in NAV | Effect on Income Before Tax and Equity Increase (Decrease) |
|---------------------|----------------------|---|
| 2023 | +10.00% | ₱259.19 |
| | -10.00% | (259.19) |
| 2022 | +10.00% | ₱224.17 |
| | -10.00% | (224.17) |

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):

| US Dollar | Change in Currency Rate | Effect on Income Before Tax and Equity Increase (Decrease) |
|-------------|----------------------------|--|
| 2023 | +7.80% | ₱412.15 |
| | -7.80% | (412.15) |
| 2022 | +7.44% | ₱15.36 |
| | -7.44% | (15.36) |

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 ₱516.9 million, with an average quantity of about 1,103 metric tons in 2023 and ₱638.0 million, with an average quantity of about 1,255 metric tons in 2022.

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) |
|-------------|----------------------------------|--|
| 2023 | +4.83 | (₱53.4) |
| | -4.83 | 53.4 |
| 2022 | +4.13 | (₱45.13) |
| | -4.13 | 45.13 |

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, 2023, 2022 and 2021.

29. Financial Instruments

Categorization of Financial Instruments

| December 31, 2023 | At Amortized Cost | Financial Assets at FVPL | Financial Assets at FVOCI | Total |
|---------------------------|-----------------------|-----------------------------|------------------------------|------------------------|
| Cash and cash equivalents | ₱3,027,406,563 | ₱- | ₱- | ₱3,027,406,563 |
| FVPL investments | - | 13,186,171,800 | - | 13,186,171,800 |
| FVOCI investments | - | - | 57,636,746 | 57,636,746 |
| Receivables* | 2,584,051,551 | - | - | 2,584,051,550 |
| | ₱5,611,458,114 | ₱13,186,171,800 | ₱57,636,746 | ₱18,855,266,660 |

*Including notes receivable amounting to ₱416.7 million.

| December 31, 2022 | At Amortized Cost | Financial Assets at FVPL | Financial Assets at FVOCI | Total |
|---------------------------|-----------------------|-----------------------------|------------------------------|------------------------|
| Cash and cash equivalents | ₱2,948,401,655 | ₱- | ₱- | ₱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 |
| | ₱5,434,680,992 | ₱12,046,804,002 | ₱41,453,401 | ₱17,522,938,395 |

*Including notes receivable amounting to ₱245.8 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 (income approach). 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 this unquoted equity investment.
- 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:

| | Total | Fair Value Measurement Using | | |
|--------------------------|------------------------|--|--|--|
| | | Quoted Prices in Active Markets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| December 31, 2023 | | | | |
| FVPL investments: | | | | |
| Quoted equity shares | ₱7,026,985,641 | ₱7,026,985,641 | ₱– | ₱– |
| Unquoted equity shares | 2,921,429,748 | – | 1,993,994,470 | 927,435,278 |
| Funds and equities | 2,459,415,391 | – | 2,459,415,391 | – |
| Proprietary shares | 625,177,073 | – | 625,177,073 | – |
| Bonds | 147,453,547 | 147,453,547 | – | – |
| Others | 5,710,400 | 5,710,400 | – | – |
| | 13,186,171,800 | 7,180,149,588 | 5,078,586,934 | 927,435,278 |
| FVOCI investments | 57,636,746 | 57,636,746 | – | – |
| | ₱13,243,808,546 | ₱7,237,786,334 | ₱5,078,586,934 | ₱927,435,278 |

| | Total | Fair Value Measurement Using | | |
|--------------------------|------------------------|--|--|--|
| | | Quoted Prices in Active Markets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| December 31, 2022 | | | | |
| FVPL investments: | | | | |
| Quoted equity shares | ₱6,334,416,035 | ₱6,334,416,035 | ₱– | ₱– |
| Unquoted equity shares | 2,732,294,685 | – | 1,710,585,612 | 1,021,709,073 |
| Funds and equities | 2,293,278,344 | – | 2,293,278,344 | – |
| 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 | 4,521,991,029 | 1,021,709,073 |
| FVOCI investments | 41,453,401 | 41,453,401 | – | – |
| | ₱12,088,257,403 | ₱6,544,557,301 | ₱4,521,991,029 | ₱1,021,709,073 |



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

2023:

| | Valuation Technique | Significant Unobservable inputs | Range | Sensitivity of Input to Fair Value |
|-----|---------------------|---|-------------------------|--|
| KSA | DCF Model | Dividend payout is ₱95.8 million with 4% annual increase | 3% to 5% | 3%: fair value of ₱833 5%: fair value of ₱1,047 |
| | | Liquidity discount of 20% | 10% to 30% | 10%: fair value of ₱1,043 30%: fair value of ₱812 |
| | | Cost of equity of 12.78% | 11.78% to 13.78% | 11.78%: fair value of ₱1,042 13.78%: fair value of ₱836 |

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 | 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 |

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, 2023 and 2022, the carrying value of the investment in KSA amounts to ₱927.4 million and ₱1,021.7 million, respectively. The Group recognized loss on fair value adjustment amounting to ₱94.3 million in 2023 (nil in 2022 and 2021).

For the years ended December 31, 2023, 2022 and 2021, 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 ₱13.7 million, ₱13.2 million, and ₱12.8 million in 2023, 2022 and 2021, respectively (see Notes 15 and 23).



IAI

- a. 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.

| | 2023 | 2022 |
|---------------------------------|--------------------|-------------|
| <i>Cost</i> | | |
| Beginning/Ending balance | ₱17,652,622 | ₱- |
| Additions | - | 17,652,622 |
| Ending balance | 17,652,622 | 17,652,622 |
| <i>Accumulated Amortization</i> | | |
| Beginning balance | 5,884,207 | - |
| Amortization for the year | 5,884,208 | (5,884,207) |
| Ending balance | 11,768,415 | (5,884,207) |
| Net Book Value | ₱5,884,207 | ₱11,768,415 |



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

| | 2023 | 2022 |
|---|---------------------|-------------------|
| Beginning balance | P 12,221,196 | P- |
| Additions | - | 17,652,621 |
| Accretion of interest | 532,022 | 760,575 |
| Lease payments | (6,192,000) | (6,192,000) |
| | 6,561,218 | 12,221,196 |
| Less current portion of lease liability | 6,561,218 | 5,845,738 |
| Noncurrent portion of lease liability | P- | P6,375,458 |

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

| | 2023 | 2022 |
|---|-------------------|--------------------|
| Not later than 1 year | P6,569,093 | P6,377,760 |
| More than 1 year but not later than 5 years | - | 6,569,093 |
| | P6,569,093 | P12,946,853 |

- b. 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.
- c. On November 29, 2022, IAI entered into a purchase agreement with VAL to acquire two Twin Otter aircraft with a total purchase price P965.47 million (US\$17.07 million). As of December 31, 2022, IAI deposited to VAL advance payment based on the payment milestone for the aircraft amounting to P245 million funded by advances from SSRLI. In 2023, these advances were applied upon the finalization of the purchase of the aircrafts.
- d. In 2019, IAI and PRI entered into an agreement wherein IAI will provide regular air transport service. IAI will 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 and that in the event of increase in the prices of fuel, IAI and PRI shall revisit and review the contract for rate adjustment. The agreement has a duration of three (3) years. On May 7, 2022, the agreement was renewed for another three (3) years effective February 15, 2022. The duration of the contract may be extended upon such terms and condition as may be mutually agreed by both parties. In 2023, IAI entered into a new air service agreement with PRI to supersede its existing agreement. Under the new agreement, PRI shall guarantee IAI nine hundred ninety (990) Twin Otter revenue roundtrip flights yearly starting January 1, 2023. The new agreement shall have a duration of not less than three (3) years starting January 1, 2023, unless otherwise pre-terminated formally in writing by either party.

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 ₱53.5 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 ₱42.8 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 (₱255.9 million) cash consideration plus the fair value of the 46.79% investment amounting to ₱302.7 million. Goodwill recognized from the acquisition amounted to ₱99.3 million (see Note 7).
- c. 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 ₱650,000 (eliminated in the consolidated statements of comprehensive income), inclusive of VAT. AHI also charges PRI for a monthly fee of ₱100,000 (eliminated in the consolidated statements of comprehensive income), inclusive of VAT. Effective August 2021, ₱375,000 (inclusive of VAT) is billed by AHI to PRI and the same amount is charged by the Company by PRI.

Effective January 1, 2023, the Company charges a monthly fee amounting to ₱916,667, inclusive of VAT (eliminated in the consolidated statement of comprehensive income).

- 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 ₱117.07 million, ₱98.1 million and ₱75.1 million in 2023, 2022 and 2021, respectively.

- e. 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 ₱4.07 million and ₱3.84 million in 2023 and 2022, respectively.

- f. 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 ₱228.7 million, ₱193.0 million and ₱164.0 million in 2023, 2022 and 2021, 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, 2023 and 2022, the restricted fund amounted to ₱86.57 million and ₱82.72 million, respectively, which is included under "Other noncurrent assets" and "Other noncurrent liabilities" in the consolidated balance sheets (see Note 16).

- g. 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.
- h. 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 2023, 2022 and 2021.
- i. Starting 2013, SSRLI has property development in progress, which pertains to the costs related to the development of various projects. As at December 31, 2023 and 2022, total property development in progress mainly for Phase 4 villa development amounted to ₱18.7 million and ₱26.9 million, respectively.

PDIPI and Subsidiaries

- a. The Company has a management contract with Phelps Dodge Philippines Energy Products Corporation (PDPEPC). Under the management agreement between the parties, the Company, as compensation to managerial and administrative services rendered to PDPEPC, shall bill the latter for management fees equivalent to 50% of 15% of audited income before tax and management and technical assistance fees of PDE (VAT inclusive). As per renewal of the agreement, amendments in the management fee billings has taken place in which the fixed fee is no longer available. Due from PDP Energy (eliminated in the consolidated balance sheets) amounted to ₱23.5 million and ₱44.7 million as at December 31, 2023 and 2022, respectively. Management fees (eliminated in the consolidated profit or loss) amounted to ₱99.4 million, ₱100.1 million, and ₱103.6 million in 2023, 2022 and 2021, respectively.



A new management contract was executed effective January 1, 2022, that this agreement shall continue for a period of five years from the effective date.

- 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, 2023 and 2022, and the movement during the period.

| | 2023 | 2022 |
|---------------------------------|--------------------|-------------|
| <i>Cost</i> | | |
| Beginning/Ending balance | ₱35,792,042 | ₱35,792,042 |
| Additions | 49,093,056 | – |
| Ending balance | 84,885,098 | 35,792,042 |
| <i>Accumulated Amortization</i> | | |
| Beginning balance | 30,140,668 | 22,605,501 |
| Amortization for the year | 8,106,027 | 7,535,167 |
| Ending balance | 38,246,695 | 30,140,668 |
| Net Book Value | ₱46,638,403 | ₱5,651,374 |

Set out below is the carrying amount of lease liability and its movements in 2023 and 2022:

| | 2023 | 2022 |
|---|--------------------|--------------|
| Beginning balance | ₱6,995,116 | ₱16,600,449 |
| Additions | 49,093,056 | |
| Accretion of interest | 1,105,005 | 1,618,916 |
| Lease payments | (9,694,869) | (11,224,249) |
| | 47,498,308 | 6,995,116 |
| Less current portion of lease liability | 12,202,067 | 4,288,032 |
| Noncurrent portion of lease liability | ₱35,296,241 | ₱2,707,084 |

Operating lease commitments- PDP Energy as lessee

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

| | 2023 | 2022 |
|---|--------------------|------------|
| Not later than 1 year | ₱10,583,855 | ₱7,729,869 |
| More than 1 year but not later than 5 years | 39,869,521 | – |
| | ₱50,453,376 | ₱7,729,869 |



31. Changes in Liabilities Arising from Financing Activities

December 31, 2023

| | December 31, 2022 | Cash Flows for Availment | Cash Flows for Repayments | Dividend Declaration | Noncash Movement | Accretion of Interest | December 31, 2023 |
|--|----------------------|-----------------------------|---------------------------------|-------------------------|---------------------|--------------------------|----------------------|
| Dividends payable | ₱501,959,779 | ₱- | (₱1,103,154,257) | ₱1,227,570,239 | (₱56,000,000) | ₱- | ₱570,375,761 |
| Long-term debt | - | 1,000,000,000 | - | - | - | - | 1,000,000,000 |
| Interest on long term debt | - | - | (42,917,505) | - | - | 58,597,678 | 15,680,173 |
| Lease liabilities | 19,216,312 | - | (16,331,931) | - | - | 1,717,702 | 4,602,083 |
| Total liabilities from financing activities | ₱521,176,091 | 1,000,000,000 | (₱1,162,403,693) | ₱1,227,570,239 | (₱56,000,000) | ₱60,315,380 | ₱1,590,658,017 |

December 31, 2022

| | December 31, 2021 | Cash Flows for Availment | Cash Flows for Repayments | Dividend Declaration | Noncash Movement | Accretion of Interest | December 31, 2022 |
|--|----------------------|-----------------------------|---------------------------------|-------------------------|---------------------|--------------------------|----------------------|
| Dividends payable | ₱519,529,172 | ₱- | (₱1,189,139,632) | ₱1,227,570,239 | (₱56,000,000) | ₱- | ₱501,959,779 |
| Long-term debt | 75,714,286 | - | (75,714,286) | - | - | - | - |
| Dividends payable | 23,166,200 | 23,166,200 | (23,166,200) | - | (23,166,200) | - | - |
| Lease liabilities | 16,600,449 | - | (17,416,249) | - | 17,652,621 | 2,379,491 | 19,216,312 |
| Total liabilities from financing activities | ₱635,010,107 | ₱23,166,200 | (₱1,305,436,367) | ₱1,227,570,239 | (₱61,513,579) | ₱2,379,491 | ₱521,176,091 |

December 31, 2021

| | December 31, 2020 | Cash Flows for Availment | Cash Flows for Repayments | Dividend Declaration | Noncash Movement | Accretion of Interest | December 31, 2020 |
|--|----------------------|-----------------------------|------------------------------|-------------------------|---------------------|--------------------------|----------------------|
| 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 |

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, 2023 and 2022, 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 noncash investing activities in 2023 includes additions to property and equipment amounting to ₱247.3 million paid in 2022.



34. Subsequent Events

Anscor

On February 28, 2024, the Board of Directors (BOD) approved the declaration of cash dividend of ₱0.50 per common share, payable on March 25, 2024 to common stockholders of record as at March 14, 2024.

PDP

- On February 27, 2024, the BOD of PDIPI approved the declaration of ₱450.0 million cash dividend to its stockholders of record as of February 29, 2024 representing ₱5.08 per share, payable as follows:

₱350 million - payable on or before March 22, 2024

₱100 million - payable on or before July 31, 2024

- On February 27, 2024, the BOD of PD Energy approved the declaration of ₱450.0 million cash dividend to PDIPI representing ₱6.96 per share, payable as follows:

₱350 million - payable on or before March 19, 2024

₱100 million - payable on or before July 28, 2024

- On February 27, 2024, the BOD of PDEIC approved the declaration of ₱80.0 million cash dividend to PDPEPC representing ₱800 per share, payable on or before March 19, 2024.

