SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended : 31 December 2021

2. SEC Identification Number : 23736

3. BIR Tax Identification No. : 000-099-128

4. Exact name of issuer as specified in its charter: Steniel Manufacturing Corporation

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

6. [ ] (SEC Use Only)
   Industry Classification Code:

7. Address of principal office
   Gateway Business Park, Brgy. Javalera, General Trias, Cavite

8. Issuer's telephone number, including area code
   (046) 433-0066

9. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	1,418,821,081

10. Are any or all of registrant's securities listed on a Stock Exchange?
    Yes [✓] No [ ]

11. The Company's 876,182,045 common shares are listed at the Philippine Stock Exchange.

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
    Yes [ ] No [✓]

    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes [✓] No [ ]

13. The aggregate market value of voting stocks held by non-affiliates is Php48,344,686 computed on the basis of the closing share price on July 5, 2006[1] of Php0.26 per common share.

[1] There were no transactions since July 6, 2006, the date when the Philippine Stock Exchange implemented a temporary trading suspension on the Company's shares.

TABLE OF CONTENTS

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Background

Steniel Manufacturing Corporation ("STN" or the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission ("SEC") on September 13, 1963. The Company and its subsidiaries (collectively, the "Group") are engaged in the manufacturing, processing and selling of all kinds of paper products, paper board and corrugated carton containers, and all other allied products and processes. On September 11, 2013, the SEC approved the extension of the Company's corporate term for another 50 years from September 13, 2013. With the passage of the Revised Corporation Code of the Philippines ("RCC"), the Company now has perpetual existence.

Following a decision made by the Company's Board of Directors ("Board") in 1996 to reorganize the Group, the Company ceased its manufacturing operations in June 1997. With the reorganization, the Company's principal activity is now limited to holding of investments.

Prior to 2006, Steniel (Netherlands) Holdings B.V. ("Steniel Netherlands"), a company incorporated in Amsterdam, The Netherlands, owned 82.2716% of the shares of the Company. Steniel Netherlands was then 100%-owned by Steniel (Belgium) Holdings NV ("Steniel Belgium"). In 2006, Steniel Belgium sold its shares in Steniel Netherlands to certain directors and officers of the Company. With the sale of shares, the ultimate parent company became Steniel Netherlands.

Consequent to the restructuring of the loan in 2010, the Company issued 123,817,953 shares to Roxburgh Investment Limited ("Roxburgh") for purposes of reducing the Company's outstanding debts. As a result, Roxburgh owned 12.3818% of the Company, while the ownership of Steniel Netherlands as well as the public were reduced to 72.0849% and 15.5333%, respectively.

On January 18, 2012, the shareholders of Steniel Netherlands entered into a Share Purchase Agreement with Right Total Investments Limited ("Right Total"), a limited liability company incorporated in British Virgin Islands as an investment company, involving the sale and purchase of up to 100% of the issued and outstanding shares of Steniel Netherlands. Following the closing of the sale on March 29, 2012, Right Total became the owner (through Steniel Netherlands) of 72.0849% shares of the Company.

On January 25, 2012, the Company received a tender offer from Steniel Netherlands offering to purchase 279,151,088 shares of the minority investing public equivalent to 27.92% of the outstanding capital stock. A total of 2,115,692 common shares were tendered and accepted by Steniel Netherlands, which comprised 0.0021% of the total issued and outstanding capital stock of the Company.

On June 26, 2019, the Company approved the reacquisition of Steniel Mindanao Packaging Corporation ("SMPC"), as described below, through a share swap transaction involving the transfer of 100% of the outstanding capital stock of SMPC in favor of the Company in exchange for STN shares. The Company also approved the conversion of the loans extended by Greenkraft Corporation ("Greenkraft") and Roxburgh into equity. These approvals were made in view of the need to address the negative capital of the Company.

As part of the preparations for these share issuances, the Board approved the increase of the Company's authorized capital stock from Php1 Billion to Php2 Billion. The same was approved and ratified by the stockholders during the annual stockholders' meeting held on July 17, 2019 and reconfirmed on November 19, 2020.

On October 7, 2020, Greenkraft Corporation, Golden Bales Corporation, Corbox Corporation, Rex Chua, and Clement Chua ("Buyer Group") collectively entered into a Share Purchase Agreement with Steniel Netherlands to acquire 649,908,308 common shares of the Company representing 64.99% ownership thereof. In compliance with the Securities and Regulations Code and its Implementing Rules and

Regulations, the Buyer Group made a tender offer involving the remaining outstanding shares of the Company, excluding the 70,940,604 common shares of Steniel Netherlands not included in the Share Purchase Agreement. The tender offer commenced on October 12, 2020 and ended on November 10, 2020 (the "Tender Offer Period"). A total of 11,780,533 common shares of STN were tendered during the Tender Offer Period, which comprise approximately 1.18% of the total issued and outstanding shares of the Company. Settlement for the tendered shares was made on November 20, 2020. Applications for issuance of Certificates Authorizing Registration ("CARs") for these transfers are currently being processed. Hence, the acquisition of the 11,780,533 shares has not yet been recorded in the books of the Company.

Following the completion of the tender offer, Steniel Netherlands and the Buyer Group executed the deed of sale on November 23, 2020 involving the 649,908,308 shares of the Company. The relevant taxes were paid and the corresponding CAR was secured. As of the date hereof, the transfer of the 649,908,308 common shares in favor of the Buyer Group has been recorded in the books of the Company. The transfer effectively reduced the shareholding of Steniel Netherlands to 5% of the Company's outstanding capital stock.

On December 29, 2020, the SEC approved the Company's application for increase of authorized capital stock from Php1 Billion to Php2 Billion resulting to the issuance of 418,821,081 common shares in favor of the Buyer Group, Greenkraft and Roxburgh. The increase was (i) partly subscribed by the share swap transaction wherein the Company reacquired SMPC in exchange for unissued shares of the Company; and (ii) partly subscribed through conversion of liability into equity.

The Company's principal office is located at Gateway Business Park, Brgy. Javalera, General Trias, Cavite, Philippines.

B. Subsidiaries

The consolidated financial statements include the financial statements of the Company and the following subsidiaries incorporated in the Philippines (the Company and its subsidiaries are collectively referred to as the "Group"):

Subsidiary	Date of Registration	SEC Registration No.
Steniel Cavite Packaging Corporation (SCPC)*	November 9, 1993	AS093-008725
Steniel Mindanao Packaging Corporation (SMPC)	June 30, 1995	AS095-006250

**Treasure Packaging Corporation (TPC) was merged with SCPC on May 30, 2018.*

1. *SCPC and TPC*

SCPC was incorporated and registered with the SEC on November 9, 1993 primarily to engage in the manufacturing, processing and selling of all kinds of paper products, paper board and corrugated carton containers and all others allied products and processes.

On June 30, 2006, SCPC's Board of Directors decided to discontinue its packaging operations in light of the difficult economic and business conditions and the continued business losses experienced by the company. Since it discontinued its packaging operations until 2015, SCPC was engaged in purchasing, processing and reselling various paper products and lease its machinery and equipment.

TPC was incorporated and registered with the SEC on May 23, 1994 primarily to engage in the manufacturing, processing, purchasing, and selling on wholesale basis, paper, paper rolls, paper boards, cartons, containers, packaging material and other pulp and paper products. The registered office address and principal office of TPC was located at Hernan Cortes Street, Manduae City, Cebu, Philippines.

In 2016, the merger between SCPC and TPC (the former as the surviving entity) was approved by the Board of Directors and shareholders of both corporations. The application for merger was approved by the SEC on May 30, 2018.

On January 10, 2017, the SEC approved the equity restructuring of SCPC which wiped out the company's deficit as at December 31, 2016.

SCPC's principal office is located at Gateway Business Park, Brgy. Javalera, General Trias, Cavite, Philippines.

2. *SMPC*

SMPC was incorporated on June 30, 1995 primarily to engage in the business of manufacturing, importing, buying, selling or otherwise dealings in, at wholesale and retail, all kinds of paper, paper rolls, paper boards, cartons, containers, packaging materials and other pulp and paper products.

As at December 31, 2012, SMPC was a wholly-owned subsidiary of the Company. In 2013, the Company sold its 9,249,995 common shares in SMPC.

On June 26, 2019, the Company approved the reacquisition of SMPC through a share swap transaction involving the transfer of 100% of the outstanding capital stock of SMPC in favor of the Company in exchange for STN shares. In preparation for these share issuances, the Company's Board approved the increase of the Company's authorized capital stock from Php1 Billion to Php2 Billion. The same was approved and ratified by the stockholders during the annual stockholders' meeting held on July 17, 2019 and reconfirmed on November 19, 2020.

On December 29, 2020, the Company issued 269,250,000 STN shares to the shareholders of SMPC effecting the share swap following the SEC approval of the Company's increase in authorized capital stock on the same day. The transfer of the SMPC shares in favor of the Company was subsequently recorded after the relevant CARs were issued by the Philippine Bureau of Internal Revenue ("BIR"). As of the date hereof, the Company is the registered owner of 100% of the outstanding capital stock of SMPC.

SMPC's principal place of business is located at Km. 25 National Highway, Bunawan District, Davao City.

As at December 31, 2021, the operating subsidiaries of the Company are SCPC and SMPC.

C. Transactions with and/or Dependence on Related Parties

Transactions with related parties in the day-to-day course of business include inter-company sale and/or transfer of inventory and equipment. Related party transactions are always made at arms-length.

D. Total Number of Employees

The Company has a total of three (3) employees as at December 31, 2021.

E. Patents, Trademarks Copyrights and Licenses

Not applicable.

F. New Products and Existing or Probable Government Approval for Products or Services

Not applicable.

G. Cost and Compliance with Environmental laws

The Group adopts a proactive approach in respect of environmental laws. All its facilities were constructed with high standards and in compliance with the basic requirements of existing environmental regulations. It is not feasible at the moment to determine the incremental cost of additional compliance with new regulations, if there are any.

H. Bankruptcy, Receivership or Similar Proceedings

As discussed in Note 1 in the Notes to Consolidated Financial Statements, due to the working capital drain experienced by the Group as a result of prior debt service payments and the difficult business and economic conditions during the period, the Group found it difficult to make further payments of its bank debts while at the same time ensuring continued operations. The Company failed to settle its outstanding short term and long-term loans which were supposed to mature in 2004, 2005 and 2006, and was declared in default by the lending banks on May 24, 2006. Subsequently until 2009, the lending banks assigned and sold their respective outstanding loan balances to various third parties.

In November 2007, the Company, including certain subsidiaries and an associate, separately filed individual Petitions for Rehabilitation with their respective Regional Trial Courts to ensure recovery and address liquidity. The petition, however, was denied by the courts.

Debt Restructuring

After the assignment and sale of loans from the lending banks to third parties, discussions commenced in 2009 with the major creditors/lenders to restructure the Company's outstanding loans. On October 15, 2010, the Company and the creditors/lenders signed an Amended and Restated Omnibus Agreement (the "Amended Agreement") with the essential elements summarized below:

- The outstanding principal and accrued interest expense as at September 30, 2010 was restructured for 25 years.

- Conditional waiver of penalty and other charges upon the faithful performance by the Company of the terms of restructuring.

- Reduction of the outstanding principal and accrued interest expense as of September 30, 2010 via dacion en pago or sale of the following properties: (a) all outstanding common and preferred shares of stock held by the Company in Steniel Land Corporation ("SLC"); (b) identified idle assets of the Company and its subsidiaries; and (c) conversion into equity through the issuance of the Company's unissued capital stock.

- The outstanding principal amount after the dacion en pago or sale of properties shall be paid in ninety-two (92) consecutive quarterly installments starting in January 2013.

- The outstanding portion of the accrued interest after equity conversion shall be paid in forty (40) consecutive quarterly installments starting after year fifteen (15) from the date of restructuring.

- Restructured outstanding principal will be subject to interest of 6% per annum for fifteen (15) years and 8% per annum on the sixteenth (16^{th}) year and onwards.

- The restructured accrued interest expense prior to loan restructuring will be subject to interest of 8% per annum.

- The restructured loan shall be secured by the assets/collateral pool under the Collateral Trust Agreement.

- All taxes and fees, including documentary stamp taxes and registration fees, shall be for the account of the Group.

- All other costs and expenses of restructuring, including documentation costs, legal fees and out-of-pocket expenses shall be for the account of the Company; and

- Other conditions include:

    a. Lenders' representative to be elected as director in the Company and in each of its subsidiaries.
    b. A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.
    c. No dividend declaration or payment until the restructured obligations is fully paid.
    d. No new borrowing, unless with consent of the lenders.
    e. No repayment or prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.
    f. Creditors' consent for change in material ownership in the Steniel Group and mortgagors.
    g. Standard covenants, representations and warranties.

Dacion en pago and Equity Conversion

The *dacion en pago* of the Group's idle machines and the equity conversion through the issuance of the Company's capital stocks have been completed as at December 31, 2010. The *dacion en pago* transaction reduced the outstanding principal amount by Php122 million while the equity conversion reduced the outstanding accrued interest by Php248 million.

The *dacion en pago* relating to the Group's shares in Stenial Land Corporation ("SLC") and a subsidiary's land and land improvements and building and building improvements has a total value of Php290 million. In 2012, the CARs were issued in relation to the transfer to Greenkraft of 1,749,500 common shares and 11,820 preferred shares in SLC. The CARs covering the transfer of 727,050 preferred shares in SLC held by SCPC is currently being processed. The change in ownership and management in early 2012 and issuance of CARs generally caused the delay in the implementation of the *dacion en pago*.

In July 2019, the Company's Board and stockholders approved the conversion of debt into common shares of STB. Consequently, principal payments on long-term debts were suspended beginning July 2019. On December 29, 2020, the Company issued shares to the lenders effecting the debt-to-equity conversion following the SEC approval of its application for increase in authorized capital stock on the same day. The outstanding balance of the borrowings were reduced by Php149.56 million as a result of the debt-to-equity conversion.

Interest Payments

On December 2, 2011, the major creditors/lenders agreed to waive the payment of interest for the first 2 years of the loan commencing of the restructuring date, to correspond to the principal repayment as stated in the Amended Agreement. Hence, interest payments on each interest payment date shall be made in accordance with the Amended Agreement but shall commence on the 27th month after the restructuring date, inclusive of a 2-year grace period. In relation to this, on March 1, 2012, the accrued interest, which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was also condoned by its major creditors effective December 31, 2011.

In 2013, due to continuous working capital drain experienced by the Company as a result of difficult economic and business conditions, the Company requested reconsideration to defer the implementation of the loan agreement from the creditors which was acted favorably. The Company was granted another two (2) years extension of principal repayment, reduction of interest rate from 6% to 2% for the first five (5) years and further waive interest charges until January 1, 2019. Consequent to the Board approval of the conversion of debt to equity in 2019, principal and interest payments on long-term debt was suspended beginning July 2019.

There are no known trends, events or uncertainties that will have a material impact on the Steniel Group's future operations except those that have already been disclosed in the foregoing. There are no other sources of revenue or income that are not ordinary in nature.

I. Material Reclassification, Merger, Consolidation, or Purchase or Sale of a Significant Amount of Assets Not Within the Ordinary Course of Business

As discussed in Note 10 in the Notes to the Consolidated Financial Statements, the Company reclassified certain remaining assets and shares of stocks in an associate from investment to assets held-for-sale which was subject to *dacion en pago* under the provisions of the Amended Agreement. The assets and shares are measured at lower of the carrying amount and fair value less cost to sell. The *dacion en pago* is expected to be completed in 2022.

J. Cost of Research and Development Activities

Not applicable.

K. Major Risks and Management of the Risks

The Company and the creditors/lenders signed the Amended Agreement on October 15, 2010 which restructured the Company's loans and addressed the default situation. The essential provisions of the Amended Agreement are discussed in detail in Item 1(H) above and in Note 1 in the Notes to Consolidated Financial Statements.

Please also refer to Note 24 - Financial risk management of the Notes to Consolidated Financial Statements for additional discussions.

Item 2. Properties

Please refer to Note 10 – Asset-Held-for-Sale and Note 11 – Property and Equipment, of the Notes to Consolidated Financial Statements for the table of properties.

The Group's building and building improvements, leasehold improvements and machinery and equipment were mortgaged to secure the payment of long-term debts under mortgage trust indentures. Consequent to the loan restructuring (please refer to Item 1(H) in the preceding section), the dacion en pago of the Group's idle machines and building had been partially completed as at December 31, 2010 and September 30, 2014 respectively, thereby reducing outstanding principal amount by Php222 million.

With regard to the *dacion* of the shares in SLC, the CARs for the transfer of shares to Greenkraft were issued in 2012. The CARs covering the transfer of shares held by SCPC is currently being processed. These transactions relating to the Group's shares in SLC have a total value of Php190.0 million.

Recent Acquisitions

The Company, through SCPC and SMPC, acquired the box plant assets used by Dole Philippines, Inc. ("Dole") in Davao del Norte for the production of its packaging materials. Dole is engaged in producing fresh fruits for export and local sales.

The box plant assets, all located in Davao Del Norte, consist of the buildings, other land improvements, machines, motor vehicles as well as the land where the box plant is located. SCPC acquired the land from Diamond Farms, Inc. on December 1, 2021 for USD2.3 Million and the rest of the box plant assets from Dole on January 24, 2022 for USD8 Million. Dole turned over the operations of the box plant assets to SCPC on February 24, 2022.

Simultaneous to the acquisition of the box plant assets was the execution of an agreement between Dole and SMPC for the supply of boxes, labels and other packaging materials made of paper related products. With a minimum purchase commitment from Dole, the supply agreement shall be effective from August 24, 2022 to February 23, 2032.

With the foregoing acquisitions and contractual arrangements with Dole, the Company, through SCPC and SMPC, expects to increase the Group's production capacity from 60,000 MT to 120,000 MT and double the sales revenue.

Item 3. Legal Proceedings

As of December 31, 2021, neither the Company nor any of its subsidiaries are involved in, or the subject of, any legal proceedings which, if determined adversely to the Company or the relevant subsidiary's interests, would have a material adverse effect on the business or financial position of Company or any of its subsidiaries.

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

A. Market Price

The Company's common shares are listed on The Philippine Stock Exchange, Inc. ("**PSE**"), and a summary of the high and low share prices by quarter for the 3-year period ended December 31, 2006 is as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2003 - high	0.100	0.140	0.200	0.210
- low	0.100	0.110	0.120	0.130
2004 - high	0.180	0.150	0.150	0.150
- low	0.130	0.100	0.100	0.120
2005 - high	0.260	0.180	0.150	0.150
- low	0.120	0.125	0.110	0.110
2006 - high	0.780	0.600	0.260	No transaction
- low	0.110	0.200	0.250	

The PSE has implemented a temporary trading suspension on the Company's shares following a disclosure dated July 5, 2006 relative to the authorization granted by the shareholders of the Company to enter into rehabilitation proceedings.

B. Holders

As of December 31, 2021, the top twenty (20) stockholders of the Company are the following:

	Name	Citizenship	No. of shares	%
1	Greenkraft Corporation	Filipino	317,916,912	22.41%
2	Golden Bales Corporation	Filipino	275,747,492	19.44%
3	Corbox Corporation	Filipino	275,747,492	19.44%

4	Roxburgh Investments Limited	BVI	261,910,502	18.46%
5	PCD Nominee Corporation	Filipino	71,555,009	5.04%
6	Steniel (Netherlands) Holdings B.V.	Dutch	70,940,604	5.00%
7	Rex Chua	Filipino	30,607,972	2.16%
8	Clement Chua	Filipino	30,607,972	2.16%
9	Valmora Investment & Management Corporation	Filipino	10,443,860	0.74%
10	Rustico and/or Lolita Garingan	Filipino	2,097,276	0.15%
11	Delfin R. Maceda	Filipino	1,980,000	0.14%
12	PCD Nominee Corporation	Non-Filipino	1,954,703	0.14%
13	Calvin C. Chua	Filipino	1,828,500	0.13%
14	Tower Securities Inc.	Filipino	1,685,333	0.12%
15	AB Capital Securities Inc.	Filipino	1,490,886	0.11%
16	Sally C. Ong Pac	Filipino	1,450,000	0.10%
17	Leonardo T. Siguion-Reyna	Filipino	1,151,839	0.08%
18	Ella C. Santiago and/or Manuel A. Santiago	Filipino	1,100,000	0.08%
19	Christopher Chua	Filipino	1,000,000	0.07%
20	Eastern Securities Development Corporation	Filipino	954,505	0.07%

The Company's securities consist of outstanding common shares.

As of December 31, 2021, the Company has a public float level of 13.11%.

C. <u>Dividends</u>

The Company did not declare any dividends for the years ended December 31, 2019, 2020 and 2021. Based on its By-Laws, dividends may be declared from the surplus profit at such time or times and in such percentage as the Company's Board may deem proper. No dividend shall be declared that will impair the capital of the Company. Stock dividend shall be declared in accordance with the law.

D. <u>Recent Sales of Unregistered Securities</u>

Pursuant to the increase in the Company's authorized capital stock from ₱1,000,000,000.00 to ₱2,000,000,000.00 which was approved by the SEC on December 29, 2020, the Company issued a total of 418,821,081 common shares to the following entities, natural and juridical, as a result of the share swap transaction and debt-to-equity conversion:

1. Share Swap Transaction

Name	No. of Shares
Greenkraft Corporation	89,767,950
Corbox Corporation	80,775,000
Golden Bales Corporation	80,775,000
Rex Chua	8,966,025
Clement Chua	8,966,025
TOTAL	269,250,000

2. Debt to Equity Conversion

Name	No. of Shares
Greenkraft Corporation	11,469,532
Roxburgh Investment Limited	138,092,549
TOTAL	149,562,081

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

Consolidated revenues for the current year totaled Php1,277 million mainly consist of the manufacturing and selling of cartons and packaging materials to domestic and international markets while revenue recorded last year amounting to Php 40 million was solely from the leasing of machineries and equipment to a subsidiary in Davao.

Cost of sales and expenses applicable to the manufacturing business totaled Php 1,140 million while last year's direct expenses related to the leasing activity was almost negligible. Gross profit margin for the current period posted at 10.71%, compared to last year's margin of 99.99%. The sharp decrease for the current year was due to the consolidation of the manufacturing business.

Operating expenses during the current year posted Php 115.079 million net of reversal of previously recognized inventory write-down amounting to Php 15.388 million compared to last year of P5.788 million. The increase of Php 109.291 million consist of costs incurred to support the manufacturing activities..

Financing charges recognized during the current year is mainly related to short term bank borrowings to support the plant's operation amounted to Php 14.814 million. No financing charges was recognized attributable to the long term debt since 2018 when the creditors agreed to waive the interest charges maintaining their support up to this reporting period.

Other income for the period ending 2021 amounted to Php 12.183 million consist of dividends income, gain on sale of AFS and Forex gain compared to last year Php 277.254 million. The significant decrease consists of the gain on acquisition of SMPC amounted to Php 267.459 and reversal of allowance for impairment of prepaid taxes in the amount of, Php 7.993 million..

Income tax expense applicable for the current year amounted to P .984 million compared to Php 10.966 million in 2020.

Overall, the Group realized a consolidated net income of Php 17.965 million for the year ended December 31, 2021 compared to Php 300.498 million last year. The significant decrease was mainly attributed to the gain on acquisition of a subsidiary arising from the business combination that was implemented in December 29, 2020.

<u>Financial Position</u>

Total current assets as at December 31, 2021, totaled Php 1,387.861 million as compared to Php 1,286.861 million in 2020. The increase was mainly due to consolidation of assets of SMPC brought by the share swap in December 29, 2020. Non-current assets also increased to Php 693.772 million as at current year-end against last year's Php 589.364 million.

The Group's consolidated current liabilities as at current year-end totaled Php 1,167.908 million as compared in 2020 of Php 1,150.043 million with a slight increase. SMPC, the operating subsidiary's working capital was secured from bank loans to sustain its operation and commitments to clients.

Total assets as at year-end 2021 totaled Php 2,080.633 million compared to Php 1,875.674 million in 2020. In view of the foregoing discussions, the Steniel Group's current ratio during the year recorded at 1.19 and last year's at 1.12. Debt-to-equity ratio in 2021 is 1.85 compared last year at 1.73

Plans and Strategies

The Company temporarily ceased its operations due to heavy losses incurred in prior years that Management had to take measures to mitigate the losses and look for means to address the Retained Earnings and Capital Deficiency. Action plans had been gradually implemented until July 2019 when the Board approved the re-acquisition of SMPC through a share swap transaction and the conversion of the outstanding long term loans from creditors Greenkraft and Roxburgh into common shares of the Company. Subsequently, the Company's shareholders approved the amendment of the Company's Articles of Incorporation to accommodate the transactions.

On December 29, 2020, following the approval of SEC of the Company's application for increase of authorized capital stock from Php1 Billion divided into 1 Billion common shares to Php2 Billion divided into 2 Billion common shares, the Company issued a total of 418,821,081 shares resulting from the debt to equity conversion and share swap transaction.

The issuance of 149,562,081 shares to the creditors effecting the debt to equity conversion reduced the outstanding loan by Php 149.56 Million. The issuance of 269,250,000 shares to the shareholders of SMPC and issuance of corresponding CARs, effecting the share swap transaction valued at Php269.250 Million, resulted to the reacquisition of SMPC as a wholly owned subsidiary of the Company.

Corollary to this, the Company recognized a provisional income of Php 158.265 Million for the period ending December 31, 2020 attributed to the share swap. Management employed the services of third party valuation specialists to ascertain the fair value of consideration transferred and the fair value of the net assets of the acquired subsidiary amounting to Php 536.709 Million resulting to a final net gain on acquisition amounting to Php 267.459 Million lodged under Other Income in 2020 and 2021. Further, the realization of the foregoing transactions resolved the capital deficiency of the Group as at December 31, 2021 and 2020.

The Management is optimistic for the Group to get back to its core business, more competitive with sustainable and profitable operation.

There are no known trends, events or uncertainties that will have a material impact on the Group's future operations except those that have already been disclosed in the foregoing.

Item 7. Financial Statements

The 2021 consolidated audited financial statements of the Company are attached as Annex A.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no changes in or disagreements between the Company and the accountants on matters of accounting and financial disclosure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Company

The term of office of directors of the Company is one (1) year. As of December 31, 2021, the directors and executive officers of the Company were:

Directors	Age	Position
Nixon Y. Lim	51	Chairman/President & CEO
Mark O. Vergara	56	Director
Eliza C. Macuray	63	Director and Treasurer
Esteban C. Ku	56	Director
Kenneth George D. Wood	63	Lead Independent Director
Adam Anthony S. Cabe III	46	Independent Director
Rhea M. Alarcon	51	Independent Director

A. Board of Directors

Nixon Y. Lim

Mr. Lim is the President of Green Siam Resources Corporation, Greenkraft Corporation, Golden Bales Corporation and Greenkraft Corporation. Mr. Lim has worked extensively in the packaging business, particularly in the field of sales, marketing, manufacturing and finance. Mr. Lim is also a director of Crown Equities, Inc., a publicly listed company. He holds a degree in BS Physics from the De La Salle University, Manila, having graduated in 1992.

Mark O. Vergara

Mr. Vergara is a senior partner of the firm Martinez Vergara & Gonzalez Sociedad. He received his Juris Doctor degree from the Ateneo de Manila Law School in 1992, and his Bachelor of Science in Legal Management degree from the Ateneo de Manila University in 1988. He was admitted to the Philippine Bar in 1993. Mr. Vergara is currently a Director and Corporate Secretary of Chroma Philippines, Inc., Pacific Harbor Investment Holdings Phils., Inc., Pebble Beach Properties, Inc., and MV Holdings Inc. He is also a director of ExlService Philipppines, Inc., and Prime Solutions and Consultancy, Inc. Mr. Vergara is the Corporate Secretary of Citicorp Financial Services and Insurance Brokerage Philippines, Inc., CitifFinancial Holdings, Inc. and Green Siam Resources Corporation.

Eliza C. Macuray

Ms. Macuray received her Bachelor of Science in Commerce, major in Accounting, from Arellano University. Prior to her joining the Group, her previous work experience was with United Pulp and Paper Co., Inc. for more than 2 decades, where she gained her experience in the paper business, particularly in finance with focus on tax matters. She also served as Accountant to Orange Performance Techniques Inc. She is currently the Comptroller of Container Corporation of the Philippines.

Esteban C. Ku

Mr. Ku holds a degree in Bachelor of Science, Major in Chemical Engineering from the University of San Carlos in Cebu City, where he graduated in 1988. From 1989 to 1992, he was a production supervisor for International Pharmaceutical, Inc. in Xiamen, China. He has since focused on the packaging business, having gained extensive experience in plant operations, sales and marketing and finance. Mr. Ku is currently the Managing Director of Corbox Corporation and Pakmaster Packaging Co.

Kenneth George D. Wood

Mr. Wood received his Bachelor of Science in Commerce, Major in Accounting, graduating with *Magna cum Laude* honors. He has been a certified public accountant since 1981. He has advised investors extensively on taxation aspects of doing business in the Philippines, especially at the Clark Special Economic Zone. He was previously the Head of the Raw Materials Department and Cost Accountant for Container Corporation of the Philippines and Officer-in-Charge of the Management Information Systems Department of the Clark Development Corporation.

Adam Anthony S. Cabe III

Mr. Cabe is an associate of the firm Carpio & Duterte. He received his Bachelor of Laws degree from the Arellano University School of Law and his Bachelor of Science in Management, Major in Entrepreneurship from San Beda College in 1998. He was admitted to the Philippine Bar in 2016. He served the government for more than eight (8) years as an executive staff of the Government Service Insurance System and Presidential Commission for Good Governance.

Rhea M. Alarcon

Rhea M. Alarcon is a Partner at Design to Make a Difference, Inc. (Plus63 Design Co.) and a Managing Partner at Gem Sign Company. Ms. Alarcon was formerly a Partner and Managing Director of Ideals Creatives, Inc. from 2006 to 2011. She also acted as Deputy Executive Director of Children's Hour Philippines, Inc. from 2002 to 2007, and the Executive Director of Culinary Education Foundation from 2001 to 2002. Ms. Alarcon was Supervisor and Department Head – Community Relations and Internal Affairs at Globe Telecom, Inc. from 1995 to 2000. Ms. Alarcon received her Bachelor of Science, Major in Hotel and Restaurant Administration, from the University of the Philippines. She also completed units in Masters of Community Development program from the same university.

B. Executive Officers

The business experience of Mr. Lim, President and CEO, and Ms. Macuray, Treasurer, are provided above.

The Company considers the efforts of its directors, officers and employees to be the driving factor behind the success of its business operations, and generally regards all such individuals to be significant officers and employees.

C. Involvement in Legal Proceedings

The Company is not aware of: (a) any bankruptcy petition filed by or against any business of which any director or executive officers was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time; (b) any conviction by final judgment of any director or senior executive in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, of any director, executive officer or person nominated to be a director; (c) any director or senior executive being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting such director's or executive officer's involvement in any type of business, securities, commodities or banking activities.

Item 10. Executive Compensation

Please refer to the table below for a summary of the compensation received by the following executive directors: (a) Nixon Y. Lim – President and CEO, and (b) Eliza C. Macuray – Treasurer:

Aggregate Amount of Salaries and Bonuses				
Year	Salary	Bonus	Other Compensation	TOTAL
2020	884,000.00	0	0	884,000.00
2021	2,831,037.00	0	0	2,831,037.00
2022 (est.)	6,402,353.00	0	0	6,402,353.00

No other directors and executive officers are receiving compensation.

The Company's By-Laws provide that directors as such shall receive compensation for their services as may be approved by stockholders representing at least a majority of the outstanding capital stock. For 2021, the stockholders did not pass any resolution authorizing payment of compensation to the

Company's directors. However, directors may receive per diem allowances for their attendance at meetings of the board of directors. The following are the compensation received by the independent directors for 2020 and 2021:

Name	2020 (in PhP)	2021 (in PhP)
Kenneth George D. Wood	40,000.00	40,000.00
Adam Anthony S. Cabe	40,000.00	40,000.00
Rhea M. Alarcon	40,000.00	40,000.00
Total	120,000.00	120,000.00

The executives are engaged under standard terms and conditions and can be terminated for cause. These standard terms and conditions are based on what is required by the law, which include, among others: (a) a monthly basic salary including any sum receivable as director's fees or other remuneration from any subsidiary; (b) a monthly office subsidy fund; (c) reimbursement for all reasonable expenses properly incurred in the course of his employment; (d) deductions, to the extent permitted by Philippine Labor Laws, from the executive's remuneration of moneys due from him to the Company or any subsidiary. The following is a summary of the benefits received by the executives of the Company:

Company Car	:	Eligibility to enroll in the company car plan program or its cash equivalent
Vacation Leave	:	12 days per year with carry-over of unused to the next year. Unused balances convertible to cash up to a maximum of 7 days annually
Sick Leave	:	14 days per year. Unused balances convertible to cash
Life Insurance	:	24 months' pay with AD & D provision subject to existing plan terms and condition
Hospitalization	:	Based on applicable/existing Company health insurance policy
Performance Bonus	:	0 to 50% of annual pay as determined by the Board on Company's overall performance goals
Stock Option	:	Eligibility to contribute to the management incentive share purchase plan

The standard terms and conditions in the executive employment contracts also include provisions on vacation leave with full pay, provisions on confidentiality of any trade secrets or confidential information relating to or belonging to the Company or any subsidiary, and with respect to post-termination obligations on the part of the executive, provisions on non-competition, non-solicitation of customers, and non-solicitation of employees.

None of the directors, executive officers of the Company or persons nominated to the board of directors are related up to the 4th civil degree.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

A. <u>Security Ownership of Certain Record and Beneficial Owners</u>

As of December 31, 2021, the stockholders holding more than 5% of the outstanding stock of the Company were:[2]

[2] Based on records of the stock transfer agent, Stock Transfer Service, Inc. (list of top 100 stockholders as of December 31, 2021)

Title of class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common Shares	Greenkraft Corporation W. Ng Bldg., MacArthur Highway cor. Rovimar St., Brgy. Balibago, Angeles, Pampanga	record and beneficial	Filipino	317,916,912	22.41%
Common Shares	Golden Bales Corporation Km. 14 After Panacan Substation, Panacan, Davao City, Davao del Sur	record and beneficial	Filipino	275,747,492	19.44%
Common Shares	Corbox Corporation Purok Gemelina, Tayud, Lilo-an, Cebu	record and beneficial	Filipino	275,747,492	19.44%
Common Shares	Roxburgh Investments Limited P.O. Box 957 Offshore Incorporations Center Road Town, Tortola British Virgin Islands (Registered Shareholder)	record and beneficial	BVI	261,910,502	18.46%
Common Shares	PCD Nominee Corporation[3] 6th Flr. Makati Stock Exchange, 6767 Ayala Ave., Makati City (Registered Shareholder)	Philippine Central Depository, Inc.'s Various Participants	Filipino	71,555,009	5.04%

The Company is not aware of any voting trust or similar agreement where persons hold five percent (5%) or more of a class.

B. Security Interest of Directors and Management

As of December 31, 2021, the security interest of directors and management is as follows:

Name and Address of Owner	Title of Class	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Nixon Y. Lim	Common	1 (Direct) 478,935,348 (Indirect)	Filipino	nil
Mark O. Vergara	Common	1 (Direct) 70,940,604 (Indirect)	Filipino	nil
Eliza C. Macuray	Common	1 (Direct)	Filipino	nil
Esteban C. Ku	Common	1 (Direct) 91,906,639 (Indirect)	Filipino	nil
Kenneth George D. Wood	Common	1 (Direct)	Filipino	nil
Adam Anthony S. Cabe III	Common	1 (Direct)	Filipino	nil
Rhea M. Alarcon	Common	1 (Direct)	Filipino	nil
Directors and officers as a group		7 (Direct) 641,782,591 (Indirecr)		

C. Change in Control

On October 7, 2020, the Buyer Group entered into a Share Purchase Agreement with Steniel Netherlands to acquire 649,908,308 common shares of the Company representing 64.99% ownership thereof. In compliance with the Securities and Regulations Code and its Implementing Rules and Regulations, the Buyer Group made a tender offer involving the remaining outstanding shares of the Company, excluding the remaining 70,940,604 common shares of Steniel Netherlands not included in

[3] PCD Nominee Corporation is a wholly-owned subsidiary of the Philippine Central Depository, Inc. ("PCD"). It is the registered owner of the shares in the books of the Company's stock and transfer agent. The beneficial owners of such shares are PCD's participants, who hold the shares on their own behalf or on behalf of their clients. PCD is a private company organized by major institutions actively participating in Philippine capital markets to implement the automated book-entry system of handling securities transactions in the Philippines.

the Share Purchase Agreement. The tender offer commenced on October 12, 2020 and ended on November 10, 2020. A total of 11,780,533 common shares of STN were tendered during the Tender Offer Period, which comprise approximately 1.18% of the total issued and outstanding shares of the Company. Settlement for the tendered shares was made on November 20, 2020. Applications for issuance of Certificates Authorizing Registration ("CARs") for these transfers are currently being processed. Hence, the acquisition of the 11,780,533 shares has not yet been recorded in the books of the Company.

Following the completion of the tender offer, Steniel Netherlands and the Buyer Group executed the deed of sale on November 23, 2020 involving the 649,908,308 shares of the Company. The relevant taxes were paid and the corresponding CAR was secured. As of the date hereof, the transfer of the 649,908,308 common shares in favor of the Buyer Group has been recorded in the books of the Company. The transfer effectively reduced the shareholding of Steniel Netherlands to 5% of the Company's outstanding capital stock.

On December 29, 2020, the SEC approved the Company's application for increase of authorized capital stock from Php1 Billion to Php2 Billion resulting to the issuance of 418,821,081 common shares in favor of the Buyer Group, Greenkraft and Roxburgh. The increase was (i) partly subscribed by a share swap transaction wherein the Company reacquired SMPC in exchange for unissued shares of the Company; and (ii) partly subscribed conversion of liability into equity.

With the completion of the aforesaid transactions, the cumulative control of the Buyer Group stands at 65.59% of the Company.

Item 12. Certain Relationships and Related Transactions

Transactions with related parties in the day-to-day course of business include inter-company[4] sale and/or transfer of inventories and equipment. Related party transactions are always at arm's-length. Please refer also to Note 16 - Related Party Transactions of the Notes to the Consolidated Financial Statements.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

On May 29, 2017, the Company approved its Revised Manual of Good Corporate Governance (the "Manual") based on the Code of Corporate Governance for Publicly-Listed Companies issued by the SEC. The Company constantly seeks to adhere to the principles of good corporate governance as embodied in the Manual. Internal systems are established to ensure feedback, control and accountability, that relates in particular to integrity of financial reporting and ensure compliance with applicable laws and regulations, thereby fostering Board and Management responsibility to the Company's stakeholders. The Board and Management continually seeks to enhance compliance with the Manual by undertaking measures to implement policies prescribed under the Manual. There has been no known material deviation from the Manual.

PART V - EXHIBITS AND SCHEDULES

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

(a) Exhibits

Annex	Description of Document
A	2021 Consolidated Audited Financial Statements of Steniel Manufacturing Corporation

[4] Pertaining to transactions within the Steniel Group.

B	2021 Separate Audited Financial Statements of Steniel Manufacturing Corporation
C	Sustainability Report

(b) Reports on SEC Form 17-C (Current Report) filed in 2021

Date	Action Taken
January 11, 2021	Approval by the SEC of the Company's application for increase of authorized capital stock from Php1 Billion to Php 2 Billion
October 18, 2021	Results of Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Annual Report is signed on behalf of Steniel Manufacturing Corporation by the undersigned, thereunto duly authorized, in Pasig City on FEB 20 2023.

Nixon Y. Lim
President

Eliza C. Macuray
Treasurer/CFO

Janice L. Co
Corporate Secretary

SUBSCRIBED AND SWORN to before me this FEB 20 2023 at Pasig City, affiants exhibiting to me the following:

Name	Valid Identification
Nixon Y. Lim	Philippine Passport P7685766B valid until September 23, 2031
Eliza C. Macuray	Philippine Passport P5491063B valid until September 9, 2030
Janice L. Co	Driver's License, Driver's License No. N04-12-004019 valid until July 20, 2032.

Doc. No. 56;
Page No. 13;
Book No. 11;
Series of 2023.

RAQUEL MONIQUE [illegible] LUNA
Appointment No. 213 (2022-2023)
Notary Public for Pasig City, Pateros and San Juan
Until December 31, 2023
Attorney's Roll No. 78308
33rd Floor, The Orient Square
F. Ortigas Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 8979098; 01.04.23; Pasig City
IBP OR No. 254479; 12.28.22; RSM
Admitted to the Bar in 2022

ANNEX A

2021 Consolidated Audited Financial Statements of Steniel Manufacturing Corporation

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Steniel Manufacturing Corporation
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

Opinion

We have audited the consolidated financial statements of Steniel Manufacturing Corporation and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, 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, 2021, and notes, comprising a significant accounting policies and other explanatory 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period then ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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.

KPMG

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter is 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 this matter.

Accounting for Business Combination (P267.459 million)
Refer to Note 1, Reporting Entity, Note 5, Business Combination and Note 18, Equity

The Group acquired a subsidiary in December 2020 for P269.250 million as discussed in Notes 1, 5 and 18 to the consolidated financial statements. The Group accounted for the business acquisition under the acquisition method in accordance with PFRS 3 *Business Combination* as discussed in its policy in Note 3, *Summary of Significant Accounting Policies*. The Group determined the fair value of the net identifiable assets acquired amounting to P536.709 million and recognized gain on acquisition amounting to P267.459 million.

The risk
The accounting for business acquisition in accordance with PFRS involves a high level of judgment and inherent uncertainty in the estimation used in allocating the overall purchase price to assets and liabilities acquired. Due to the inherent judgements involved in allocating the purchase price and assigning fair values to the assets acquired and liabilities assumed, this is one of our key areas of audit focus.

Our response
We have performed the following audit procedures on the evaluation of the business combination:

- We inspected and reviewed minutes of meetings for the approval of the increase in authorized capital stock of Steniel Manufacturing Corporation (Parent Company) to accommodate the acquisition of Steniel Mindanao Packaging Corporation (SMPC) through a share swap transaction.

- We obtained, inspected and reviewed the documents relative to the approval of the Securities and Exchange Commission (SEC) for the increase in authorized capital stock of the Parent Company, including relevant agreements on the assignment and subscription of shares to implement the transaction.

- We evaluated the methodology applied by the Group management in the accounting for business combination in accordance with PFRS 3.

- In relation to the allocation of the purchase price, we have obtained and tested the business combination report from a third party employed by management for the fair value of consideration transferred and the fair value of net assets of the acquired subsidiary. This involved using our own valuation specialist to assist us in evaluating the models and assumptions applied and comparing these assumptions to external data, where applicable.

- We also assessed the appropriateness and adequacy of the Group's disclosures in the consolidated financial statements.

KPMG

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) and SEC 17-A for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditor's report thereon, which is expected to be available after the date of auditor's report. The SEC Form 20-IS and SEC Form 17-A for the year ended December 31, 2021 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 other information, and we do not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, 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 or to cease its operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

KPMG

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

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 therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is John Molina.

R.G. MANABAT & CO.

JOHN MOLINA
Partner
CPA License No. 0092632
SEC Accreditation No. 92632-SEC, Group A, valid for five (5) years
covering the audit of 2020 to 2024 financial statements
Tax Identification No. 109-916-107
BIR Accreditation No. 08-001987-023-2022
Issued June 2, 2022; valid until June 2, 2025
PTR No. MKT 8854074
Issued January 3, 2022 at Makati City

December 9, 2022
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
RECEIVED
RDO 048
ERNESTO S. MARIANO JR.
Revenue Collection Officer
COLLECTION SECTION

Steniel Manufacturing Corporation

Gateway Business Park, Brgy. Javalera, General Trias, Cavite

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Steniel Manufacturing Corporation and Subsidiaries** (the**"Company"**) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein,for the years ended **December 31, 2021 and 2020,** in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The BOD reviews and approves the financial statements including the attached schedules therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Companyin accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

NIXON Y. LIM
Chairman of the Board/President/CEO

ELIZA C. MACURAY
Chief Finance Officer

Signed this 29h of November, 2022

Doc. No.: 350
Page No.: 71
Book No.: IV
Series of 2022.

SUBSCRIBED AND SWORN to before me this NOV 29 2022 in Pasig City, affiant(s) exhibiting to me their Competent Evidence of Identity, as follows:

NAME	ID; Date & Place of Issuance
NIXON Y. LIM	Passport ID No. P7685766B; 9-24-2021; DFA Manila
ELIZA C. MACURAY	Passport ID No. P5491063B; 9-10-2020; DFA NCR East

BUREAU OF INTERNAL REVENUE
RECEIVED
RDO
JAN 1 2023
ERNESTO S. MARIANO JR.
Revenue Collection Officer
COLLECTION SECTION

MIGUEL R. SEVILLA
Appointment No. 193 (2019-2020)
Notary Public for Pasig City, Pateros and San Juan
Until December 31, 2020
(Extended until December 31, 2022 SC En Banc B.M. No. 3795)
Attorney's Roll No. 70991
33rd Floor, The Orient Square
F. Ortigas, Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 8131808; 01.05.22; Pasig City
IBP Receipt No. 171898; 01.0.22; RSM
MCLE Compliance No. VII-0019608; 4.14.25

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

		December 31	
	Note	**2021**	2020 (As Restated Note 5)
ASSETS			
Current Assets			
Cash	*6, 24*	**P65,853**	P43,776
Receivables - net	*5, 7, 16, 24*	**424,786**	336,456
Inventories - net	*5, 8*	**642,676**	671,367
Prepaid expenses and other current assets - net	*5, 9*	**132,946**	114,111
		1,266,261	1,165,710
Asset held-for-sale	*10*	**120,600**	120,600
Total Current Assets		**1,386,861**	1,286,310
Noncurrent Assets			
Property and equipment - net	*5, 11, 15*	**546,092**	484,400
Right-of-use asset - net	*5, 23*	**32,640**	5,853
Investments in equity instruments	*12, 24*	**105,712**	83,841
Other noncurrent assets	*5, 13*	**9,328**	15,270
Total Noncurrent Assets		**693,772**	589,364
		P2,080,633	P1,875,674
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities	*5, 14, 24*	**P571,784**	P481,650
Amounts owed to related parties	*5, 16, 24*	**67,622**	128,634
Current portion of borrowings	*1, 15, 16, 24*	**521,747**	536,247
Current portion of lease liabilities	*5, 23*	**6,755**	3,398
Income tax payable	*5*	**-**	114
Total Current Liabilities		**1,167,908**	1,150,043

Forward

		December 31	
	Note	**2021**	2020 (As Restated Note 5)
Noncurrent Liabilities			
Borrowings, net of current portion	*1, 15, 16, 24*	**P130,401**	P -
Lease liabilities - net of current portion	*5, 23*	**7,385**	2,668
Retirement benefits liability	*17*	**27,585**	7,858
Deferred tax liabilities - net	*5, 22*	**16,075**	26,998
Total Noncurrent Liabilities		**181,446**	37,524
Total Liabilities		**1,349,354**	1,187,567
Equity			
Capital stock	*18*	**1,418,812**	1,418,812
Additional paid-in capital	*18*	**408,423**	408,423
Reserve for retirement benefits liability		**1,211**	-
Net unrealized loss on investments in equity instruments	*12*	**10,646**	(10,330)
Deficit	*1*	**(1,107,813)**	(1,128,798)
Total Equity		**731,279**	688,107
		P2,080,633	P1,875,674

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Basic and Diluted Earnings Per Share)

			Years Ended December 31	
	Note	2021	2020 As Restated (Note 5)	2019
REVENUES				
Product sales		**P1,231,289**	P -	P -
Service income	*23*	**45,216**	-	-
Rent income	*16, 23*	**-**	40,000	60,000
REVENUES		**1,276,505**	40,000	60,000
COST OF SALES AND SERVICES	*19*	**1,139,846**	(2)	(10,385)
GROSS PROFIT		**136,659**	39,998	49,615
OPERATING EXPENSES	*20*	**(115,079)**	(5,788)	(5,344)
FINANCE CHARGES	*14, 15, 23*	**(14,814)**	-	-
OTHER INCOME - Net	*21*	**12,183**	277,254	2,373
INCOME BEFORE INCOME TAX		**18,949**	311,464	46,644
INCOME TAX EXPENSE	*22*	**(984)**	(10,966)	(14,403)
NET INCOME		**17,965**	300,498	32,241
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	*12*	**23,996**	10,619	(20,112)
Remeasurement of defined benefit obligation	*17*	**1,639**	-	-
Income tax expense		**(410)**	-	-
Effect of changes in tax rate		**(18)**	-	-
		25,207	10,619	(20,112)
TOTAL COMPREHENSIVE INCOME		**P43,172**	P311,117	P12,129
Basic and Diluted Earnings Per Share	*18*	**P0.0127**	P0.2998	P0.0322

See Notes to the Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
RECEIVED
RDO
JAN 17 2023
ERNESTO S. MARIANO JR.
Revenue Collection Officer
COLLECTION SECTION

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

Years Ended December 31

	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Net Unrealized Gain (Loss) on Investments in Equity Instruments (Note 12)	Reserve for Retirement Benefits Liability	Deficit (Note 1)	Total Equity
January 1, 2021	P1,418,812	P408,423	(P10,330)	P -	(P1,128,798)	P688,107
Reserve for retirement benefits liability	-	-	-	1,211	-	1,211
Net income during the year	-	-	-	-	17,965	17,965
Change in fair value of investments in equity instruments	-	-	23,996	-	-	23,996
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	(3,020)	-	3,020	-
Total comprehensive income during the year	-	-	20,976	1,211	20,985	43,172
December 31, 2021	P1,418,812	P408,423	P10,646	P1,211	(P1,107,813)	P731,279

Forward

Years Ended December 31

	Note	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Net Unrealized Gain (Loss) on Investments in Equity Instruments (Note 12)	Reserve for Retirement Benefits Liability	Deficit (Note 1)	Total Equity (Capital Deficiency)
January 1, 2020		P1,000,000	P414,632	(P20,961)	P -	(P1,429,284)	(P35,613)
Issuance of shares	18	418,812	(6,209)	-	-	-	412,603
Transactions with owners		418,812	(6,209)	-	-	-	412,603
Net income during the year		-	-	-	-	300,498	300,498
Change in fair value of investments in equity instruments		-	-	10,619	-	-	10,619
Transfer of fair value reserve of equity instruments designated at FVOCI		-	-	12	-	(12)	-
Total comprehensive income during the year		-	-	10,631	-	300,486	311,117
December 31, 2020		P1,418,812	P408,423	(P10,330)	P -	(P1,128,798)	P688,107

Forward

Years Ended December 31

	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Net Unrealized Gain (Loss) on Investments in Equity Instruments (Note 12)	Deficit (Note 1)	Total Capital Deficiency
As at January 1, 2019	P1,000,000	P414,632	(P401)	(P1,461,973)	(P47,742)
Net income during the year	-	-	-	32,241	32,241
Change in fair value of investments in equity instruments	-	-	(20,112)	-	(20,112)
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	(448)	448	-
Total comprehensive income during the year	-	-	(20,560)	32,689	12,129
December 31, 2019	P1,000,000	P414,632	(P20,961)	(P1,429,284)	(P35,613)

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

		Years Ended December 31		
	Note	2021	2020 As Restated (Note 5)	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P18,949**	P311,464	P46,644
Adjustments for:				
Depreciation	11, 19, 20	**122,442**	967	12,313
Allowance for impairment losses on receivables	7	**20,814**	-	-
Reversal of provision for inventory obsolescence	8	**(15,388)**	-	-
Interest expense	14, 15	**12,239**	-	-
Dividend income	12, 21	**(5,715)**	(1,697)	(2,368)
Interest on lease	23	**2,575**	-	-
Retirement expense	17	**1,450**	-	-
Unrealized foreign exchange loss	21	**1,009**	-	2
Interest income	6, 21	**(25)**	(19)	(8)
Reversal of allowance for impairment of prepaid taxes	9, 21	**-**	(7,993)	-
Provisional gain on acquisition of SMPC	5, 21	**-**	(267,459)	-
Operating income before working capital changes		**158,350**	35,263	56,583
Decrease (increase) in:				
Receivables		**(109,144)**	63,342	(44,097)
Inventories		**38,722**	-	-
Prepaid expenses and other current assets		**(31,285)**	12,454	4,054
Increase (decrease) in:				
Trade payables and other current liabilities		**90,135**	(89,716)	171
Net cash generated from operations		**146,778**	21,343	16,711
Interest paid		**(12,239)**	-	-
Dividend received		**5,715**	1,697	2,368
Benefits paid	17	**(284)**	-	-
Interest received		**25**	19	8
Net cash provided by operating activities		**139,995**	23,059	19,087

Forward

			Years Ended December 31	
	Note	2021	2020 As Restated (Note 5)	2019
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	11	**(P168,707)**	P -	P -
Proceeds from sale of investments in equity instruments	12	**17,951**	1,715	1,901
Additions to investments in equity instruments	12	**(15,826)**	(28,280)	(7,104)
Decrease in other noncurrent assets		**5,942**	-	-
Cash from acquisition of a subsidiary	5	**-**	34,257	-
Net cash provided by (used in) investing activities		**(160,640)**	7,692	(5,203)
CASH FLOW FROM FINANCING ACTIVITIES				
Loan availment		**769,139**	-	-
Payments of borrowings	15	**(654,247)**	-	(5,173)
Decrease in amounts owed to related parties		**(61,012)**	-	-
Payment of finance lease liability		**(8,582)**	-	-
Interest paid on leases		**(2,575)**	-	-
Net cash provided by (used in) financing activities)		**42,723**	-	(5,173)
EFFECTS OF FOREIGN EXCHANGE RATES ON CASH		**-**	-	(2)
NET INCREASE IN CASH		**22,077**	30,751	8,709
CASH AT BEGINNING OF YEAR		**43,776**	13,025	4,316
CASH END OF YEAR	6	**P65,853**	P43,776	P13,025

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands Unless Otherwise Indicated)

1. Reporting Entity

Steniel Manufacturing Corporation (STN or the "Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 13, 1963. The Parent Company and its subsidiaries (the "Group)" are engaged in the manufacturing, processing, and selling of all kinds of paper products, paper board and corrugated carton containers, and all other allied products and processes. The Parent Company shares of stocks are listed for trading at the Philippine Stock Exchange Inc. (PSE).

On September 11, 2013, the SEC approved the Amended Articles of Incorporation (AOI) of the Parent Company, extending the corporate life for another fifty (50) years from September 13, 2013. Pursuant to the Revised Corporation Code of the Philippines, which took effect in February 2019, the Parent Company shall have a perpetual existence because the Parent Company did not elect to retain its specific corporate term under its AOI.

Following a decision made by the Board of Directors (BOD) in 1996 to reorganize the Group, the Parent Company ceased manufacturing operations in June 1997 due to continuing business losses. As a result, reorganization of the Group was carried out and completed with the Parent Company's principal activity now limited to holding of investments.

Consequent to the restructuring of the loan in 2010, remaining unissued capital stock of the Parent Company totaling 123,818,000 shares were issued to Roxburgh Investment Limited (Roxburgh) to reduce the Parent Company's outstanding debts (Notes 15 and 18). The issuance of shares resulted to recognition of additional paid in capital. As a result, Roxburgh owns 12.3818% of the Parent Company, while the ownership of SNHBV as well as the public have been reduced to 72.0849% and 15.5333%, respectively.

On January 18, 2012, the shareholders of SNHBV entered into a Share Purchase Agreement with Right Total Investments Limited (Right Total, a limited liability company incorporated in British Virgin Islands as an investment company), to purchase up to 100% of the issued and outstanding shares of SNHBV. With the sale of shares of SNHBV, Right Total is now the owner of the 72.0849% shares of SNHBV consequently making Right Total as the ultimate parent company.

On January 25, 2012, the Parent Company received a tender offer report from SNHBV to purchase the 279,151,088 shares of minority investing public or 27.92% of the total issued shares at a price of P0.0012 per share or an aggregate price of P334.9 million. On February 25, 2012, only a total of 2,115,692 common shares were tendered in the Tender Offer and accepted by SNHBV, constituting 0.0021% of the total outstanding capital stock of the Parent Company. On March 8, 2012, payment for the Tendered Shares was delivered to the relevant broker participants on behalf of interested parties and there was a transfer to SNHBV of only 0.76% of the minority shares. Such accepted tender offer did not significantly change the percentage ownership of the minority investing public.

On October 7, 2020, Greenkraft Corporation (Greenkraft), Golden Bales Corporation (Goldenbales), Corbox Corporation (Corbox), Rex Chua and Clement Chua, as purchasers (collectively, the Buyers) entered into a Share Purchase Agreement with SNHBV as seller to acquire 649,908,308 common shares of the Parent Company, for a consideration of P64.99 million or P0.10 per share, broken down as follows:

Buyer	Number of Shares	Percentage of Ownership
Greenkraft Corporation	216,679,430	21.67%
Corbox Corporation	194,972,492	19.50%
Goldenbales Corporation	194,972,492	19.50%
Clement Chua	21,641,947	2.16%
Rex Chua	21,641,947	2.16%
	649,908,308	64.99%

The tender offer commenced on October 12, 2020 and ended on November 10, 2020 (Tender Offer Period). A total of 11,780,533 common shares of STN were tendered during the Tender Offer Period, which comprise approximately 1.18% of the total issued and outstanding shares of STN. SNHBV owns 5% ownership with STN after registration of the sale and tender offer. As at December 31, 2021 and 2020, STN is the ultimate parent company following the completion of the Tender Offer.

The Parent Company's registered address and principal office is located at Gateway Business Park, Brgy. Javalera, General Trias, Cavite, Philippines.

Structure

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries incorporated in the Philippines.

	Percent of Ownership	
	2021	2020
Steniel Cavite Packaging Corporation (SCPC)*	**100**	100
Steniel Mindanao Packaging Corporation (SMPC)**	**100**	100

** Treasure Packaging Corporation (TPC) was merged with SCPC as approved by the SEC on May 30, 2018.*
*** SMPC was reacquired on December 29, 2020.*

SCPC and TPC

SCPC was incorporated and registered with the SEC on November 9, 1993 primarily to engage in the manufacturing, processing and selling of all kinds of paper products, paper board and corrugated carton containers and all others allied products and processes.

On June 30, 2006, SCPC's BOD decided to discontinue its packaging operations in view of the continued business losses incurred since its incorporation, in addition to difficult economic and business conditions. SCPC used to purchase, process and resell various paper products and lease its machinery and equipment to generate income, until 2015 when the former was discontinued. On January 10, 2017, the SEC approved the equity restructuring of SCPC which has wiped out the deficit as at December 31, 2016.

TPC was incorporated and registered with the SEC on May 23, 1994 primarily to engage in the manufacturing, processing, purchasing, and selling on wholesale basis, paper, paper rolls, paper boards, cartons, containers, packaging material and other pulp and paper products. The registered office address and principal office of TPC is located at Hernan Cortes Street, Manduae City, Cebu, Philippines.

On June 15, 2016 and July 8, 2016, SCPC's BOD and Shareholders, respectively, approved the change in its address and principal office at Gateway Business Park, Brgy. Javalera, General Trias, Cavite.

In 2016, the merger between SCPC and TPC (the former as the surviving entity) was approved by the BOD and Shareholders of the respective entities. The application for merger was approved by the BOD and Shareholders of the respective entities. The application for merger was filed with the SEC on April 10, 2017 and was approved on May 30, 2018.

SMPC

Steniel Mindanao Packaging Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 30, 1995 primarily to engage in the business of manufacturing, importing, buying, selling or otherwise dealings in, at wholesale and retail, all kinds of paper, paper rolls, paper boards, cartons, containers, packaging materials and other pulp and paper products.

As at December 31, 2012, SMPC was a wholly-owned subsidiary of the Parent Company. In December 2013 the Parent Company sold 99.99% of its ownership or 9,249,995 common shares in SMPC to various entities and individuals. In 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for shares of the Parent Company. On December 29, 2020, the Parent Company issued 269,250,000 shares to the shareholders of SMPC effecting the share swap following the SEC approval of the Parent Company's increase in authorized capital stock on the same day (Note 18).

As at December 31, 2021 and 2020, SMPC is a wholly owned subsidiary of the Parent Company.

The registered address which is also its principal place of business of SMPC is located at Km. 25 National Highway, Bunawan District, Davao City.

Debt Restructuring

Due to the working capital drain experienced by the Group as a result of prior debt service payments and the difficult business and economic conditions during the period, the Group found it difficult to sustain further payments of debt while at the same time ensuring continued operations. The Parent Company failed to settle its outstanding short-term and long-term loans which were supposed to mature at various dates in 2004, 2005 and 2006 and was declared by the lending banks in default on May 25, 2006. Subsequently until 2009, the lending banks assigned and sold their respective outstanding loan balances to various third parties. On October 14, 2010, one of the new lenders, Greenkraft Corportion (Greenkraft), further assigned some of its loan receivables to Roxburgh.

After the assignment and sale of loans from the lending banks to third parties, discussions were made with new creditors/lenders to restructure the outstanding loans covered by the Omnibus Agreement which the Parent Company has defaulted in 2006. On October 15, 2010, the Parent Company and the current creditors/lenders signed the Amended Agreement. The restructuring of the loan finally resolved the default situation. The essential elements of the Amended Agreement are summarized below:

- The outstanding principal and accrued interest expense as at September 30, 2010 was restructured for 25 years.

- Conditional waiver of penalty and other charges upon the faithful performance by the Parent Company of the terms of restructuring.

- The outstanding principal and accrued interest expense as of September 30, 2010 shall be reduced via dacion en pago or sale of the following properties: (a) all of the outstanding common and preferred shares of stock in Steniel Land Corporation (SLC); (b) identified idle assets of STN and its subsidiaries; and (c) by way of conversion into equity though the issuance of the Parent Company's unissued capital stock.

- The outstanding principal amount after the dacion en pago or sale of properties shall be paid in 92 consecutive quarterly installments starting in January 2013.

- The outstanding portion of the accrued interest after equity conversion shall be paid in 40 consecutive quarterly installments starting after year 15 from the date of restructuring.

- Restructured outstanding principal will be subject to interest of 6% per annum for 15 years and 8% per annum on the 16th year onwards.

- The restructured accrued interest expense prior to loan restructuring will be subject to interest of 8% per annum.

- The restructured loan shall be secured by the assets/collateral pool under the Collateral Trust Agreement.

- All taxes and fees, including documentary stamp taxes and registration fees, shall be for the account of the Group.

- All other costs and expenses of restructuring including documentation costs, legal fees and out-of-pocket expenses shall be for the account of the Parent Company; and

- Other conditions include:

  a. Lenders representative to be elected as director in STN and in each of its subsidiaries.

  b. A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.

  c. No dividend declaration or payments until the restructured obligations are fully paid.

  d. No new borrowing, unless with written consent of the lenders.

  e. No repayment or prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.

  f. Creditor's consent for change in material ownership in the Group and mortgagors.

  g. Standard covenants, representations and warranties.

Dacion en pago and Equity Conversion
The dacion en pago of the Group's idle machineries, spare parts and the equity conversion through the issuance of the Parent Company's capital stock have been completed as at December 31, 2010. The dacion en pago transaction reduced the outstanding loan principal amount by P122 million while the equity conversion reduced outstanding accrued interest by P248 million.

The dacion en pago relating to the Group's shares in SLC and a subsidiary's land and land improvements and building and building improvements has a total value of P290.0 million. In 2012, certain certificates authorizing registration were issued and reduced the total value from P290.00 million to P289.88 million. The remaining assignment of shares is still for finalization with buyers to meet the regulatory requirements on transfer of assets as at reporting date and this is expected to be completed in 2022 after the issuance of Certificate Authorizing Registration (CAR) by the BIR. The change in ownership and management in early 2012 and the issuance of CAR generally caused the delay in the implementation of the dacion en pago.

In July 2019, the BOD and Stockholders of the Parent Company approved the conversion of debt into common shares of the Parent Company. Consequently, principal payments on long-term debt was suspended beginning July 2019. On December 29, 2020, the Parent Company issued shares to the lenders effecting the debt-to-equity conversion following the SEC approval of the Parent Company's increase in authorized capital stock on the same day (Notes 15 and 18). The outstanding balance of the borrowings were reduced by P149.56 million as a result of the debt-to-equity conversion.

Restructuring of Subsidiaries
In 2011, following the provisions in the Amended Agreement, the Parent Company filed a merger application with the SEC to absorb TPC. On August 12, 2013, following management's assessment, the Board of STN and TPC approved the withdrawal of the merger application filed with SEC as the same no longer appears feasible. Management has been instructed to explore other options, i.e., merger of or with other subsidiaries.

In addition, SCPC submitted a merger application with SEC in October 2011 to absorb three (3) dormant subsidiaries: (a) Metroplas Packaging Products Corporation (MPPC), (b) Metro Paper and Packaging Products, Inc. (MPPPI) and (c) Steniel Carton System Corporation (SCSC) using June 30, 2011 financial statements. On March 2, 2012, the SEC approved the certificate of filing of the articles and plan of merger, which documents were received by SCPC on July 31, 2012. All financial information presented for the periods prior to the merger has been restated to reflect the combined financial statements of the absorbed corporation as though the merger had occurred at the beginning of 2010.

STN also had a 39.71% direct and indirect (through SCPC & TPC) interest in SLC. In 2010, all of the ownership interest of TPC and STN were assigned to Greenkraft, and the remaining interest of SCPC in SLC is 29.21%.

As at December 31, 2021 and 2020, Greenkraft holds 70.77% interest in SLC while the remaining interest of SCPC is 29.21%.

Interest Payments
On December 2, 2011, the current creditors/lenders agreed to waive the payment of interest for the first two (2) years of the loan commencing on the restructuring date, to correspond to the principal repayment as stated in the Amended Agreement. Hence, interest payments shall be made in accordance with the Amended Agreement but shall commence on the 27th month after the restructuring date, inclusive of a two (2) year grace period. In relation to this, on March 1, 2012, the accrued interest which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was also condoned by its major creditors effective December 31, 2011.

In 2013, due to continuous working capital drain experienced by the Group as a result of difficult economic and business conditions, the Group requested reconsideration to defer the implementation of the loan agreement from the creditors which was acted favorably. The Group was granted another two (2) years extension of principal repayment, reduction of interest rate from 6% to 2% for the first five (5) years and further waive interest charges annually until 2019. Consequent to the BOD approval of the conversion of debt to common shares of the Parent Company in 2019, principal and interest payments on long-term debt was suspended beginning July 2019.

Status of Operations
The Group has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P1,107.81 million and P1,128.80 million as at December 31, 2021 and 2020, respectively.

To improve this condition, the management has taken the following measures:

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction and the conversion of loans from Greenkraft Corporation and Roxburgh Investments Limited into common shares in the Parent Company. To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the Articles of Incorporation to increase the authorized capital stock from P1 billion, divided into one billion common shares to P2 billion, divided into two billion common shares with par value of P1 per share (Notes 15 and 18).

On December 29, 2020, upon the SEC's approval of the Parent Company's increase in authorized capital stock, the Parent Company issued shares to the lenders effecting the debt-to-equity conversion thereby reducing the outstanding balance of the borrowings by P149.56 million. Further, The Parent Company also issued shares to the shareholders of SMPC effecting the share swap transaction resulting to a gain of P267.459 million from the acquisition of a subsidiary (Note 5). The realization of these transactions resolved the capital deficiency position of the Group as at December 31, 2021 and 2020.

Based on the foregoing, the consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue in existence.

2. Basis of Preparation

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS, issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations.

The consolidated financial statements were approved and authorized for issuance by the BOD on November 29, 2022.

Basis of Measurement
The consolidated financial statements of the Group have been prepared on a historical cost basis except for investment in equity securities which are carried at fair value.

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is also the Group's functional currency. All financial information expressed in Philippine peso is rounded off to the nearest thousand peso, except when otherwise indicated.

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries.

Subsidiaries are entities controlled by the Group. In accordance with PFRS 10, *Consolidated Financial Statements*, the Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control and continue to be consolidated until the date when such control ceases.

The consolidated financial statements are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of Amended Standards

The Group has adopted the following amendments to standards starting January 1, 2021 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of the amended standards did not have any significant impact on the consolidated financial statements.

- *COVID-19-Related Rent Concessions (Amendment to PFRS 16, Leases).* The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:

  - the revised consideration is substantially the same or less than the original consideration;

  - the reduction in lease payments related to payments due on or before June 30, 2021; and

  - no other substantive changes have been made to the terms of the lease.

  Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

  A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.

Standards Issued but Not Yet Adopted

A number of amended standards are effective for annual periods beginning after January 1, 2021 and have not been applied in preparing the consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant impact on the consolidated financial statements.

The Group will adopt the following amended standards and framework on the respective effective dates:

Effective April 1, 2021

- *COVID-19-Related Rent Concessions beyond June 30, 2021 (Amendment to PFRS 16).* The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

Effective January 1, 2022

- *Property, Plant and Equipment - Proceeds before Intended Use* (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- *Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, Provisions, Contingent Liabilities and Contingent Assets)*. The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018 - 2020*. This Cycle of improvements contains amendments to four standards, of which the following are applicable to the Group:

  - *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* (Amendment to PFRS 9, *Financial Instruments)*. This amendment clarifies that for the purpose of performing the '10 per cent test' for derecognition of financial liabilities, in determining those fees paid net of fees received included in the discounted cash flows, include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - *Lease Incentives* (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application permitted.

- *Reference to the Conceptual Framework* (Amendment to PFRS 3, *Business Combination)*. The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

  - added a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022, with earlier adoption permitted.

Effective January 1, 2023

- *Classification of Liabilities as Current or Noncurrent* (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

In November 2021, the International Accounting Standards Board issued the *Exposure Draft, Noncurrent Liabilities with Covenants* after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend PAS 1 as follows:

- conditions which the entity must comply within 12 months after the reporting period will have no effect on the classification as current or noncurrent;

- additional disclosure requirements will apply to noncurrent liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within 12 months; and

- separate presentation in the statement of financial position will be required for noncurrent liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

▪ *Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

▪ *Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, Income Taxes).* The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Instruments

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

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a receivable without significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at fair value through profit or loss (FVPL), includes transaction costs. A receivable without a significant financing component is initially measured at the transaction price.

Financial Assets
The Group classifies its financial assets, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the 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.

The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "Principal" is defined as the fair value of the financial asset on initial recognition. "Interest" account is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;

- prepayment and extension features; and

- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

The Group has no financial assets at FVPL as at December 31, 2021 and 2020.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's cash, receivables and refundable deposits are included under this category.

Cash in banks are stated at face value.

Financial Assets at FVOCI. Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in equity instruments are recognized in profit or loss. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are transferred to and recognized in profit or loss.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the consolidated statements of comprehensive income when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are never reclassified to profit or loss.

The Group's investments in equity instruments are classified under this category.

Financial Liabilities
The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

As at December 31, 2021 and 2020, the Group has no financial liabilities at FVPL.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense" account in the consolidated statements of comprehensive income. Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the consolidated statements of comprehensive income.

The Group's trade payables and other current liabilities, amounts owed to related parties, lease liabilities and borrowings are included under this category.

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 primarily derecognized when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

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

Impairment of Financial Assets

The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECLs for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether these financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of financial asset by the Group on terms that the Group would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the consolidated statements of comprehensive income. The ECLs on investments in debt instruments at FVOCI are recognized as accumulated impairment losses, with the resulting impairment losses (or reversals) recognized in the consolidated statements of comprehensive income.

Classification of Financial Instruments between Liability and Equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

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

- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Business Combination
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 non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "Operating expenses" account in the consolidated statements of comprehensive income.

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 at the acquisition date.

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 at the acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of comprehensive income.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of comprehensive income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statements of comprehensive income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

- *Goodwill in a Business Combination*
  Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

  - represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

  - is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments.*

  Impairment is determined 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, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or 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. An impairment loss with respect to goodwill is not reversed.

<u>Inventories</u>
Inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined on the basis of weighted average method. The cost of finished goods and work in process comprise raw materials used, direct labor costs and other direct costs and related production overheads (based on normal operating capacity). Materials and supplies are stated at invoice cost plus importation and other incidental charges. NRV is the estimated selling price in ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are derecognized either when sold or written-off. Provision for inventory losses is set up, when necessary, based on a review of the movement and current condition of each inventory item. Provision for inventory losses is provided, where necessary, for obsolete, slow-moving and defective inventories principally using age and physical condition as indicators. The amount of written-down inventories to NRV and all losses of inventories are recognized as expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in NRV, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Prepaid Expenses and Other Current Assets
This account comprises of prepayments, prepaid taxes and input taxes. Prepayments are expenses paid in advance and recorded as assets before they are utilized. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets; otherwise these are classified as other noncurrent asset.

Prepaid taxes pertain to the amount withheld by suppliers which can be applied against income tax due. It is carried at face value less allowance for unrecoverable tax credits. The Group maintains an allowance for the amount which can no longer be claimed or applied against income tax due.

Property and Equipment
Property and equipment, except land, are recorded at cost less accumulated depreciation, and impairment losses, if any. The initial cost of property and equipment consists of its purchase, including import duties taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Land is stated at cost less any impairment in value.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to profit or loss during the period in which these are incurred.
Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of qualifying property and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Depreciation, which commences when the assets are available for their intended use, is calculated using the straight-line method over its estimated useful life as follows:

	Number of Years
Machinery and equipment	3 - 10
Leasehold improvement	2 to 10 or lease term, whichever is shorter
Transportation equipment	3 - 5
Furniture, fixtures and equipment	3 - 5

The asset's residual values, estimated useful lives and depreciation method are reviewed periodically, and adjusted if appropriate, at each reporting date to ensure that method and period of depreciation and are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

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

An item of property, and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statements of comprehensive income in the period of retirement and disposal.

<u>Asset Held-for-Sale</u>
Assets are classified as assets held-for-sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered primarily through a sale transaction rather than continuing use. When the sale is expected to occur beyond one year, the entity shall measure the costs to sell at their present value. Any increase in the present value of the cost to sell that arises from the passage of time shall be presented as part of the operating expenses in profit or loss.

An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. The Group recognizes a gain for any subsequent increase in fair value less costs to sell of an asset, not in excess of the cumulative impairment loss that has been recognized.

Once classified as held-for-sale, property and equipment are no longer amortized or depreciated and any equity-accounted investee is no longer equity accounted.

When changes to the plan of sale are made and the Group ceases to classify the asset as held-for-sale, the Group remeasures the asset at the lower of its carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset not been classified as held-for-sale, and its recoverable amount at the date of the subsequent decision not to sell. Gain or loss recognized on measurement of a non-current asset classified as held-for-sale is presented under the operating income (expense) in the consolidated statements of comprehensive income.

An item of asset held-for-sale is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising on the retirement and disposal of an item of asset held-for-sale (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal.

Impairment of Nonfinancial Assets

The carrying amounts of prepaid expenses and other current assets, asset held-for-sale, right-of-use asset and property and equipment, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability.

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

The fair value of an asset or 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.

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes 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.

<u>Employee Benefits</u>

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits

The Group's net obligation in respect of the defined benefits plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Remeasurements of the net defined retirement obligation or asset, excluding net interest, are recognized immediately in other comprehensive income. Such remeasurements are not reclassified to profit or loss in subsequent periods. Net defined retirement benefit obligation or asset comprise actuarial gains and losses, the return on plan assets, excluding interest, and the effect of the asset ceiling, if any. The Group determines the net interest expense or income on the net defined retirement obligation or asset for the period by applying the discount rate used to measure the defined benefit retirement obligation at the beginning of the annual period to the then-net defined retirement obligation or asset, taking into account any changes in the net defined benefit retirement obligation or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

Capital Stock
Capital stock consists of common shares and is classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital
Additional paid-in capital represents the excess of consideration received over the par value of capital stock.

Retained Earnings (Deficit)
Retained earnings (deficit) represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments.

Revenue Recognition
The Group recognizes revenue from contract with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for these goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

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

Revenue from Product Sales
The Group manufactures and sells a wide range of paper, cartons and packaging materials in the domestic and international markets. Revenue from product sales is recognized at the point in time when control of the goods is transferred to the buyer, which is normally upon delivery of the goods. Trade discounts are determined at inception of the contract and is not subject to variability. Returns do not result to significant variable consideration. The general payment terms with customers are cash upon order and credit terms which generally ranges from 30 to 90 days from invoice date.

Service Income
Service income is recognized at a point in time when the performance of contractually agreed task has been rendered and control over the service has been transferred to the customer. General payment terms is on an average of 30 days from invoice date.

Rent Income
Rent income from operating leases are recognized in profit or loss on a straight-line basis over the term of the lease agreement. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

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

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

Other Income
Other Income is recognized when earned.

Cost and Expenses
Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expense are recognized when incurred. Cost and expenses are recognized when incurred are presented in profit or loss using function of expense method.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

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

- the Group has the right to obtain substantially all the economic benefits from use of the identified asset, and

- the Group has the right to direct the use of the identified asset.

Group as Lessor
The Group determines at lease inception whether each lease is a finance lease or an operating lease.

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

When the Group is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15, *Revenue from Contracts with Customers* to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term.

Group as Lessee
The Group recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases (i.e., lease that has a lease term of 12 months or less from the commencement date and does not contain a purchase option) and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

Foreign Currency Transactions and Translation

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of outstanding monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss under other expenses/income.

Taxes

Income tax expense for the year is composed of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 reporting date.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade payables and other current liabilities" accounts in the consolidated statements of financial position.

Related Party Transactions

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

Operating Segments

The Group's operating segments 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.

SCPC is the only operating subsidiary of STN prior to the acquisition of SMPC. SCPC's activity after it ceased its packaging operations in 2006 is limited to leasing of properties. SMPC, on the other hand, was acquired on December 29, 2020. As such, SMPC's results of operations in 2020 were considered as pre-acquisition and were not consolidated in the consolidated statements of comprehensive income. Given the foregoing, SCPC's leasing business with SMPC represents the only reportable segment of the Group in 2020 and 2019. Following the acquisition of SMPC in 2020, the Group has only one business segment which is related to SMPC's packaging business.

Basic and Diluted Earnings Per Share (EPS)
Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company by the weighted-average number of issued and outstanding common shares during the period.

For the purpose of computing diluted EPS, the net income for the period attributable to equity holders of the Parent Company and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all potential dilutive instruments

Provisions
Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

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

4. Management's Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

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

Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency has been determined to be the Philippine Peso. It is the currency that mainly influences the sales price of services of the Group and the costs of providing these services.

Operating Lease Commitments - Group as Lessor. The Group has entered into an operating lease agreement as a lessor. The Group had determined that it retains all the significant risks and rewards of ownership of the properties leased out on the operating lease.

Rent income recognized in profit or loss amounted to nil, P40.00 million, P60.00 million and P36.00 million in 2021, 2020 and 2019, respectively (Note 16 and 23).

Incremental Borrowing Rate on Leases

The Group cannot readily determine the interest rate implicit in the leases. Therefore, it uses its relevant incremental borrowing rate to measure lease liabilities.

The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group's lease liabilities amounted to P34.34 million and P6.07 million as at December 31, 2021 and 2020, respectively (Notes 5 and 23).

Determining the Lease Term of Contracts with Renewal Options - Company as Lessee

The Group has a lease contract that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

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

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 24.

Business Model. The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to the management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future salary activity.

Cash Flow Characteristics - Payments of Principal and Interest. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basis lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet these conditions. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

The Group determines that the business model for financial assets at amortized cost is held to collect contractual cash flows and meets the solely principal and interest criterion as at December 31, 2021 and 2020.

Determining whether the Group is Acting As a Principal or Agent in a Revenue Transaction. The determination of whether the Group acts as a principal or agent in a contract is made by identifying each specified service promised to the customers in the contract and evaluating whether the Group obtains control of the specified service before it is transferred to the customer.

The Group determined that it acts as a principal in its revenue transactions.

Measurement of Fair Values. A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

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

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

The fair values of the Group's financial instruments are disclosed in Note 24.

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Acquisition Accounting. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired assets as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets, if any, and property and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The Group has determined that the acquisition of SMPC represents a business due to the presence of the integrated set of activities acquired.

In 2020, the Group recognized a gain amounting to P266.55 million resulting from the acquisition of SMPC (Note 5).

Assessment for ECL on Receivables. The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade and other receivables. The Group also uses appropriate groupings if its historical credit loss experience show significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience. The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate.

The Group has assessed that the forward-looking default rate component of its ECL on receivables are not material because substantial amount of receivables has been collected. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its receivables.

Allowance for impairment losses on receivables amounted to P64.941 million and P35.480 million as at December 31, 2021 and 2020, respectively. The carrying amount of receivables amounted to P424.786 million and P336.456 million as at December 31, 2021 and 2020, respectively (Note 7).

Assessment for ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2021 and 2020. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	2021	2020
Cash in banks	*6*	**P65,853**	P43,736
Refundable security deposits	*5, 9, 13*	**6,925**	8,303
		P72,778	P52,039

Estimating Allowance for Inventory Obsolescence. The Group's inventories are written down to their net realizable value (NRV) whenever their NRV fall below carrying amounts due to physical damage, obsolescence or adverse changes in prices. In determining NRV, management considers estimated selling price of inventories less the estimated costs of completion and the estimated costs necessary to make the sale.

Allowance for inventory obsolescence amounted to P22.859 million as at December 31, 2021 (Note 8).

The carrying amount of inventories amounted to P642.68 million and P671.367 million as at December 31, 2021 and 2020, respectively (Note 8).

Estimation of Useful Lives of Property and Equipment. The Groups estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment 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, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded costs and expenses and decrease noncurrent assets

The carrying amount of the Group's property and equipment amounted to P556.36 million and P483.10 million at December 31, 2021 and 2020, respectively (Note 11).

Determination of Impairment of Nonfinancial Assets
PFRS requires that an impairment review be performed on prepaid expenses and other current assets, asset held-for-sale, right-of-use asset and property and equipment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Based on the assessment of the Group, certain nonfinancial assets are to be provided with allowance for impairment.

Allowance for impairment losses on advances to suppliers amounted to P1.843 million as at December 31, 2021 and 2020 (Note 9).

Allowance for impairment losses on asset held-for-sale amounted to P199.958 million as at December 31, 2021 and 2020 (Note 10).

No impairment loss was recognized on right-of use assets and property and equipment as at December 31, 2021 and 2020 (Notes 11 and 23).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 20 to the financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's defined benefit retirement obligation.

As at December 31, 2021 and 2020, retirement benefits liability amounted to P7.39 million and P7.86 million, respectively. Retirement benefits expense amounted to P1,450,681 in 2021 (Note 20).

Estimation of Realizability of Deferred Tax Assets
The Group reviews its deferred tax assets at each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carry-forward benefits of NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounting to P15.351 million and P19.779 million as at December 31, 2021 and 2020, respectively, relates to the acquired deferred tax assets of SMPC. Deferred tax assets of STN and SCPC have not been recognized as at December 31, 2021 and 2020 because management believes that it is not probable that future taxable profit will be available against which the deferred tax assets may be utilized (Note 22).

Provisions and Contingencies
The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Group has not recognized any provisions in 2021 and 2020.

5. Business Combination

On December 29, 2020, the Group acquired 269,250,000 shares of SMPC, representing 100% equity interest in SMPC, in exchange for the 269,250,000 shares of stock of the Parent Company, issued at par value of P1 (Notes 1 and 18).

The following summarizes the recognized provisional and final amounts of assets acquired and liabilities assumed at acquisition date:

	Provisional Amount	Fair Value Adjustment	Final Amount
Assets			
Cash	P34,257	P -	P34,257
Receivables	336,333	-	336,333
Inventories	671,367	-	671,367
Prepaid expenses and other current assets	27,822	-	27,822
Property and equipment	323,705	155,924	479,629
Right-of-use asset	5,767	86	5,853
Advances to third parties	1,060	-	1,060
Deferred tax assets	19,779	-	19,779
Input value-added taxes	12,847	-	12,847
Refundable security deposits	1,343	-	1,343
	1,434,280	156,010	1,590,290
Liabilities			
Trade payables and other current liabilities	(537,866)	-	(537,866)
Loans payable	(346,247)	-	(346,247)
Amounts owed to related parties	(108,653)	-	(108,653)
Lease liabilities (including current portion)	(6,283)	217	(6,066)
Income tax payable	(114)	-	(114)
Deferred tax liability	-	(46,777)	(46,777)
Retirement benefits liability	(7,858)	-	(7,858)
	(1,007,021)	(46,560)	(1,053,581)
Total Identifiable Net Assets	P427,259	P109,450	P536,709

Provisional and final gain as a result of the acquisition of a subsidiary follows:

	Provisional Amount	Adjustments	Final Amount
Consideration transferred:			
Capital stock	P269,250	P -	P269,250
Total identifiable net assets	427,259	109,450	536,709
Gain on acquisition	158,009	109,450	267,459
Gain on acquisition recognized in other comprehensive income	256	256	-
Gain on acquisition	P158,265	P109,706	P267,459

As a result of adjustments to correct the fair values of properties and equipment acquired, the resulting gain in acquisition increased by P109.450 million. Accordingly, the gain on the acquisition of SMPC amounted to P267.459 million and recognized as "Gain in acquisition of a subsidiary" in the 2020 consolidated statement of comprehensive income.

Since SMPC was acquired on December 29, 2020, SMPC's results of operations in 2020 were considered as pre-acquisition. For the year ended December 31, 2020, the consolidated revenues and net income of the Group would have increased by P1,276.50 million and P15.94 million, respectively, had the acquisition been completed at the beginning of the reporting period.

Receivables
The fair value of receivables amounted to P336.333 million. The gross amount of Receivables is P344.980 million, of which P8.646 million is expected to be uncollectible as at the acquisition date (Note 7).

Acquisition-related Costs
The Group incurred acquisition-related costs of P5.800 million and P2.021 million for the years ended December 31, 2021 and 2020, respectively, which have been included in the "Operating expenses" account in the consolidated statements of comprehensive income.

6. Cash

This account consists of:

	Note	2021	2020
Cash in banks	*24*	**P65,813**	P43,736
Cash on hand		**40**	40
	5	**P65,853**	P43,776

The Group's cash in banks earns annual interest at the respective bank deposit rates.

Interest income from cash in banks amounted to P0.025 million, P0.019 million and P0.008 million in 2021, 2020, 2019, respectively (Note 21).

7. Receivables

This account consists of:

	Note	2021	2020
Trade receivables:			
Third parties		**P431,953**	P274,439
Related party	*16*	**30,282**	62,966
Non-trade receivables:			
Third party		**15,533**	26,613
Related party	*16*	**11,959**	7,918
		489,727	371,936
Less allowance for impairment losses on:			
Trade receivables - third parties		**(64,941)**	(35,480)
	5, 24	**P424,786**	P336,456

Trade receivables are non-interest bearing and are generally with 30 to 90-day term.

Non-trade receivables pertain to reimbursements of costs incurred on behalf of entity under common control.

The movements in the allowance for impairment losses is as follows:

	Note	2021	2020
Balance at beginning of year		**P35,480**	P35,480
Allowance on receivables assumed from SMPC		**8,647**	-
Allowance during the year	20	**20,814**	-
Balance at end of year		**P64,941**	P35,480

8. Inventories

Inventories stated at lower of cost and NRV consist of:

	Note	2021	2020
Raw materials		**P549,309**	P585,729
Work-in-process		**13,426**	15,587
Materials and supplies		**81,586**	56,420
Finished goods		**21,214**	13,631
		665,535	671,367
Less allowance for inventory write-down		**22,859**	-
	5	**P642,676**	P671,367

Inventories are held by SMPC. No cost of inventories was recognized in the 2020 statement of comprehensive income since this cost was incurred prior to the acquisition of SMPC in December 2020. The cost of inventories recognized as expense and included in Cost of sales and cost of services amounted to P836.565 million in 2021 (Note 19).

Allowance for inventory write down in 2021 pertains to damaged raw materials and unusable or obsolete materials and supplies.

In 2021, SMPC had reversal of previously recognized inventory write-down pertaining to certain inventory used in production and certain inventories capitalized to machineries amounting to P10.031 million and P5.357 million, respectively (Note 20).

9. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	2021	2020
Input VAT - net		**P57,145**	P52,097
Prepaid taxes		**50,956**	44,865
Prepaid importation charges		**17,695**	9,085
Refundable security deposits	23, 24	**5,299**	6,940
Advances to suppliers		**1,843**	1,843
Prepaid insurance		**349**	56
Other prepayments		**1,502**	1,068
		134,789	115,954
Less: Allowance for impairment losses and unrecoverable prepaid taxes		**(1,843)**	(1,843)
	5	**P132,946**	P114,111

Input VAT represents accumulated input taxes from purchases of goods and services for business operations which can be applied against future output VAT.

Prepaid taxes include creditable withholding taxes withheld by the Group's customers which can be applied against future income tax liability.

Prepaid importation charges pertain to advance payments to various suppliers of imported paper rolls.

Refundable security deposits pertain to cash deposits on container vans and leases of warehouse and office space. Security deposits on container vans are refundable upon return of container vans while security deposits on leases are refundable at the end of the lease period.

In 2020, the Company applied prepaid tax credits with corresponding allowance for impairment against income tax payable. Gain on reversal of impairment amounting to P7.993 million was recognized under "Other income" (Note 21).

10. Asset Held-for-Sale

Investment in associate (SLC) represents 249,500 common shares and 4,920 voting preferred shares with a par value of P1 per share and P10 per share, respectively. The Parent Company's percentage of interest in SLC is based on its direct 10.22% equity plus the 29.49% equity in SLC held by its two (2) wholly-owned subsidiaries. All the shares are included in the dacion en pago in compliance with the approved loan restructuring (Note 1). This arrangement materialized in 2010 and the amount was reclassified from investment in associate to asset held-for-sale.

The ownership of the Group in SLC is measured at lower of the carrying amount and fair value less cost to sell. In 2012, the preferred shares held by the Parent Company in SLC amounting to P0.049 million were transferred to Greenkraft in relation to dacion en pago (Note 1) and reduced the loan for the same amount.
As at December 31, 2012, the carrying amount of the shares related to the Parent Company's preferred shares in SLC based on par value was also reduced to P0.249 million after issuance of the certificate authorizing registration.

The carrying amount related to the shares of SCPC in SLC amounted to P120.600 million, the transfer of which is expected to be completed in 2022.

The movements and balances of the asset held-for-sale as at December 31, 2021 and 2020 are as follows:

Cost	
January 1, 2010	P417,779
Accumulated Share in Net Losses	
January 1, 2010	(28,013)
Share in financial performance for the year	(55,197)
	(83,210)
Allowance for impairment	(199,958)
Carrying amount reclassified as asset held-for-sale in 2010	134,611
Assigned/written-off in 2012	(13,762)
Disposal	(249)
Asset Held-for-Sale	
December 31, 2021 and 2020	**P120,600**

11. Property and Equipment

The movements and balances of property and equipment as at December 31, 2021 and 2020 are as follows:

	Note	Land	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
Cost								
January 1, 2020		P -	P77,322	P -	P -	P604	P -	P77,926
Property and equipment from acquisition of a subsidiary	5	67,539	289,094	34,610	11,402	3,856	73,128	479,629
December 31, 2020		67,539	366,416	34,610	11,402	4,460	73,128	557,555
Additions	15	117,511	7,131	527	-	813	42,725	168,707
Reclassifications		-	8,411	2,971	-	959	(6,984)	5,357
Disposals		-	-	-	(350)	-	-	(350)
December 31, 2021		**185,050**	**381,958**	**38,108**	**11,052**	**6,232**	**108,869**	**731,269**
Accumulated Depreciation and Amortization								
January 1, 2020		-	71,586	-	-	602	-	72,188
Depreciation and amortization		-	965	-	-	2	-	967
December 31, 2020		-	72,551	-	-	604	-	73,155
Depreciation and amortization		-	92,108	13,220	4,602	2,442	-	112,372
Disposals		-	-	-	(350)	-	-	(350)
December 31, 2021		**-**	**164,659**	**13,220**	**4,252**	**3,046**	**-**	**185,177**
Carrying Amounts								
December 31, 2020		P67,539	P293,865	P34,610	P11,402	P3,856	P73,128	P484,400
December 31, 2021		**P185,050**	**P217,299**	**P24,888**	**P6,800**	**P3,186**	**P108,869**	**P546,092**

In 2021, SCPC availed of a long-term loan for the purchase of land acquired in December 2021. The acquired land serves as a security to the loan availment (Note 15).

The land and improvements thereon in San Vicente, Davao del Norte and land in Carmen, Davao del Norte are subject to mortgage under the Omnibus Loan and Security Agreement (OLSA) entered by the SCPC, SMPC and another affiliate in 2021 (Note 15). As at December 31, 2021, the aggregate carrying amount and fair value of mortgaged land and improvements amounted to P226.887 million and P287.152 million, respectively.

Depreciation is recognized as follows:

	Note	**2021**	2020	2019
Cost of sales	*19*	**P77,942**	P -	P -
Cost of services	*19*	**28,997**	2	10,385
Operating expenses	*20*	**5,433**	965	1,928
		P112,372	P967	P12,313

12. Investments in Equity Instruments

The account consists of investments in shares of stock of utility companies and golf/country club memberships which were designated as financial assets at FVOCI.

These investments were measured at fair value based on quoted prices as at December 31, 2021 and 2020.

The movements in investments in equity instruments are as follows:

	Note	**2021**	2020
Cost			
Balance at beginning of year		**P94,171**	P67,618
Additions		**15,826**	28,280
Disposals		**(14,931)**	(1,727)
Balance at end of year		**95,066**	94,171
Changes in Fair Value			
Balance at beginning of year		**(10,330)**	(20,961)
Changes in fair value		**23,996**	10,619
Transfer of fair value reserve for investments in equity instruments designated at FVOCI		**(3,020)**	12
Balance at end of year		**10,646**	(10,330)
	24	**P105,712**	P83,841

Dividend income earned in 2021, 2020 and 2019 amounted to P5.715 million, P1.697 million and P2.368 million, respectively (Note 21).

13. Other Noncurrent Assets

This account consists of:

	Note	2021	2020
Deferred input VAT	*5*	**P7,701**	P12,847
Advances to third parties	*5*	**-**	1,060
Refundable security deposits	*5, 24*	**1,626**	1,363
		P9,327	P15,270

Advances to third parties represent down payment made by the Group to third parties for the purchase of parcels of land and related improvements thereon.

14. Trade Payables and Other Current Liabilities

This account consists of:

	Note	2021	2020
Trade payables:	*24*		
Third parties		**P389,815**	P273,996
Related parties	*16*	**24,069**	96,770
Advances from customers		**70,062**	49,632
Accrued expenses	*24*	**72,285**	50,841
Payable to government agencies		**7,554**	2,414
Others	*24*	**7,999**	7,997
	5	**P571,784**	P481,650

Trade payables generally have 30-day term and includes interest-bearing letter of credits with terms ranging from 90 to 180 days. Trade payables also includes liabilities on purchase of investment in equity securities held by the Group. Interest expense on letter of credits recognized in profit or loss amounted to P2.682 million and nil in 2021 and 2020, respectively.

Advances from customers pertain to advances made by customers for purchase of goods.

Details of accrued expenses as at December 31 are as follows:

	Note	2021	2020
Importation cost:			
Third parties		**P23,260**	P10,275
Related parties	*16*	**-**	15,217
Salaries and other employee benefits		**2,476**	2,570
Other purchases:			
Third parties		**20,521**	11,179
Related parties	*16*	**78**	13
Outside services		**328**	1,370
Insurance		**4,984**	4,958
Professional fees		**1,154**	901
Others		**19,484**	4,358
		P72,285	P50,841

Other accrued expenses include repairs and maintenance and utility payables.

15. Loans and Borrowings

This account consists of:

	Note	2021	2020
Short-term loans	*5*	**P331,747**	P346,247
Current portion of long-term loans:			
Greenkraft Corporation	*16*	**190,000**	190,000
		521,747	536,247
Net of current portion:			
Local bank loan	*11*	**130,401**	-
	1, 24	**P652,148**	P536,247

Short-term Loans
Short-term loans from local banks are unsecured, peso-denominated promissory notes intended for additional working capital requirements of the SMPC. These are payable within six months and bear annual interest rates ranging from 2% to 3.5% and 3.75% to 3.95% in 2021 and 2020, respectively.

The related interest expense on the short-term loans recognized in profit or loss amounted to P9.557 million in 2021. Interest expense in 2020 is considered pre-acquisition.

Omnibus Loan and Security Agreement (OLSA)
On November 29, 2021, the SCPC, SMPC, and another affiliate, collectively as Borrowers, entered into an Omnibus Loan and Security Agreement (OLSA) with a local bank. The loan has seven-year term and up to an aggregate amount of P2 billion or its U.S. Dollar equivalent. The proceeds of the loan will be used to finance the purchase by the Borrowers of the subject assets as described in Section 1 of Part C of the OLSA. The loan drawdown will enable the Borrowers to purchase the subject properties and to operate the Dole Philippines Inc. (DPI) box plant property in Davao.

The loan has floating interest rate based on the prevailing market rate at each repricing date, with a one-time option to fix. The loan is secured by mortgaged properties as described in Part C, Section 3.02 and enumerated in Schedule II of the OLSA, and future receivables of the Borrowers, and guaranteed by the major shareholders of the Parent Company.

The other essential elements of the OLSA, among others, are summarized below:

a) The Borrowers are entitled to a grace period on principal payments for the first 12 months reckoned from the initial drawdown and shall pay only interest on the loan amount. At the end of the 13th month from the initial drawdown date, the Borrowers shall commence payment of the principal and interest. The principal payments shall be made in 72 equal monthly amortizations beginning on the 13th month from the initial drawdown date.

b) The Borrowers shall pay interest on the outstanding advance monthly in arrears at the interest rate on each interest payment for the interest period. The interest rate on the advance payment shall be the prevailing market rate as of the repricing date.

c) The Borrowers shall not sell, lease, transfer, grant or otherwise dispose all or substantially all of its properties and assets, except for leases entered into with any of the Borrower's affiliates for the lease of DPI Box Plant and Printing Plant.

d) Cross default and cross acceleration provision as an event of default. This is when the Borrower defaults in the payment of principal or interest or commits violation of any terms and conditions, or accelerate or permit acceleration, of any agreement and the lender believes that the breach or violation will adversely and materially affect the Borrower's operations or ability to perform its obligation under the OLSA.

e) No new borrowing, unless with consent of the lenders.

f) Creditor's consent for change in material ownership in the borrowers and mortgagors.

g) Standard covenants, representations and warranties.

In December 2021, the SCPC initially availed of the loan amounting to $2,588,000 equivalent to P130.401 million for the purchase of land (Note 11).

On January 24, 2022, the SCPC availed the second and final drawdown of the loan amounting to $9,087,396.

As at November 29, 2022, the loan has been fully drawn by the SCPC and an affiliate. SMPC has no loan drawdown as at November 29, 2022.

In accordance with Part B, Section 5.01 (m) of the OLSA, the Borrowers are required to maintain debt to service coverage ratio of at least 1.25x, a total debt-to-equity ratio of 1.5 to 1, and a debt to EBITDA of no more than three times. The SCPC has failed to comply with the financial ratios indicated in the OLSA as at December 31, 2021. The OLSA provides that default provisions, other than payment default, are remediable within 30 days after written notice from the lender of such failure to comply with the terms or covenant in the OLSA.

As at December 31, 2021, the Borrowers have not received any notice of default from the lender that will trigger the non-compliance with financial ratios an event of default. On November 3, 2022, upon the request of SCPC, SCPC received a letter from the lender confirming that the bank did not declare SCPC in default under the OLSA notwithstanding their non-compliance with the required financial ratios as at December 31, 2021.

Transaction cost on loan availment pertaining to documentary stamp tax paid in 2021 amounted to P4.522 million, of which P1.002 million relates to initial drawdown in 2021 and recorded as deduction from loans payable, and the remaining balance of P3.520 million relates to final drawdown in January 2022 recorded as part of Prepaid taxes (Note 9).

Omnibus Agreement (Amended in 2010)

Borrowings from Greenkraft and Roxburgh were secured loans and were originally obtained from lending banks under the Omnibus Agreement's revolving working capital facility subject to annual interest rates prior to assignment of the loan to third parties in 2006. The said creditors/lenders are now considered related parties of STN following the dacion en pago arrangements and reassessment of related party relationships in 2010.

The property and equipment of the Group and present and future receivables of the subsidiaries are used as collateral in accordance with the Amended Agreement. In 2012, the total fair value of assets pledged as security, which includes investment in an associate, land and land improvements and building and building improvements, declined from P290 million to P289.88 million (Note 1). In 2014, the land and land improvements and building and building improvements of SCPC were transferred to the creditors/lenders.

Furthermore, the Amended Agreement provides for certain affirmative and negative covenants subject for compliance by the Company and payment terms as discussed in Note 1 which is due after completion of dacion en pago that is expected to be completed in 2022.

Upon approval of the Amended Agreement, the above creditors are aware of the Group's non-compliance with covenant due to the Group's financial condition and such will not be a ground to default from the Amended Agreement.

As discussed in Note 1, the accrued interest amounting to P294.6 million which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was condoned by its major creditors in 2011. In addition, the accrued interest in 2010 amounting to P13.1 million was also reversed in 2011 in relation to the 2-year grace period provided by its creditors. These were all offset against advances to SCPC as the proceeds of the original loan were loaned by the Parent Company to SCPC, subject to the same interest rates.

In 2012, TPC and SCPC's investment in shares of stock with SLC amounting to P0.64 million was assigned to Greenkraft as part of the dacion en pago arrangements (Note 1) resulting to a reduction of the borrowing balance.

In 2013, the creditors/lenders granted STN two (2) years extension of principal repayment, reduction of interest rate from 6% p.a. to 2% p.a. for the first five (5) years and further waive interest charges annually until 2019.

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the conversion of loans from Greenkraft and Roxburgh into common shares in STN. The minority shareholders present or represented at the meeting unanimously voted to waive the requirement to conduct a right or public offering of the shares to be issued by virtue of debt-to-equity conversion. Consequently, principal and interest payments on long-term debt was suspended beginning July 2019.

On December 29, 2020, the Parent Company issued 149,562,081 shares to Greenkraft and Roxburgh effecting the debt-to-equity conversion following the SEC approval of the Parent Company's increase in authorized capital stock on the same day (Note 18).

Changes in liabilities arising from financing activities are as follows:

	Note	**2021**	2020
Balance at beginning of year		**P536,247**	P339,562
Additions to borrowings		**769,139**	-
Payments of borrowings		**(654,247)**	-
Liabilities assumed arising from acquisition of a subsidiary	*1, 5, 18*	-	346,247
Conversion of debt to equity	*1, 18*	-	(149,562)
Effect of exchange rate changes		**1,009**	-
Balance at end of year		**P652,148**	P536,247

16. Related Party Transactions

In the normal course of business, the Group has transactions and balances with its related parties. All material related party transactions are subject to approval by the BOD. Material related party transactions pertain to those transactions, either individually or in aggregate over a 12-month period, that exceed 10% of the Group's total assets based on the latest audited financial statements. All other related party transactions that are considered not material are approved by management.

The balances and transactions with related parties as at and for the years ended December 31 follows:

				Outstanding Balance						
	Year	*Note*	Amount of Transaction	Receivables	Trade Payables	Accrued Expenses	Amounts Owed to Related Parties	Borrowings	Terms	Conditions
Entity under Common Control										
Rent income	2021	*7, 23*	P -	P -	P -	P -	P -	P -	Collectible within 60 days; non-interest bearing	Unsecured; no impairment
	2020		40,000	-	-	-	-	-		
Reimbursements	2021	*7, b*	4,134	4,256	-	-	-	-	Collectible on demand; non-interest bearing	Unsecured; no impairment
	2020		-	122	-	-	-	-		
Associate										
Advances	2021	*a*	-	-	-	-	26,369	-	Payable on demand; non-interest bearing	Unsecured
	2020		-	-	-	-	19,981	-		
Shareholders										
Borrowings	2021	*15*	-	-	-	-	-	190,000	Payable in quarterly installments for 25 years; interest-bearing at 2% p.a. on the first five years, 6% p.a. on the 6th until the 15th year, and 8% p.a. on the 16th year onwards until maturity	Secured by various current and noncurrent assets of the Group
	2020		-	-	-	-	-	190,000		
Sales	2021	*c*	67,094	37,985	-	-	-	-	Payable within 30 days; non-interest bearing	Unsecured; no impairment
	2020		-	70,762	-	-	-	-		
Other Related Parties										
Lease and warehousing costs	2021	*d*	60	-	248	-	-	-	Payable on demand; non-interest bearing	Unsecured
	2020		-	-	15,526	-	-	-		
Purchases	2021	*c*	-		23,821	78	-	-	Payable within 30 days; non-interest bearing	Unsecured
	2020		-	-	81,244	15,230	-	-		
Advances	2021	*a*	-	-	-	-	41,253	-	Payable on demand; non-interest bearing	Unsecured
	2020		-	-	-	-	108,653	-		
Key Management Personnel										
Short-term benefits	2021	*20*	4,463	-	-	-	-	-		
	2020		884	-	-	-	-	-		
	2021			P42,241	P24,069	P78	P67,622	P190,000		
	2020			P70,884	P96,770	P15,230	P128,634	P190,000		

a. Amounts owed to related parties consist mainly of noninterest bearing advances for working capital requirements with no definite repayment dates. These are expected to be settled through realization of the dacion en pago in payment of the investment in shares of stocks of SCPC in SLC.

b. Reimbursement of various expenses were paid in advance by the Parent Company and charged to the related party.

c. SMPC has sales and purchases of inventories with related parties. These transactions are unsecured, non-interest bearing and are generally with 30 to 90-day term. Outstanding related party balances of SMPC were assumed by the Group upon acquisition in December 2020 (Note 5).

d. SMPC has lease contract with Golden Bales Corporation for a lease of space in the lessor's warehouse for a period of one year starting January 1, 2020 to December 31, 2020. The lease is renewable at the option of both parties.

   SMPC also has existing lease and warehousing cost agreement with Golden Bales Corporation for the lease and warehousing of certain properties for its plate-making process. The contract is for a period of 5 years which expired on October 21, 2016 and was renewed thereafter for another 5-year term. The lease agreement qualified under PFRS 16 (Note 23).

e. Compensation of the Group's key management personnel is comprised of short-term benefits amounting to P4.463 million, P0.884 million and P1.118 million in 2021, 2020 and 2019, respectively, recognized as part of "Professional fees, security and outside services" account under Operating expenses (Note 20).

Unless otherwise indicated above, related party balances are expected to be settled in cash.

The long-term loan of SCPC under the OLSA is guaranteed by the Parent Company's major shareholders without any charge (Note 15).

17. Retirement Benefits

The Group assumed the retirement benefits liability of SMPC upon acquisition of the latter in December 2020 (Notes 1 and 5) amounting to P7.86 million.

The SMPC has a non-contributory, defined benefit pension plan (the "Plan") covering substantially all of its regular employees. Under the provisions of the Plan, the normal retirement age is 60, employees, upon reaching retirement age with at least 5 years of service, can avail of early retirement. Employees covered have a vested right to a certain percentage of retirement benefits after completion of at least 5 years of service. Contributions and costs are determined in accordance with the actuarial studies made for the Plan. Annual cost is determined using the projected unit credit method. SMPC's latest actuarial valuation date is as at December 31, 2021. Valuation is obtained on a periodic basis.

The reconciliation of the present value of defined benefit obligation and the fair value of the plan assets to the recognized liability presented as "Retirement benefits liability" in the consolidated statements of financial position is as follows:

	Note	2021	2020
Balance at beginning of year		**P7,858**	P -
Included in Profit or Loss			
Current service cost		**1,150**	-
Interest expense		**300**	-
		1,450	-
Included in Other Comprehensive Income			
Actuarial gain due to:			
Changes in financial assumptions		**(213)**	-
Experience adjustment		**(1,426)**	-
		(1,639)	-
Others			
Retirement liabilities assumed arising from acquisition of a subsidiary	5	**-**	7,858
Benefits paid		**(284)**	-
		(284)	7,858
Balance at end of year		**P7,385**	P7,858

The retirement benefits cost recognized as part of "Salaries, wages and other employee benefits" in the consolidated statements of comprehensive income are recognized as follows:

	Note	2021
Cost of sales and services	*19*	**P1,031**
Operating expense	*20*	**419**
		P1,450

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2021
Discount rates	**5.03%**
Expected rate of salary increases	**4.00%**

The mortality and the disability rates used in the valuation were the 1994 Group Annuity Table and the 1952 Disability Table, respectively.

As at December 31, 2021 and 2020, the weighted average duration of the defined benefit obligation is 18 years.

Maturity analysis of the benefit payments is shown below:

	December 31, 2021				
	Carrying Amount	Contractual Cash Flows	Less than 1 Year	Within 1 - 5 Years	More than 5 Years
Defined benefit obligation	P7,385	P72,124	P137	P738	P71,249

	December 31, 2020				
	Carrying Amount	Contractual Cash Flows	Less than 1 Year	Within 1 - 5 Years	More than 5 Years
Defined benefit obligation	P7,858	P88,379	P124	P1,018	P87,237

Sensitivity Analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the DBO by the amounts shown below:

	December 31, 2021		December 31, 2020	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(P951)**	**P1,153**	(P1,086)	P1,345
Salary increase rate (1% movement)	**1,153**	**(972)**	1,327	(975)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

The deferred benefit plan exposes the Group to actuarial risk such as longevity risk, interest risk and market risk.

Funding Arrangements
The Group is not required to pre-fund the future defined benefits payable under the Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Fund.

18. Equity

Capital Stock
Capital stock as at December 31, 2021 and 2020 consists of:

	No. of Common Shares	**Par Value Per Share**	**Amounts in Thousand**
Authorized	**2,000,000,000**	**1**	**P2,000,000**
Issued and Outstanding	**1,418,812,081**	**1**	**P1,418,812**

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for shares of STN. On the same date, the BOD and Stockholders also approved the conversion of loans from Greenkraft and Roxburgh into common shares in STN (Notes 1 and 15).

To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the AOI to increase the authorized capital stock from P1 billion, divided into one billion common shares to P2 billion, divided into two billion common shares with par value of P1 per share.

On December 29, 2020, the SEC approved the increase in authorized capital stock of the Parent Company. On the same date, the Company issued 269,250,000 shares to the shareholders of SMPC in exchange for all of their shareholdings to the latter. The Parent Company also issued 149,562,081 shares to its lenders effecting the debt-to-equity conversion.

Expenses incurred that are directly attributable to the issuance of shares, net of related tax benefit, amounted to P6.21 million. Such amount was deducted against additional paid-in capital in 2020.

Additional Paid-in Capital

The Parent Company's loans were restructured in October 2010 and the 123,818,000 unissued shares amounting to P123.82 million were issued to a creditor to settle portion of the loan amounting to P247.63 million. The excess of the amount settled over the amount of issued shares (P123.81 million) was recognized as part of additional paid-in capital (Note 1).

Earnings Per Share

Basic earnings per common share in centavos for the years ended December 31 is calculated as follows:

	2021	2020 As Restated (Note 5)	2019
Net income	**P17,965**	P300,498	P32,241
Divided by weighted average number of common shares, in thousands	**1,418,812**	1,002,295	1,000,000
Basic and diluted earnings per share	**P0.0127**	P0.2998	P0.0322

There are no dilutive shares used in the computation of the earnings per shares, hence, basic earnings per share is the same with the dilutive earnings per share.

19. Cost of Sales and Services

This account consists of:

	Note	**2021**	2020	2019
Cost of Sales				
Raw materials, January 1		**P606,695**	P -	P -
Add: Purchases		**759,385**	-	-
Total raw materials		**1,366,080**	-	-
Less: Raw materials, December 31	*8*	**(549,309)**	-	-
Raw materials used		**816,771**	-	-
Direct labor		**22,935**	-	-
Factory overhead		**213,122**	-	-
Total manufacturing cost		**1,052,828**	-	-
Add: Work-in-process, January 1		**16,708**	-	-
Total goods available for manufacturing		**1,069,536**	-	-
Less: Work-in-process, December 31	*8*	**(13,427)**	-	-
Total goods manufactured		**1,056,109**	-	-
Add: Finished goods, January 1		**14,404**	-	-
Total goods available for sale		**1,070,513**	-	-
Less: Finished goods, December 31	*8*	**(21,214)**	-	-
		1,049,299	-	-
Cost of Services				
Depreciation and amortization	*11, 23*	**31,591**	2	10,385
Material used		**23,323**	-	-
Salaries, wages and benefits		**8,919**	-	-
Indirect labor		**8,279**	-	-
Utilities		**6,369**	-	-
Supplies		**3,709**	-	-
Repairs and maintenance		**2,394**	-	-
Outside services		**2,048**	-	-
Warehousing cost		**1,834**	-	-
Insurance		**1,820**	-	-
Fuel and oil		**153**	-	-
Rent		**60**	-	-
Taxes and licenses		**48**	-	-
		90,547	2	10,385
		P1,139,846	P2	P10,385

Details of factory overhead for the years ended December 31 are as follows:

	Note	2021	2020	2019
Depreciation and amortization	11, 23	P84,612	P -	P -
Indirect materials used		59,974	-	-
Indirect labor		21,288	-	-
Utilities		16,379	-	-
Supplies		9,538	-	-
Repairs and maintenance		6,153	-	-
Outside services		5,267	-	-
Warehousing cost		4,716	-	-
Insurance		4,679	-	-
Fuel and oil		393	-	-
Taxes and licenses		123	-	-
		P213,122	P -	P -

20. Operating Expenses

This account consists of:

	Note	2021	2020	2019
Delivery expense		P30,973	P -	P -
Provision for impairment losses of receivables	7	20,814	-	-
Insurance, taxes and licenses		17,333	618	423
Legal fees		14,625	-	-
Salaries, wages and employee benefits	17	12,057	326	559
Repairs and maintenance		11,361	-	-
Depreciation	11	6,239	965	1,928
Professional fees, security and outside services	16	7,796	3,260	1,717
Utilities and office expenses		2,651	17	37
Representation and entertainment		2,621	61	64
Transportation and travel		868	-	44
Listing fees		250	261	250
Trainings and seminar		-	-	73
Reversal of previously recognized inventory write-down	8	(15,388)	-	-
Others		2,879	280	249
		P115,079	P5,788	P5,344

21. Other Income (Charges)

This account consists of:

	Note	2021	2020 As Restated (Note 5)	2019
Unrealized foreign exchange gain		**P6,299**	P -	P -
Dividend income	*12*	**5,715**	1,697	2,368
Interest income	*6*	**25**	19	8
Gain on acquisition of a subsidiary	*5*	**-**	267,459	-
Reversal of allowance for impairment of prepaid taxes	*9*	**-**	7,993	-
Others		**144**	86	(1)
		P12,183	P277,254	P2,373

22. Income Taxes

The components of the income tax expense are as follows:

	2021	2020	2019
Current tax expense	**P13,250**	P10,966	P14,403
Deferred tax expense	**(6,834)**	-	-
Effect of change in income tax rate - current	**(914)**	-	-
Effect of change in income tax rate - deferred	**(4,518)**	-	-
	P984	P10,966	P14,403

The reconciliation of the income tax expense computed at the statutory income tax rates to the income tax expense recognized in profit or loss is as follows:

	2021	2020 As Restated (Note 5)	2019
Income before income tax	**P18,949**	P310,556	P46,644
Tax statutory tax rate of 25% in 2021 and 30% in 2020 and 2019	**P4,737**	P93,167	P13,993
Adjustments to income tax resulting from tax effects of:			
Effect of change in income tax rate - current	**(914)**	-	-
Effect of change in income tax rate - deferred	**(4,518)**	-	-
Dividend income	**(1,429)**	(509)	(710)
Non-deductible expenses	**3,109**	43	-
Interest income subjected to final tax	**(6)**	(6)	(3)
Movement in unrecognized deferred tax asset	**5**	100	1,123
Gain on acquisition of a subsidiary	**-**	(79,966)	-
Stock issuance cost	**-**	(1,863)	-
	P984	P10,966	P14,403

The components of the Group's deferred tax liability, net of deferred tax assets, are as follows:

	2021	2020
Deferred Tax Assets		
Allowance for inventory obsolescence	**P5,715**	P -
Impairment losses on receivables	**7,365**	-
Retirement benefits liability	**1,846**	-
Leases	**425**	-
Acquisition of a subsidiary	**-**	19,779
	15,351	19,779
Deferred Tax Liability		
Acquisition of a subsidiary	**31,426**	46,777
	(P16,075)	(P26,998)

The movements of deferred tax liabilities - net are accounted for as follows:

	2021
Amount charged to profit or loss	**(P11,352)**
Amount charged to OCI relating to remeasurement of defined benefit liability	**428**
	(P10,924)

As at December 31, 2021 and 2020, deferred tax assets have not been recognized in respect of the temporary differences and NOLCO as management believes that it is not probable that sufficient taxable profit will be available against which all deferred tax assets may be utilized.

	2021	2020
Temporary differences:		
Allowance for impairment losses of assets held-for-sale (previously recognized as investment in an associate)	**P199,958**	P199,958
Allowance for impairment losses of receivables	**35,480**	35,480
Allowance for impairments losses of advances to suppliers	**1,843**	1,843
Unrealized foreign exchange loss	**1,009**	-
	238,290	237,281
NOLCO	**15,602**	13,106
	P253,892	P250,387

The Group has NOLCO amounting to P15.602 million and P13.106 million as at December 31, 2021 and 2020, respectively which can be carried forward as deduction against future taxable income as follows:

Year Incurred	Amount	Expired/ Applied	Balance	Date of Expiry
2021	P3,532	P -	P3,532	2026
2020	8,327	-	8,327	2025
2019	3,743	-	3,743	2022
2018	1,036	1,036	-	2021
	P16,638	P1,036	P15,602	

Corporate Recovery and Tax Incentives for Enterprise (CREATE) Act

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Group:

a. Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

b. MCIT rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

c. The imposition of improperly accumulated earnings tax has been repealed.

The enactment of the CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as of December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020.

The corporate income tax of the Group was lowered from 30% to 25% effective July 1, 2020.

Presented below is the effect of changes in tax rates under the CREATE Act recorded in 2021.

	Effect of Changes in Tax Rates
Statement of Comprehensive Income	
Income tax benefit	**(P914)**
Deferred tax benefit	**(4,518)**
Statement of Financial Position	
Prepaid taxes	**914**
Deferred tax liabilities	**(4,518)**

Bayanihan to Recover as One Act
On September 30, 2020, the BIR issued RR No. 25-2020 to implement Section 4 (bbbb) of RA No. 11494 ("Bayanihan to Recover as One Act"), relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive years immediately following the year of such loss.

23. Significant Agreements

Tolling Agreements
The SMPC has tolling agreements with certain customers wherein these customers will provide paper rolls for the SMPC to process or manufacture into corrugated fiber board boxes at a guaranteed volume subject to the production frequency and specifications to be agreed by both parties. For the services provided, the SMPC will receive tolling fees which are recorded as "Service income" account in the statement of comprehensive income.

Tolling fees amounted to P45.216 million in 2021.

Lease Agreements
Group as Lessor
Prior to the acquisition of SMPC, the Group entered into a lease contract with SMPC for certain machinery and equipment. The lease contract is for a period of one year renewable for another year, subject to terms and conditions mutually agreed by the parties. In 2018, SCPC and SMPC agreed to lower the monthly rent for the leased asset from P5 million to P3 million. However, in 2019, both parties agreed to revert the monthly rent to P5 million. In 2020, SCPC granted a rent-free period covering months of September to December 2020 to alleviate the impact of COVID-19 to SMPC. Following the acquisition of SMPC in 2020, intercompany rent has been eliminated upon consolidation.

Rent income amounted to nil, P40.00 million, P60.00 million and P36.00 million in 2021, 2020 and 2019, respectively (Note 16).

Group as Lessee
SMPC has existing lease agreements covering its office space, warehouses, machinery and equipment and other facilities which are presently used in Davao City for periods ranging from one (1) to ten (10) years, and a sales office and warehouse in General Santos City for a period of five (5) to ten (10) years, renewable under terms and conditions to be agreed upon by both parties. Security deposits paid by SMPC as required under the terms and covering lease agreements amounted to P2.55 million and P2.79 million as at December 31, 2021 and 2020, respectively, which were recognized under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts in the consolidated statements of financial position (Notes 9 and 13).

The fair value of right-of-use asset and lease liabilities at the date of acquisition of SMPC amounted to P5.85 million and P6.07 million, respectively (Note 5).

Movements and balances of right-of-use asset related to the land and building are as follows:

	Note	2021	2020
Cost			
Balance at beginning of year		**P5,853**	P -
From acquisition of a subsidiary	*5*	**-**	5,853
Addition		**36,857**	-
Balance at end of year		**42,710**	5,853
Accumulated Depreciation			
Balance at beginning of year		**-**	-
Depreciation	*19, 20*	**10,070**	-
Balance at end of year		**10,070**	-
Carrying Amount		**P32,640**	P5,853

The depreciation expense has been charged to cost of sales and services and operating expenses as follows:

	Note	2021
Cost of sales	*19*	**P6,670**
Cost of services	*19*	**2,594**
Operating expenses	*20*	**806**
		P10,070

The following table sets out a maturity analysis of lease payments, showing undiscounted and discounted lease payments to be received after the reporting date:

	2021		
	Minimum Lease Payable	Interest	Present Value of Minimum Lease Payments
Within one year	**P9,047**	**P2,292**	**P6,755**
Between one to five years	**27,845**	**4,230**	**23,615**
More than five years	**4,274**	**304**	**3,970**
	P41,166	**P6,826**	**P34,340**

Movements in lease liabilities for the year ended December 31 follow:

	Note	**2021**	2020
Beginning balance		**P6,066**	P -
From acquisition of a subsidiary	5	**-**	6,066
Additions		**36,856**	-
Interest expense		**2,575**	-
Payments		**(11,157)**	-
		P34,340	P6,066

Amounts recognized in profit or loss are as follows:

	2021
Interest on lease liabilities	**P2,575**
Depreciation expense on ROU assets	**10,070**
Short-term leases	**60**
	P12,705

Total cash outflows for leases amounted to P11.521 million in 2021.

Asset Sale Agreement
In August 2021, the SCPC, SMPC and certain affiliates executed Asset Sale Agreement (ASA) with DPI, which was amended in December 2021. The asset sale agreement covered the purchase of parcels of land, machinery and equipment, motor vehicles, other assets and shared assets used in the Stanfilco Plants and Dolefil Box and Printing Plants. In the agreement, the SCPC will acquire Stanfilco Box Plant and Stanfilco machinery and equipment, SMPC will enter into long term supply agreement with DPI, and other affiliates will acquire other target assets listed in Schedule 2 of the ASA.

The SCPC has committed to purchase the allocated target assets with total purchase price of USD 9,383,761. As at November 29, 2022, the SCPC has completed the purchase of buildings and improvements, and machineries and equipment amounting to P484.038 million (inclusive of taxes).

Long-term Supply Agreement
In January 2022, in relation to the Asset Sale Agreement, SMPC entered into a long-term supply agreement with DPI to supply boxes, packaging materials, including parts thereof such as cartons, dividers, pods, lids, joints, walls, slots, panels, labels and other printed materials, made of paper, kraft, corrugated boxes and other paper related products. The long-term supply agreement has a term of nine years and six months beginning from August 24, 2022 until February 23, 2032. The agreement can be renewed subject to discussion of the parties. As at November 29, 2022, SMPC is yet to supply the above mentioned materials to DPI.

24. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group's financial assets and liabilities, comprising mainly of cash in banks, receivables, investments in equity instruments, refundable security deposits, trade payables and other current liabilities, amounts owed to related parties, lease liabilities and loans and borrowings, are exposed to a variety of financial risks: liquidity risk, credit risk and market risk (includes foreign currency risk, and interest rate risk). Management ensures that it has sound policies and strategies in place to minimize potential adverse effects of these risks on the Group's financial performance.

Risk management is carried out through the policies approved by the BOD. They identify and evaluate financial risk. The BOD provides principles on overall risk management and on specific areas such as liquidity risk, credit risk and market risk.

Liquidity Risk

Liquidity risk pertains to the failure of the Group's to discharge its obligations and commitments. The tight cash position limits its obligation to take advantage of increasing demands. The Group's financial liabilities include trade payables and other current liabilities, amounts owed to related parties, lease liabilities and loans and borrowings (Notes 14, 15, 16 and 23).

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments used for liquidity management.

December 31, 2021	**Carrying Amount**	**Contractual Cash Flow**	**Less than 1 Year**	**More than 1 Year**
Trade payables and other current liabilities*	**P494,168**	**P494,168**	**P494,168**	**P -**
Amounts owed to related parties	**67,622**	**67,622**	**67,622**	**-**
Loans and borrowings	**652,148**	**665,730**	**524,443**	**141,287**
Lease liabilities	**34,340**	**41,166**	**9,047**	**32,119**
	P1,248,278	**P1,268,686**	**P1,095,280**	**P173,406**

**Carrying amount excludes advances from customers and payable to government agencies amounting to P77,616.*

December 31, 2020	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Trade payables and other current liabilities*	P429,604	P429,604	P429,604	P -
Amounts owed to related parties	128,634	128,634	128,634	-
Loans and borrowings	536,247	536,247	536,247	-
Lease liabilities	6,066	6,852	4,014	2,838
	P1,100,551	P1,101,337	P1,098,499	P2,838

**Carrying amount excludes advances from customers and payable to government agencies amounting to P52,046.*

The Group regularly monitors its cash position, continuously negotiates with creditors for new credit terms and depends on the financial support from its operating subsidiary and shareholders to meet its obligation as they fall due.

In December 2020, significant amount of the Group's borrowings were converted into equity. The remaining assets subject to dacion en pago under the provisions of the Amended Agreement pertain to investment in preferred shares of SLC with fair value of P190 million with reference to the municipality zonal value of land owned by SLC. Upon completion of this transaction, the balance of borrowings will be paid in full (Notes 10 and 15).

Credit Risk
Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from deposits with banks and receivables. Cash transactions are limited to high-credit-quality financial institutions.

The Group has established controls and procedures in its credit policy to determine and monitor the credit worthiness of its counterparties. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The gross maximum exposure of the Group to credit risk as at December 31, 2021 and 2020, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2021**	2020
Cash in banks	*6*	**P65,813**	P43,736
Receivables - gross	*7*	**489,727**	371,936
Refundable security deposits	*9, 13*	**6,925**	8,303
		P562,465	P423,975

The table below shows the credit quality of the Group's financial assets as at December 31, 2021 and 2020:

December 31, 2021	**High Grade**	**Medium Grade**	**Low Grade**	**Total**
Cash in banks	**P65,813**	**P -**	**P -**	**P65,813**
Receivables	**-**	**424,786**	**64,941**	**489,727**
Refundable security deposits	**-**	**6,925**	**-**	**6,925**
	P65,813	**P431,711**	**P64,941**	**P562,465**

December 31, 2020	High Grade	Medium Grade	Low Grade	Total
Cash in banks	P43,736	P -	P -	P43,736
Receivables	-	336,456	35,480	371,936
Refundable security deposits	-	8,303	-	8,303
	P43,736	P344,759	P35,480	P423,975

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period.

There are no significant changes in the credit quality of the counterparties' during the year.

It is the Group's policy to maintain accurate and consistent risk ratings across the financial assets which facilitates focused management of applicable risks. The Group utilizes an internal credit rating system based on its assessment of the quality of the financial assets.

The Group classifies its receivables into the following credit grades:

High Grade - This pertains to accounts with a very low probability of default as demonstrated by the customer/debtor long history of stability, profitability and diversity. The customer/debtor has the ability to raise substantial amounts of funds through the public markets. The customer/debtor has a strong debt service record and a moderate use of leverage.

Medium Grade - The customer/debtor has no history of default. The customer/debtor has sufficient liquidity to fully service its debt over the medium term. The customer/debtor has adequate capital to readily absorb any potential losses from its operations and any reasonably foreseeable contingencies. The customer/debtor reported profitable operations for at least the past 3 years.

Low Grade - The customer/debtor is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. Operating performance could be marginal or on the decline. The customer/debtor may have a history of default in interest but must have regularized its service record to date.

The table below presents the Group's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	Financial Assets at Amortized Cost			
December 31, 2021	**12-month ECL**	**Lifetime ECL not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total**
Cash in banks	**P65,813**	**P -**	**P -**	**P65,813**
Receivables	**412,177**	**12,609**	**64,941**	**489,727**
Refundable security deposits	**5,299**	**1,626**	**-**	**6,925**
	P483,289	**P14,235**	**P64,941**	**P562,465**

	Financial Assets at Amortized Cost			
December 31, 2020	12-month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks	P43,736	P -	P -	P43,736
Receivables	336,334	122	35,480	371,936
Refundable security deposits	6,347	1,956	-	8,303
	P386,417	P2,078	P35,480	P423,975

The Group believes that the unimpaired amounts are past due by more than 60 days are still collectible based on historical payment behavioral analyses of the underlying counterparties' credit ratings.

Market Risk

Market risk is the risk that the changes in market prices, such as foreign exchange rates, interest rates and other market prices, will affect the Group's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign Currency Risk

The Group is exposed to foreign currency risk on its cash in banks and loans payable that are denominated in US Dollars. The Group regularly monitors the outstanding balance of its cash in banks and loans payable that are denominated in US Dollars and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to this foreign currency denominated asset.

Information on the foreign currency denominated monetary assets and monetary liabilities and their Philippine peso equivalents as at December 31, 2021 and 2020 are as follows:

	2021	2020
Assets	**$4,011**	$2,763
Liabilities	**(4,589)**	(2,000)
Net payable	**($578)**	$763
Philippine Peso equivalent	**(P29,347)**	P36,642

The foreign exchange rate of P50.774 and P48.023 were used in translating the USD denominated monetary liability to Philippine peso as of December 31, 2021 and 2020, respectively.

A 10% strengthening of the Philippine peso against US Dollar as at December 31, 2021 and 2020 would have increased (decreased) the net income by P2.199 million and (P2.749 million), respectively. A 10% weakening of the Philippine peso against the above currencies as at December 31, 2021 and 2020 would have had the equal but opposite effect, on the basis that all other variables remain constant.

Interest Rate Risk

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 Group's exposures to interest rate risk relates primarily to the Group's loans and borrowings. The Group's exposure to changes in interest rates relates mainly to the long-term loan drawn from a local bank in 2021 with a floating interest rate based on the prevailing market rate at each repricing date. The Group's short-terms loans have fixed interest rates over the term of the loan.

The sensitivity to a reasonably possible 10% increase in the interest rates, with all other variables held constant, would have decreased the Company's profit before tax and equity by P0.270 million and P0.202 million, respectively in 2021. A 10% decrease in the interest rate would have had the equal but opposite effect.

Share Price Changes of Investments in Equity Instruments

The Group has investments in equity instruments traded in the Philippine Stock Exchange and are exposed to share price changes. Share price changes of investments in equity instruments arises from future commercial transactions and recognized assets and liabilities.

The following table demonstrates the sensitivity to a reasonably possible change in the fair value of investments in equity instruments, with all other variables held constant:

	Effect on Equity			
	2021		2020	
	6% Increase	**6% Decrease**	4% Increase	4% Decrease
Investment in equity instruments	**P5,933**	**(P5,933)**	P4,676	(P4,676)

Fair Value Estimation of Financial Assets and Liabilities

Cash in Banks and Receivables. The carrying amounts of cash in banks and receivables approximate fair values due to the relatively short-term maturities of these financial instruments.

Investments in Equity Instruments. The fair value of quoted investments in equity instruments is determined by reference to their quoted bid prices at the reporting date (Level 1). The fair values of golf shares and country club memberships are based on cost since there is no realizable basis for fair value. The Group's investment in equity instruments financial assets which is measured at fair value at December 31, 2021 and 2020 is classified under Level 1.

The Group does not have financial assets classified under Level 2 and 3.

Refundable Security Deposits. The carrying amount of refundable security deposits approximate the fair value, since the Group does not anticipate the carrying amount to be significantly different from the actual value that these deposits would be eventually collected.

Trade Payables and Other Current Liabilities, Amounts Owed to Related Parties and Current Portion of Loans and Borrowings. The carrying amounts of trade payables and other current liabilities, amounts owed to related parties and current portion of borrowings approximate fair value due to the relatively short-term maturities of these financial instruments.

Borrowings, Net of Current Portion. Borrowings, net of current portion are reported at their present values, which approximate the cash amounts that would fully satisfy the obligations as of reporting date. The carrying amount of long-term loans payable with floating interest rate with monthly repricing approximates its fair value.

Capital Management

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

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total liabilities, while equity is total equity as shown in the consolidated statements of financial position. The Parent Company being a listed entity is covered by the PSE requirement of 10% minimum public ownership. The Parent Company is under suspended trading status in PSE since 2006 pursuant to the PSE's Implementing Guidelines for Companies under Corporate Rehabilitation when the Company notified the PSE in a disclosure that the stockholders have approved entering into rehabilitation proceedings (Note 1).

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capitalization requirements.

25. Other Matters

Effect of Corona Virus Disease 2019 (COVID-19)

Since the beginning of 2020, the Philippines, along with many other countries in the world, has been experiencing a pandemic in the cases of COVID-19. This pandemic has impacted working arrangements, specific industries and overall business climate in the country due to the efforts taken by the government to minimize and mitigate the local transmission of COVID-19 amongst its citizens.

The Group, whose activity is limited to rental of properties, has not been significantly affected by the aforesaid declaration. The Group however, granted SMPC, its lessee, a four-month rent-free period in 2020, consequently decreasing rent income by P20.00 million.

Currently, the Group does not foresee that this prevailing norm brought about by COVID-19 will have any going concern issue which will affect the Group's ability to continue its operations. Management will continue to assess the impact of COVID-19 in 2022.

Provisions and Contingencies

In the normal course of business, SMPC is involved in regulatory matters that arose from tax assessments with details as follows:

a. In 2021, SMPC received the Closing Agreement for Letter of Authority (LOA) for income and other internal revenue taxes for the taxable period January 1 to December 31, 2019. The total assessment amounting to P705.521 million was settled by SMPC in 2021.

b. In December 2021, SMPC received LOA for income and other internal revenue taxes for the taxable period January 1 to December 31, 2020. The total assessment amounting to P705.521 million was settled by SMPC in 2021.

R.G. Manabat & Co.
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REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Steniel Manufacturing Corporation
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Steniel Manufacturing Corporation and Subsidiaries (the "Group") as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report dated December 9, 2022.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

KPMG

This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

R.G. MANABAT & CO.

JOHN MOLINA
Partner
CPA License No. 0092632
SEC Accreditation No. 92632-SEC, Group A, valid for five (5) years
covering the audit of 2020 to 2024 financial statements
Tax Identification No. 109-916-107
BIR Accreditation No. 08-001987-023-2022
Issued June 2, 2022; valid until June 2, 2025
PTR No. MKT 8854074
Issued January 3, 2022 at Makati City

December 9, 2022
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Steniel Manufacturing Corporation
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Steniel Manufacturing Corporation and Subsidiaries (the "Group"), as at December 31, 2021 and 2020 and for each of three years in the period ended December 31, 2021, and have rendered our report dated December 9, 2022.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-J
- Reconciliation of Retained Earnings Available for Dividend Declaration

Firm Regulatory Registration & Accreditation
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

KPMG

The supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and are not required part of the basic consolidated financial statements. Such supplementary information have been subjected to auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

JOHN MOLINA
Partner
CPA License No. 0092632
SEC Accreditation No. 92632-SEC, Group A, valid for five (5) years
covering the audit of 2020 to 2024 financial statements
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December 9, 2022
Makati City, Metro Manila

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS AT DECEMBER 31, 2021

STENIEL MANUFACTURING CORPORATION
Gateway Business Park, Brgy. Javalera,
General Trias, Cavite, Philippines

Unappropriated Retained Earnings (Deficit), as adjusted to available for dividend distribution, beginning*	**(P1,601,918)**
Net income actually earned during the period	
Net loss during the period closed to Retained Earnings (Deficit)	**(2,315)**
Unappropriated Retained Earnings (Deficit) available for dividend declaration, ending**	**(P1,604,233)**

*According to Section 5 of SEC Memorandum Circular No. 11 (Series of 2008), a corporation cannot declare dividends when it has zero or negative Retained Earnings (otherwise known as Deficit).
**Pursuant to the Restated and Amended Omnibus Agreement signed by the Company (as borrower) and lenders/creditor in October 2010, the Company is prohibited from declaring dividends to its owners until full payment of all amounts payable, unless consented in writing by the lenders/creditors.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2021 AND 2020

SCHEDULE		
A	- FINANCIAL ASSETS	
B	- AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)	NOT APPLICABLE
C	- AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS	
D	- LONG-TERM DEBT	
E	- INDEBTEDNESS TO RELATED PARTIES (LONG- TERM LOANS FROM RELATED COMPANIES)	
F	- GUARANTEES OF SECURITIES OF OTHER ISSUERS	NOT APPLICABLE
G	- CAPITAL STOCK	

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2021

Name of Issuing Entity	Number of Shares	Amount Shown in the December 31, 2021 Consolidated Statement of Financial Position	Income Received and Accrued
Aboitiz Power Corporation	45,000	P1,336,500	P38,250
Alliance Global Inc.	60,000	708,000	-
Belle Corporation	250,000	337,500	-
China Banking Corporation	50,000	1,300,000	50,000
DDMP REIT, Inc.	900,000	1,611,000	70,721
DMCI Holdings, Inc.	2,848,500	21,961,935	2,303,280
East West Banking Corp.	10,000	96,000	-
Manila Electric Co.	26,216	7,738,963	337,688
Manila Water Company, Inc.	1,122,000	27,769,500	16,992
Metro Pacific Investments Corp.	7,508,900	29,285,570	788,148
Phinma Corporation	428,730	8,638,910	218,080
PLDT Inc.	1,100	1,993,200	70,200
Premium Leisure Corp.	1,180,000	507,400	48,085
Rizal Commercial Banking Corp.	13,800	276,000	6,693
Rockwell Land Corp.	45,700	67,636	1,613
Semirara Mining & Power Corporation	9,000	192,150	1,737,000
Synergy Grid & Dev. Phil. Inc.	83,000	1,095,600	-
Union Bank of The Phils.	8,000	796,000	28,000
	14,589,946	P105,711,864	P5,714,750

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2021

December 31, 2021

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending Balance
	NOT APPLICABLE					P -	
						P -	

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Amounts in thousands)

December 31, 2021

Name and Designation of Debtor	Beginning Balance	Additions	Assignment/ Condonation	Written Off	Current	Not Current	Ending Balance
Trade receivables SCPC	P80,243	P14,830	P -	P -	P95,073	P -	P106,117
Amounts owed by related party SCPC	95,073	-	-	-	95,073	-	95,073
Advances to subsidiaries, at gross SCPC	-	-	-	-	-	-	-
	P175,316	**P14,830**	**P -**	**P -**	**P95,073**	**P -**	**P175,316**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2021
(Amounts in thousands)

December 31, 2021

Title of issue and type of obligation	Amount Authorized by Indenture	Amount shown under caption "Current portion of Long-Term Debt" in related statement of financial position	Amount shown under caption "Current portion of Long-Term Debt" in related statement of financial position
Loans payable			
Omnibus Loan and Security Agreement (OLSA)	P130,401	P -	P130,401
	P130,401	**P -**	**P130,401**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE E- INDEBTEDNESS TO RELATED PARTIES
(LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2021
(Amounts in thousands)

December 31, 2021

Name of related party	Balance at the beginning period	Balance at the end of the period
Shareholders	P190,000	P190,000
	P190,000	**P190,000**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE F- GUARANTIES OF SECURITIES OF OTHER ISSUER
DECEMBER 31, 2021
(Amounts in thousands)

December 31, 2021

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issues of each class of securities guaranteed	Total amount of Guaranteed and Outstanding	Amount owed by Person for which statement is filed	Nature of Guarantee
	NOT APPLICABLE			

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2021

December 31, 2021

Title of Issue	Number of Shares Authorized	Number of Shares Issued, subscribed and outstanding	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by: Related Parties	Number of Shares Held by: Directors, Officers and Employees	Number of Shares Held by: Others
Common shares	2,000,000,000	1,418,812,081		579,827,414	7	838,984,660

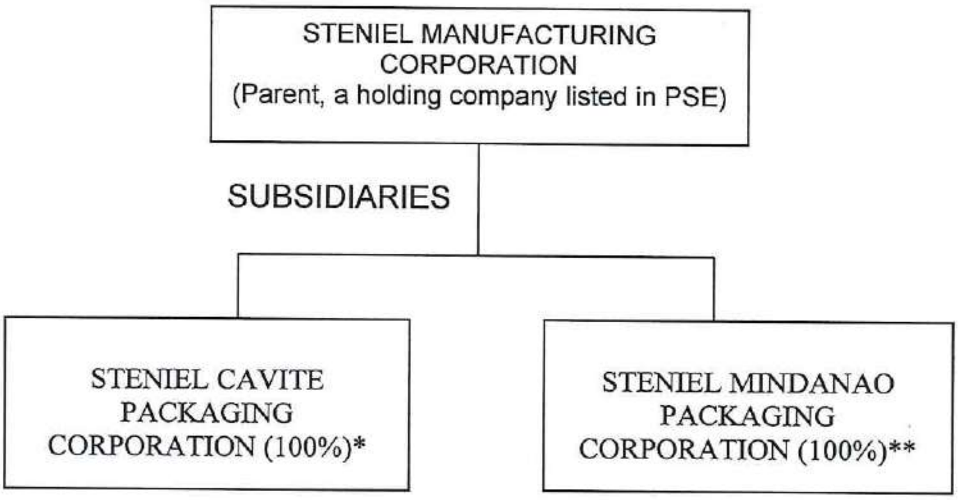
STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratio	Formula	As of December 31, 2021	As of December 31, 2020
Liquidity: Current Ratio	Current Assets / Current Liabilities	**1.19**	1.12
Solvency: Debt to Equity Ratio	Total Liabilities (Current + Noncurrent) / Equity	**1.85**	1.73
Asset to Equity Ratio	Total Assets (Current + Noncurrent) / Equity	**2.85**	2.73
Profitability: Return on Average Equity Attributable to Equity Holders of the Parent Company	Net Income Attributable to Equity Holders of the Parent Company / Average Equity Attributable to Equity Holders of the Parent Company	**3%**	92%
		For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Operating Efficiency: Operating Margin	Income from Operating Activities / Net Sales	**2%**	86%
Return on Equity	Net Income / Equity	**2%**	44%
Return on Assets	Net Income / Total Assets	**1%**	16%

STENIEL MANUFACTURING CORPORATION
AND SUBSIDIARIES

MAP OF CONGLOMERATE



* *Treasure Packaging Corporation is a wholly-owned subsidiary of Steniel Manufacturing Corporation (STN) which was merged with Steniel Cavite Packaging Corporation effective May 30, 2018.*
** *Steniel Mindanao Packaging Corporation was acquired by STN on December 29, 2020.*

ANNEX B

2021 Separate Audited Financial Statements of Steniel Manufacturing Corporation

STENIEL MANUFACTURING CORPORATION

SEPARATE FINANCIAL STATEMENTS
December 31, 2021 and 2020

With Independent Auditors' Report

KPMG

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Steniel Manufacturing Corporation
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Steniel Manufacturing Corporation (the "Company"), which comprise the separate statements of financial position as at December 31, 2021 and 2020, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2021 and 2020, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standard (PFRS).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 19 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is John Molina.

R.G. MANABAT & CO.

JOHN MOLINA
Partner
CPA License No. 0092632
SEC Accreditation No. 92632-SEC, Group A, valid for five (5) years
covering the audit of 2020 to 2024 financial statements
Tax Identification No. 109-916-107
BIR Accreditation No. 08-001987-023-2022
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PTR No. MKT 8854074
Issued January 3, 2022 at Makati City

December 9, 2022
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
RECEIVED
RDO
ERNESTO S. MARIANO JR.
Revenue Collection Officer
COLLECTION SECTION

KPMG

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SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Board of Directors and Stockholders
Steniel Manufacturing Corporation
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

We have audited the accompanying separate financial statements of Steniel Manufacturing Corporation (the "Company"), as at and for the year ended December 31, 2021, on which we have rendered our report dated December 9, 2022.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said Company has three thousand five seventy-three (3,573) stockholders owning one hundred (100) shares or more each.

R.G. MANABAT & CO.

JOHN MOLINA
Partner
CPA License No. 0092632
SEC Accreditation No. 92632-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements
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BUREAU OF INTERNAL REVENUE
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RDO
ERNESTO S. MARIANO JR.
Revenue Collection Officer
COLLECTION SECTION

December 9, 2022
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
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BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

Steniel Manufacturing Corporation
Gateway Business Park, Brgy. Javalera, General Trias, Cavite

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Steniel Manufacturing Corporation and Subsidiaries** (the"**Company**") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein,for the years ended **December 31, 2021 and 2020,** in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The BOD reviews and approves the financial statements including the attached schedules therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Companyin accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

NIXON Y. LIM
Chairman of the Board/President/CEO

ELIZA C. MACURAY
Chief Finance Officer

BUREAU OF INTERNAL REVENUE
RECEIVED
RDO
ERNESTO S. MARIANO JR.
Revenue Collection Officer
COLLECTION SECTION

STENIEL MANUFACTURING CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	Note	December 31 2021	2020
ASSETS			
Current Assets			
Cash in banks	*5, 18*	**P18,166**	P3,106
Receivables	*6, 14, 18*	**122**	122
Prepaid expenses and other current assets - net	*7*	**47,199**	47,063
Total Current Assets		**65,487**	50,291
Noncurrent Assets			
Investment in subsidiaries	*8*	**457,820**	457,820
Property and equipment - net	*9*	**2,843**	4,771
Investments in equity instruments	*10, 18*	**13,385**	18,375
Total Noncurrent Assets		**474,048**	480,966
		P539,535	P531,257
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities	*11, 18*	**P8,478**	P8,648
Due to related parties	*14,18*	**121,441**	113,148
Borrowings	*1, 12, 14, 18*	**190,000**	190,000
Total Liabilities		**319,919**	311,796
Equity			
Capital stock	*13*	**1,418,812**	1,418,812
Additional paid-in capital	*13*	**408,423**	408,423
Net unrealized loss on investments in equity instruments		**(2,382)**	(5,856)
Deficit	*1*	**(1,605,237)**	(1,601,918)
Total Equity		**219,616**	219,461
		P539,535	P531,257

See Notes to the Separate Financial Statements.

BUREAU OF INTERNAL REVENUE
RECEIVED
RDO 049
ERNESTO S. MARIANO JR.
Revenue Collection Officer
COLLECTION SECTION

STENIEL MANUFACTURING CORPORATION
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, except Basic and Diluted Earnings/Loss Per Share)

	Note	Years Ended December 31 2021	2020
OPERATING EXPENSES	*15*	**(P3,487)**	(P2,118)
OTHER INCOME - Net	*16*	**1,172**	191,608
NET INCOME (LOSS)		**(2,315)**	189,490
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss			
Net gain (loss) on financial assets at fair value through other comprehensive income	*10*	**2,469**	(1,506)
TOTAL COMPREHENSIVE INCOME		**P154**	P187,984
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	*13*	**(P0.00163)**	P0.18906

See Notes to the Separate Financial Statements.

STENIEL MANUFACTURING CORPORATION
SEPARATE STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

					Years Ended December 31
	Capital Stock (Note 13)	Additional Paid-in Capital (Note 13)	Net Unrealized Gain (Loss) on Investment in Equity Instruments (Note 10)	Deficit (Notes 1)	Total Equity (Capital Deficiency)
December 31, 2019	P1,000,000	P414,632	(P4,350)	(P1,791,408)	(P381,126)
Issuance of shares	418,812	(6,209)	-	-	412,603
Changes in fair value of equity instruments designated at FVOCI	-	-	(1,506)	-	(1,506)
Net income during the year	-	-	-	189,490	189,490
Total comprehensive income (loss) during the year	-	-	(1,506)	189,490	187,984
December 31, 2020	1,418,812	408,423	(5,856)	(1,601,918)	219,461
Changes in fair value of equity instruments designated at FVOCI	-	-	2,469	-	2,469
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	1,005	(1,005)	-
Net loss during the year	-	-	-	(2,315)	(2,315)
Total comprehensive income (loss) during the year	-	-	3,474	(3,320)	154
December 31, 2021	**P1,418,812**	**P408,423**	**(P2,382)**	**(P1,605,238)**	**P219,615**

See Notes to the Separate Financial Statements.

STENIEL MANUFACTURING CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Note	Years Ended December 31 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**(P2,315)**	P189,490
Adjustments for:			
Depreciation	*9, 15*	**1,928**	963
Dividend income	*16*	**(1,214)**	(825)
Interest income	*5, 16*	**(3)**	(4)
Reversal of impairment of prepaid taxes	*7, 16*	**-**	(2,209)
Reversal of impairment of investment in subsidiaries	*8, 16*	**-**	(188,570)
Operating loss before working capital changes		**(1,604)**	(1,155)
Increase in prepaid expenses and other current assets		**(135)**	(89)
Increase (decrease) in:			
Trade payable and other current liabilities		**(170)**	142
Due to related parties		**8,293**	1,500
Net cash generated from operations		**6,384**	398
Dividends received	*16*	**1,214**	825
Interest received		**3**	4
Net cash provided by operating activities		**7,601**	1,227
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investment in equity instruments		**7,459**	267
Additions to investment in equity instruments	*10*	**-**	(47)
Net cash provided by investing activities		**7,459**	220
NET INCREASE IN CASH IN BANKS		**15,060**	1,447
CASH IN BANKS AT BEGINNING OF YEAR		**3,106**	1,659
CASH IN BANKS AT END OF YEAR		**P18,166**	P3,106

See Notes to the Separate Financial Statements.

STENIEL MANUFACTURING CORPORATION
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
(Amounts in Thousands, Unless Otherwise Indicated)

1. Reporting Entity

Steniel Manufacturing Corporation (STN or the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 13, 1963 primarily to engage in the manufacturing, processing, and selling of all kinds of paper products, paper board and corrugated carton containers, and all other allied products and processes. The Company's shares of stocks are listed for trading at the Philippine Stock Exchange Inc. (PSE).

On September 11, 2013, the SEC approved the Amended Articles of Incorporation (AOI) of the Company, extending the corporate life for another 50 years from September 13, 2013. Pursuant to the Revised Corporation Code of the Philippines, which took effect in February 2019, the Company shall have a perpetual existence because the Company did not elect to retain its specific corporate term under its AOI.

Following a decision made by the Board of Directors (BOD) in 1996 to reorganize the Company and its subsidiaries, the Company ceased manufacturing operations in June 1997 due to continuing business losses. As a result, reorganization of the Company was carried out and completed with the Company's principal activity now limited to holding of investments.

Consequent to the restructuring of the loan in 2010, remaining unissued capital stock of the Company totaling 123,818,000 shares were issued to Roxburgh Investment Limited (Roxburgh) to reduce the Company's outstanding debts (Notes 12 and 13). The issuance of shares resulted to recognition of additional paid-in capital. As a result, Roxburgh owns 12.3818% of the Company, while the ownership of SNHBV as well as the public have been reduced to 72.0849% and 15.5333%, respectively.

On January 18, 2012, the shareholders of SNHBV entered into a Share Purchase Agreement with Right Total Investments Limited (Right Total, a limited liability company incorporated in the British Virgin Islands as an investment company), to purchase up to 100% of the issued and outstanding shares of SNHBV. With the sale of shares of SNHBV, Right Total is now the owner of the 72.0849% shares of SNHBV consequently making Right Total as the ultimate parent company.

On January 25, 2012, the Company received a tender offer report from SNHBV to purchase the 279,151,088 shares of minority investing public or 27.92% of the total issued shares at a price of P0.0012 per share or an aggregate price of P334.9 million. On February 25, 2012, only a total of 2,115,692 common shares were tendered in the Tender Offer and accepted by SNHBV, constituting 0.0021% of the total outstanding capital stock of the Company. On March 8, 2012, payment for the Tendered Shares was delivered to the relevant broker participants on behalf of interested parties and there was a transfer to SNHBV of only 0.76% of the minority shares. Such accepted tender offer did not significantly change the percentage ownership of the minority investing public.

On October 7, 2020, Greenkraft Corporation (Greenkraft), Golden Bales Corporation (Goldenbales), Corbox Corporation (Corbox), Rex Chua and Clement Chua, as purchasers (collectively, the Buyers) entered into a Share Purchase Agreement with SNHBV as seller to acquire 649,908,308 common shares of the Company, for a consideration of P64.99 million or P0.10 per share, broken down as follows:

Buyer	Number of Shares	Percentage of Ownership
Greenkraft Corporation	216,679,430	21.67%
Corbox Corporation	194,972,492	19.50%
Goldenbales Corporation	194,972,492	19.50%
Clement Chua	21,641,947	2.16%
Rex Chua	21,641,947	2.16%
	649,908,308	64.99%

The tender offer commenced on October 12, 2020 and ended on November 10, 2020 (Tender Offer Period). A total of 11,780,533 common shares of Steniel were tendered during the Tender Offer Period, which comprise approximately 1.18% of the total issued and outstanding shares of the Corporation. SNHBV owns 5% ownership with the Company after registration of the sale and tender offer. As at December 31, 2021 and 2020, STN is the ultimate parent company following the completion of the Tender Offer.

The Company's registered address and principal office is located at Gateway Business Park, Brgy. Javalera, General Trias, Cavite, Philippines.

Debt Restructuring

Due to the working capital drain experienced by the Company as a result of prior debt service payments and the difficult business and economic conditions during the period, the Company found it difficult to sustain further payments of debt while at the same time ensuring continued operations. The Company failed to settle its outstanding short-term and long-term loans which were supposed to mature at various dates in 2004, 2005 and 2006 and was declared by the lending banks in default on May 25, 2006. Subsequently until 2009, the lending banks assigned and sold their respective outstanding loan balances to various third parties. On October 14, 2010, one of the new lenders, Greenkraft Corporation (Greenkraft) further assigned some of its loan receivables to Roxburgh.

After the assignment and sale of loans from the lending banks to third parties, discussions were made with new creditors/lenders to restructure the outstanding loans covered by the Omnibus Agreement which the Company has defaulted in 2006. On October 15, 2010, the Company and the current creditors/lenders signed the Amended and Restated Omnibus Agreement (Amended Agreement). The restructuring of the loan finally resolved the default situation. The essential elements of the Amended Agreement are summarized below:

- The outstanding principal and accrued interest expense as at September 30, 2010 was restructured for 25 years.
- Conditional waiver of penalty and other charges upon the faithful performance by the Company of the terms of restructuring.

- The outstanding principal and accrued interest expense as of September 30, 2010 shall be reduced via dacion en pago or sale of the following properties: (a) all of the outstanding common and preferred shares of stock in the Company's land-holding entity, Steniel Land Corporation (SLC), (b) identified idle assets of STN and its subsidiaries, and (c) by way of conversion into equity through the issuance of the Company's unissued capital stock.

- The outstanding principal amount after the dacion en pago or sale of properties shall be paid in 92 consecutive quarterly installments starting in January 2013.

- The outstanding portion of the accrued interest after equity conversion shall be paid in 40 consecutive quarterly installments starting after year 15 from the date restructuring.

- Restructured outstanding principal will be subject to interest of 6% per annum for 15 years and 8% per annum on the 16th year onwards.

- The restructured accrued interest expense prior to loan restructuring will be subject to interest 8% per annum.

- The restructured loan shall be secured by the assets/collateral pool under the Collateral Trust Agreement.

- All taxes and fees, including documentary stamp taxes and registration fees, shall be for the account of the Company.

- All other costs and expenses of restructuring including documentation costs, legal fees and out-of-pocket expenses shall be of the account of Company; and

- Other conditions include:

  a. Lenders representative to be elected as director in STN and in each of its subsidiaries.

  b. A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.

  c. No dividend declaration or payments until the restructured obligations are fully paid.

  d. No new borrowing, unless with consent of the lenders.

  e. No repayment or prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.

  f. Creditor's consent for change in material ownership in the Company and mortgagors.

  g. Standard covenants, representations and warranties.

Dacion en Pago and Equity Conversion

The dacion en pago relating to the Company's idle machineries and spare parts and the equity conversion through the issuance of the Company's capital stock have been completed as at December 31, 2010. The dacion en pago transaction reduced the outstanding loan principal amount by P122 million while the equity conversion reduced outstanding accrued interest by P248 million.

The dacion en pago relating to the Company's shares in SLC and a subsidiary's land and land improvements and building and building improvements has a total value of P290.00 million. In 2012, certain certificates authorizing registration were issued and reduced the total value from P290.00 million to P289.88 million. The remaining assignment of shares is still for finalization with buyers to meet the regulatory requirements on transfer of assets as at reporting date and this is expected to be completed in 2022 after the issuance of Certificate Authorizing Registration (CAR) by the BIR. The change in ownership and management in early 2012 and the issuance of CAR generally caused the delay in the implementation of the dacion en pago.

In July 2019, the BOD and Stockholders of the Company approved the conversion of loans into common shares of the Company. Consequently, principal payments on long-term debt was suspended beginning July 2019. On December 29, 2020, the Company issued shares to the lenders effecting the debt to equity conversion following the SEC approval of the Company's increase in authorized capital stock on the same day (Notes 12 and 13). The outstanding balance of the borrowings were reduced by P149.56 million as a result of the debt-to-equity conversion.

Restructuring of Subsidiaries

In 2011, following the provisions in the Amended Agreement, the Company filed a merger application with the SEC to absorb Treasure Packaging Corporation (TPC). On August 12, 2013, following management's assessment, the Board of STN and TPC approved the withdrawal of the merger application filed with SEC as the same no longer appears feasible. Management has been instructed to explore other options, (i.e., merger of or with other subsidiaries).

In addition, Steniel Cavite Packaging Corporation (SCPC), a subsidiary, submitted a merger application with SEC in October 2011 to absorb three (3) dormant subsidiaries: (a) Metroplas Packaging Products Corporation (MPPC), (b) Metro Paper and Packaging Products, Inc. (MPPPI) and (c) Steniel Carton System Corporation (SCSC) using June 30, 2011 financial statements. On March 2, 2012, the SEC approved the certificate of filing of the articles and plan of merger, which documents were received by SCPC on July 31, 2012. All financial information presented for the periods prior to the merger has been restated to reflect the combined financial statements of the absorbed corporation as though the merger had occurred at the beginning of 2010.

The Company also had a 39.71% direct and indirect (through SCPC & TPC) interest in SLC. In 2010, all of the ownership interest of TPC and STN were assigned to Greenkraft (Note 8), and the remaining interest of SCPC in SLC is 29.21%.

As at December 31, 2021 and 2020, Greenkraft holds 70.77% interest in SLC, while the remaining interest of SCPC is 29.21%.

Interest Payments

On December 2, 2011, the current creditors/lenders agreed to waive the payment of interest for the first two (2) years of the loan commencing on the restructuring date, to correspond to the principal repayment as stated in the Amended Agreement. Hence, interest payments shall be made in accordance with the Amended Agreement but shall commence on the 27th month after the restructuring date, inclusive of a two (2) year grace period. In relation to this, on March 1, 2012, the accrued interest which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was also condoned by its major creditors effective December 31, 2011.

In 2013, due to continuous working capital drain experienced by the Company as a result of difficult economic and business conditions, the Company requested reconsideration to defer the implementation of the loan agreement from the creditors which was acted favorably. The Company was granted another two (2) years extension of principal repayment, reduction of interest rate from 6% to 2% for the first five (5) years and further waive interest charges annually until January 1, 2019. Consequent to the BOD approval of the conversion of debt to common shares of the Company in 2019, principal and interest payments on long-term debt was suspended beginning July 2019.

Status of Operations

The Company has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P1,605.24 million and P1,601.92 million as at December 31, 2021 and 2020, respectively. These conditions, among others, indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

To address such going concern matter, the management has taken the following measures:

On July 17, 2019, the BOD and Stockholders of the Company approved the acquisition of shares of SMPC through a share swap transaction and the conversion of loans from Greenkraft Corporation and Roxburgh Investments Limited into common shares in the Company. To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the Articles of Incorporation to increase the authorized capital stock from P1 billion, divided into one billion common shares to P2 billion, divided into two billion common shares with par value of P1 per share (Notes 12 and 13).

On December 29, 2020, upon the SEC's approval of the Company's increase in authorized capital stock, the Company issued shares to the lenders effecting the debt to equity conversion thereby reducing the outstanding balance of the borrowings by P149.56 million. Further, the Company also issued shares to the shareholders of SMPC effecting the share swap transaction. The realization of these transactions resolved the capital deficiency position of the Company as at December 31, 2020.

Based on the foregoing, the separate financial statements have been prepared on a going concern basis, which assumes that the Company will continue in existence.

2. Basis of Preparation

Statement of Compliance

The separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS, are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

The separate financial statements as at and for the year ended December 31, 2021 and 2020 were approved and authorized for issuance by the BOD on November 29, 2022.

Basis of Measurement
The separate financial statements of the Company have been prepared on a historical cost basis of accounting except for investment in equity securities which are carried at fair value.

Functional and Presentation Currency
The separate financial statements are presented in Philippine peso, which is also the Company's functional currency. All financial information expressed in Philippine peso is rounded off to the nearest thousand peso, except when otherwise indicated.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the separate financial statements.

Amended Standards Issued but Not Yet Adopted
A number of amended standards and framework are effective for annual periods beginning after January 1, 2021 and have not been applied in preparing the separate financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the separate financial statements.

The Company will adopt the following amended standards and framework on the respective effective dates:

Effective January 1, 2022

- *Property, Plant and Equipment - Proceeds before Intended Use* (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories.*

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the separate statements of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the separate statements of comprehensive income.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the separate financial statements in which the company first applies the amendments.

- *Annual Improvements to PFRS Standards 2018 - 2020*. This Cycle of improvements contains amendments to four standards, of which the following are applicable to the Company:

  - *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* (Amendment to PFRS 9, *Financial Instruments)*. This amendment clarifies that for the purpose of performing the '10 per cent test' for derecognition of financial liabilities, in determining those fees paid net of fees received included in the discounted cash flows, include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application permitted.

- *Reference to the Conceptual Framework* (Amendment to PFRS 3, *Business Combination*). The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

  - added a requirement that, for transactions and other events within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022, with earlier adoption permitted.

Effective January 1, 2023

- *Classification of Liabilities as Current or Noncurrent* (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

In November 2021, the International Accounting Standards Board issued the *Exposure Draft, Noncurrent Liabilities with Covenants* after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend PAS 1 as follows:

- conditions which the entity must comply within 12 months after the reporting period will have no effect on the classification as current or noncurrent;

- additional disclosure requirements will apply to noncurrent liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within 12 months; and

- separate presentation in the statement of financial position will be required for noncurrent liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

The effective date of the amendments will be deferred to no earlier than January 1, 2024.

- *Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective from January 1, 2023. Earlier application is permitted.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, Income Taxes).* The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the separate statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Instruments

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

The Company recognizes a financial asset or a financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a receivable without significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at fair value through profit or loss (FVPL), includes transaction costs. A receivable without a significant financing component is initially measured at the transaction price.

Financial Assets
The Company classifies its financial assets, at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Company for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Company changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Company manages the 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. The Company considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Company considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "Principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Company considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Company's cash in banks and receivables are included under this category.

Cash in banks are stated at face value.

Financial Assets at FVOCI. Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt instruments are recognized in profit or loss. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the separate statements of changes in equity are transferred to and recognized in profit or loss.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in profit or loss when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the separate statements of changes in equity are never reclassified to profit or loss.

The Company's investments in equity instruments are classified under this category.

<u>Financial Liabilities</u>
The Company classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

As at December 31, 2021 and 2020, the Company has no financial liabilities at FVPL.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense" account in the separate statements of comprehensive income. Gains and losses are recognized in the separate statements of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the separate statements of comprehensive income.

The Company's trade payables and other current liabilities, due to related parties and borrowings are included under this category.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company is required to repay.

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

Impairment of Financial Assets

The Company recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Company recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company recognizes lifetime ECLs for receivables that do not contain significant financing component. The Company uses provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Company assesses whether these financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of financial asset by the Company on terms that the Company would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

The Company considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Company directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the separate statements of comprehensive income. The ECLs on investments in debt instruments at FVOCI are recognized as accumulated impairment losses, with the resulting impairment losses (or reversals) recognized in the separate statements of comprehensive income.

<u>Classification of Financial Instruments between Liability and Equity</u>
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

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

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

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

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting Financial Instruments ·
Financial assets and financial liabilities are offset and the net amount is reported in the separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Prepaid Expenses and Other Current Assets
This account comprises prepayments and prepaid items such as prepaid taxes and input taxes. Prepayments are expenses paid in advance and recorded as assets before they are utilized. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets; otherwise these are classified as other noncurrent asset.

Prepaid tax to the amount withheld by suppliers which can be applied against income tax due. It is carried at face value less allowance for unrecoverable tax credits. The Company maintains an allowance for the amount which can no longer be claimed or applied against income tax due.

Property and Equipment
Property and equipment are recorded at cost less accumulated depreciation, and impairment losses, if any. The initial cost of property and equipment consists of its purchase, including import duties taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to profit or loss during the period in which these are incurred.

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

Depreciation, which commences when the assets are available for their intended use, is calculated using the straight-line method over its estimated useful life as follows:

	Number of Years
Machinery and equipment	3 - 10
Computer equipment	3 - 5

The asset's residual values, estimated useful lives and depreciation method are reviewed periodically, and adjusted if appropriate, at each reporting date to ensure that method and period of depreciation and are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

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

An item of property, and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the separate statements of comprehensive income in the period of retirement and disposal.

Investments in Subsidiaries

The Company's investments in shares of stock of subsidiaries are accounted for under the cost method as provided for under PAS 27, *Consolidated and Separate Financial Statements*. The investments are carried in the separate statements of financial position at cost less any impairment in value. The Company recognizes dividend from a subsidiary in the separate statements of comprehensive income when its right to receive the dividend is established.

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Impairment of Nonfinancial Assets

The carrying amounts of prepaid expenses and other current assets, property and equipment and investment in subsidiaries, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts.

The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Fair Value Measurements
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

The fair value of an asset or 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.

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

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

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purposes of fair value disclosures, the Company 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.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits
Republic Act (RA) 7641 "Philippine Retirement Law" requires the Company to pay a minimum retirement benefits to employees who retire after reaching the mandatory age of 65 years old or optional retirement age of 60 years old with at least five (5) years of service to the Company.

Management determined that the present value of the obligation arising from RA 7641 is not material to the separate financial statements.

Capital Stock
Capital stock consists of common shares and is classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital
Additional paid-in capital represents the excess of consideration received over the par value of capital stock.

Retained Earnings (Deficit)
Retained earnings (deficit) represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments

Revenue Recognition
The Company recognizes revenue from contract with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for these goods or services, excluding amounts collected on behalf of third parties.

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

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

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

Other Income
Other income is recognized when earned.

Cost and Expenses
Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expense are recognized when incurred.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

Income Taxes
Income tax expense for the year is composed of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income. The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 reporting date.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade payables and other current liabilities accounts" in the separate statements of financial position.

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

Provisions
Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

Events After the Reporting Date
Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are recognized in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the separate financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the separate financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

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

Classification of Financial Instruments. The Company exercises judgments in classifying financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the separate statements of financial position.

The Company uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 18.

Business Model. The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to the management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future salary activity.

Cash Flow Characteristics - Payments of Principal and Interest. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basis lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet these conditions. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

The Company determines that the business model for financial assets at amortized cost is held to collect contractual cash flows and meets the solely principal and interest criterion as at December 31, 2021 and 2020.

Measurement of Fair Values
A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

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

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

The fair values of the Company's financial instruments are disclosed in Note 18.

<u>Estimates and Assumptions</u>
The key estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the separate financial statements. Actual results could differ from such estimates.

Measurement of ECL on Financial Assets at Amortized Cost
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortized cost increase recorded operating expenses and decrease current assets.

The Company has assessed that the ECL on financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no allowance for impairment losses on financial assets at amortized cost was recognized in 2021 and 2020. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2021**	2020
Cash in banks	*5, 18*	**P18,166**	P3,106
Receivables	*6, 18*	**122**	122
		P18,288	P3,228

Estimation of Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment 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, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded costs and expenses and decrease noncurrent assets.

The carrying amount of the Company's property and equipment amounted to P2.84 million and P4.77 million as at December 31, 2021 and 2020, respectively (Note 9).

Impairment of Nonfinancial Assets
PFRS requires that an impairment review be performed on prepaid expenses and other current assets, property and equipment and investment in subsidiaries when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the separate financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance. Based on the assessment of the Company, certain nonfinancial assets are to be provided with allowance for impairment.

Allowance for impairment losses on advances to suppliers amounted to P1.84 million as at December 31, 2021 and 2020 (Note 7).

Allowance for impairment on investment in subsidiaries amounted to P1,559.43 million as at December 31, 2021 and 2020, respectively (Note 8).

No impairment loss was recognized on property and equipment as at December 31, 2021 and 2020 (Note 9).

Estimation of Realizability of Deferred Tax Assets
The Company reviews its deferred tax assets at each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carry forward benefits of NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets have not been recognized as at December 31, 2021 and 2020 because management believes that it is not probable that future taxable profit will be available against which the deferred tax assets may be utilized (Note 17).

Provisions and Contingencies
The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Company has not recognized any provision in 2021 and 2020.

5. Cash in Banks

Cash in banks earn annual interest at the respective bank deposit rates.

Interest income from cash in banks amounted to P0.003 million and P0.004 million in 2021 and 2020, respectively (Note 16).

6. Receivables

This account consists of advances to employees amounting to P0.122 million as at December 31, 2021 and 2020 (Notes 14 and 18).

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2021	2020
Advances to suppliers	**P1,843**	P1,843
Allowance for impairment loss	**(1,843)**	(1,843)
	-	-
Prepaid taxes	**44,419**	44,419
Input value-added taxes	**2,780**	2,644
	P47,199	P47,063

The remaining balance of P44.42 million as at December 31, 2021 and 2020, respectively, are not considered impaired as this relates to excess tax payments which have no prescription period and the balances are being carried forward annually in the tax returns.

8. Investment in Subsidiaries

As at December 31, 2021 and 2020, this account consists of:

	2021		2020	
Entity	**% of Ownership**	**Amount**	% of Ownership	Amount
SMPC	100	P269,250	100	P269,250
SCPC	100	1,748,000	100	1,748,000
		2,017,250		2,017,250
Allowance for impairment		(1,559,430)		(1,559,430)
		P457,820		P457,820

SCPC and TPC

In 2006, the business operations of SCPC gradually slowed down. The temporary cessation of plant operations was approved by SCPC's BOD on March 27, 2007 in view of the continued losses incurred since its incorporation in addition to difficult economic and business conditions. Its operations are now limited to leasing its existing assets to a related party.

In 2008, TPC temporarily ceased its operations due to continuous losses incurred.

In 2016, the merger between SCPC and TPC (the former as the surviving entity) was approved by the BOD and Shareholders of the respective entities. The application for merger was filed with the SEC on April 10, 2017 and was approved on May 30, 2018.

As at December 31, 2019, the related investment cost for SCPC and TPC have been fully provided with allowance for impairment losses. In 2020, the Company has reversed allowance for impairment on investment in SCPC amounting to P188.57 million following management review of SCPC's financial position (Note 16).

SMPC

As at December 31, 2012, SMPC was a wholly-owned subsidiary of the Company. On December 27, 2013, the BOD of the Company approved the sale of its 99.99% ownership or 9,249,995 common shares in SMPC to various entities and individuals for a total consideration of P20.00 million. The sale resulted to a loss of P107.66 million which further increased the deficit.

On July 17, 2019, the BOD and Stockholders approved the acquisition of shares of SMPC through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for shares of the Company. On December 29, 2020, the Company issued 269,250,000 shares to the shareholders of SMPC effecting the share swap transaction following the SEC approval of the Company's increase in authorized capital stock on the same day (Note 13).

As at December 31, 2021 and 2020, SMPC is a wholly owned subsidiary of the Company.

9. Property and Equipment

The movements and balances of this account are as follows:

	Note	Machinery and Equipment
Cost		**P19,279**
Accumulated Depreciation		
January 1, 2020		13,545
Depreciation	*15*	963
December 31, 2020		14,508
Depreciation	*15*	1,928
December 31, 2021		**16,436**
Carrying Amount		
December 31, 2020		P4,771
December 31, 2021		**P2,843**

Certain fully depreciated property and equipment are still being used by the Company for administrative purposes.

10. Investments in Equity Instruments

This account consists of investments in shares of stock of golf and country club memberships and publicly-listed utility companies in which the Company does not intend to dispose in the short-term and were designated as financial assets at FVOCI in 2021 and 2020.

These investments were measured at fair value based on quoted prices as at December 31, 2021 and 2020 and are as follows:

	Note	**2021**	2020
Cost			
Balance at beginning of year		**P24,231**	P24,451
Purchases		**-**	47
Disposal		**(8,464)**	(267)
Balance at end of year		**15,767**	24,231
Changes in Fair Value			
Balance at beginning of year		**(5,856)**	(4,350)
Changes in fair value		**2,469**	(1,506)
Transfer of fair value reserve within equity instruments designated at fair value		**1,005**	-
Balance at end of year		**(2,382)**	(5,856)
	18	**P13,385**	P18,375

Dividend income recognized amounted to P1.214 million and P0.825 million in 2021 and 2020, respectively (Note 16).

11. Trade Payables and Other Current Liabilities

This account consists of:

	Note	2021	2020
Trade payables		**P1,557**	P1,557
Nontrade payables		**6,823**	6,764
Payable to government agencies		**98**	327
	18	**P8,478**	P8,648

Trade payables mainly pertain to liability that arose from the purchase of investments in equity instruments. Trade payables have a credit term which generally ranges from 15 to 30 days.

12. Borrowings

This account consists of:

	Note	2021	2020
Greenkraft Corporation	*1, 14, 18*	**P190,000**	P190,000

The above secured loans were originally obtained from lending banks under the Omnibus Agreement's revolving working capital facility subject to annual interest rates prior to assignment of the loan to third party creditors/lenders in 2006. The said creditors/lenders are now considered related parties of the Company following the dacion en pago arrangements and re-assessment of related party relationships in 2010 (Notes 1 and 14).

The property and equipment of the Company and its subsidiaries and present and future receivables of its subsidiaries are used as collateral in accordance with the Amended Agreement. In 2012, the total fair value of assets pledged as security, which includes investment in an associate, land and land improvements and building and building improvements, declined from P290 million to P289.88 million (Note 1). TPC and SCPC's investment in shares of stock with SLC amounting to P0.64 million was assigned to Greenkraft as part of the dacion en pago arrangements resulting to a reduction of the borrowing balance. In 2014, the land and land improvements and building and building improvements of a subsidiary (SCPC) were transferred to the creditors/lenders.

Furthermore, the Amended Agreement provides for certain affirmative and negative covenants subject for compliance by the Company and its subsidiaries and payment terms as discussed in Note 1 which is due after completion of dacion en pago that is expected to be completed in 2022.

Upon approval of the Amended Agreement, the above creditors are aware of the Company's non-compliance with covenant due to the Company's financial condition and such will not be a ground to default from the Amended Agreement.

The other features of the Amended Agreement are disclosed in Note 1.

On July 17, 2019, the BOD and Stockholders approved the conversion of loans from Greenkraft and Roxburgh into common shares in the Company. The minority shareholders present or represented at the meeting unanimously voted to waive the requirement to conduct a right or public offering of the shares to be issued by virtue of debt-to-equity conversion (Note 13). Consequently, principal payments on long-term debt was suspended beginning July 2019.

On December 29, 2020, the Company issued 149,562,081 shares to Greenkraft and Roxburgh effecting the debt-to-equity conversion following the SEC approval of the Company's increase in authorized capital stock on the same day (Note 13).

Changes in liabilities arising from financing activities are as follows:

	Note	**2021**	2020
Balance at beginning of year		**P190,000**	P339,562
Conversion to equity	*13*	**-**	(149,562)
Balance at end of year		**P190,000**	P190,000

13. Equity

Capital Stock
This account consists of:

December 31, 2021

	No. of Common Shares	**Par Value Per Share**	**Amounts in Thousand**
Authorized	**2,000,000,000**	**1**	**P2,000,000**
Issued and Outstanding	**1,418,812,081**	**1**	**P1,418,812**

December 31, 2020

	No. of Common Shares	Par Value Per Share	Amounts in Thousand
Authorized	2,000,000,000	1	P2,000,000
Issued and Outstanding			
Balance at beginning of year	1,000,000,000	1	P1,000,000
Issuances during the year	418,812,081	1	418,812
Balance at end of year	1,418,812,081	1	P1,418,812

On July 17, 2019, the BOD and Stockholders approved the acquisition of shares of SMPC through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for shares of STN. On the same date, the BOD and Stockholders also approved the conversion of loans from Greenkraft and Roxburgh into common shares in STN (Notes 1, 8 and 12).

To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the AOI to increase the authorized capital stock from P1 billion, divided into one billion common shares to P2 billion, divided into two billion common shares with par value of P1 per share.

On December 29, 2020, the SEC approved the increase in authorized capital stock of the Company. On the same date, the Company issued 269,250,000 shares to the shareholders of SMPC in exchange for all of their shareholdings to the latter. The Company also issued 149,562,081 shares to its lenders effecting the debt to equity conversion (Notes 8 and 12).

Expenses incurred that are directly attributable to the issuance of shares, net of related tax benefit, amounted to P6.21 million. Such amount was deducted against additional paid-in capital in 2020.

<u>Additional Paid-in Capital</u>

The Company's loans were restructured in October 2010 and the 123,818,000 unissued shares amounting to P123.82 million were issued to a creditor to settle portion of the loan amounting to P247.63 million. The excess of the amount settled over the amount of issued shares (P123.81 million) was recognized as part of additional paid-in capital (Note 1).

<u>Earnings (Loss) Per Share</u>

The Company has no dilutive equity instruments. Basic earnings per common share in centavos for the years ended December 31 is calculated as follows:

	2021	2020
Net income (loss) for the year available to common shareholders	**(P2,315)**	P189,490
Divided by weighted average number of common shares, in thousand	**1,418,812**	1,002,295
Basic earnings (loss) per share	**(P0.00163)**	P0.18906

14. Related Party Transactions

In the normal course of business, the Company has transactions and balances with its related parties. All material related party transactions are subject to approval by the BOD. Material related party transactions pertain to those transactions, either individually or in aggregate over a 12-month period, that exceed 10% of the Company's total assets based on the latest audited financial statements. All other related party transactions that are considered not material are approved by management.

The balances and transactions with related parties as at and for the years ended December 31 follows:

Category	Year	*Note*	Amount of Transaction	Outstanding Balance: Receivables	Outstanding Balance: Borrowings	Outstanding Balance: Due to Related Parties	Terms	Conditions
Entities under Common Control								
▪ Reimbursements	2021	*6, 14b*	P -	P122	P -	P -	Receivable on demand; non-interest bearing	Unsecured; no impairment
	2020		-	122	-	-		
▪ Advances	2021	*14a*	8,293	-	-	121,441	Payable on demand; non-interest bearing	Unsecured
	2020		1,500	-	-	113,148		
▪ Borrowings c	2021	*1, 12*	-	-	190,000	-	Payable in 25 years in equal quarterly installments; interest-bearing at 2% p.a. on the first five years, 6% p.a. on the 6th until the 15th year, and 8% p.a. on the 16th year onwards until maturity	Secured by various current and noncurrent assets of the Company
	2020		-	-	190,000	-		
TOTAL	2021			P122	P190,000	P121,441		
TOTAL	2020			P122	P190,000	P113,148		

a. Due to related parties consist mainly of non-interest bearing advances for working capital requirements with no definite repayment dates.

b. Reimbursement of various expenses were paid in advance by the Company and charged to the related party.

c. There is no key management compensation as the Company's finance and administrative functions are being handled by a related party without any charge.

Unless otherwise indicated, amounts due to/from related parties are expected to be settled in cash.

15. Operating Expenses

This account consists of:

	Note	2021	2020
Depreciation	*9*	**P1,928**	P963
Professional fees		**725**	560
Salaries, wages and employee benefits		**420**	326
Listing fees		**250**	261
Office and computer supplies		**11**	-
Taxes and licenses		**1**	4
Miscellaneous		**152**	4
		P3,487	P2,118

Miscellaneous pertains to mailing and courier services, commission and bank charges.

16. Other Income (Expense)

This account consists of:

	Note	**2021**	2020
Dividend income	*10*	**P1,214**	P825
Interest income	*5*	**3**	4
Reversal of impairment of investment in subsidiaries	*8*	**-**	188,570
Reversal of impairment of prepaid taxes	*7*	**-**	2,209
Others		**(45)**	-
		P1,172	P191,608

Dividend income pertains to the cash dividends received from investment in equity instruments.

17. Income Taxes

The reconciliation of the income tax expense computed at the statutory income tax rate to the income tax expense recognized in profit or loss is as follows:

	2021	2020
Income (loss) before income tax	**(P2,315)**	P189,490
Income tax benefit at statutory tax rate of 25% and 30%	**(P579)**	P56,847
Adjustments to income tax resulting from:		
Movement in unrecognized deferred tax asset	**883**	(54,736)
Dividend income	**(303)**	(247)
Interest income subjected to final tax	**(1)**	(1)
Stock issuance cost	**-**	(1,863)
	P -	P -

As at December 31, 2021 and 2020, deferred tax assets have not been recognized in respect of the temporary differences and NOLCO as management believes that it is not probable that sufficient taxable profit will be available against which all deferred tax assets may be utilized.

	2021	2020
Temporary differences:		
Allowance for impairment losses on advances to suppliers	**P1,843**	P1,843
Provision for impairment of investment in subsidiaries	**-**	1,559,430
	1,843	1,561,273
NOLCO	**15,602**	13,106
	P17,445	P1,574,379

As at December 31, 2021, the Company has available NOLCO which can be claimed as deduction against future taxable income as follows:

Year Incurred	Amount	Expired/ Applied	Balance	Date of Expiry
2021	P3,532	P -	P3,532	2026
2020	8,327	-	8,327	2025
2019	3,743	-	3,743	2022
2018	1,036	(1,036)	-	2021
	P16,638	(P1,036)	P15,602	

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company:

a. Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

b. Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

c. The imposition of improperly accumulated earnings tax has been repealed.

The corporate income tax of the Company was lowered from 30% to 25% effective July 1, 2020.

The enactment of the CREATE Act is a non-adjusting subsequent event in 2020, thus the current and deferred income tax as at December 31, 2020 were measured using applicable income tax rate as at reporting date. Having NOLCO position in 2021 and 2020 and the Company have not recognized deferred tax assets, the implementation of the CREATE Act did not have significant impact on the Company's financial statements.

Bayanihan to Recover as One Act
On September 30, 2020, the BIR issued Revenue Regulation (RR) No. 25-2020 to implement Section 4 (bbbb) of Republic Act (RA) No. 11494 ("Bayanihan to Recover as One Act"), relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive years immediately following the year of such loss.

The net operating loss for the said table years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next five (5) consecutive taxable years following the year such loss was incurred.

18. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Company's financial assets and liabilities, comprising mainly of cash in banks receivables, investments in equity instruments, trade payables and other current liabilities, borrowings and due to related parties, are exposed to a variety of financial risks: liquidity risk, credit risk and market risk (include price risk and cash flow interest rate risk). Management ensures that it has sound policies and strategies in place to minimize potential adverse effects of these risks on the Company's financial performance.

Risk management is carried out through the policies approved by the BOD of the Company. The BOD provides principles on overall risk management and on specific areas such as liquidity risk, credit risk and market risk.

Liquidity Risk

Liquidity risk pertains to the failure of the Company to discharge its obligations and commitments. The tight cash position limits its obligation to take advantage of increasing demands. The Company's financial liabilities include trade payables and other current liabilities, due to related parties and current and noncurrent portions of borrowings (Notes 11, 12 and 14).

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments used for liquidity management.

December 31, 2021	**Carrying Amount**	**Contractual Cash Flow**	**Less than 1 Year**	**More than 1 Year**
Current Liabilities				
Trade payables and other current liabilities*	**P8,380**	**P8,380**	**P8,380**	**P -**
Due to related parties	**121,441**	**121,441**	**121,441**	**-**
Borrowings	**190,000**	**190,000**	**190,000**	**-**
	P319,821	**P319,821**	**P319,821**	**P -**

**Carrying amount excludes payable to government amounting to P98.*

December 31, 2020	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Current Liabilities				
Trade payables and other current liabilities*	P8,321	P8,321	P8,321	P -
Due to related parties	113,148	113,148	113,148	-
Borrowings	190,000	190,000	190,000	-
	P311,469	P311,469	P311,469	P -

**Carrying amount excludes payable to government amounting to P327.*

The Company regularly monitors its cash position, continuously negotiates with creditors for new credit terms and depends on the financial support from its operating subsidiary and shareholders to meet its obligation as they fall due.

In December 2020, significant amount of the Company's borrowings were converted into equity. The remaining asset subject to dacion en pago under the provisions of the Amended Agreement pertain to investment in preferred shares of SLC with fair value of P190.0 million with reference to the municipality zonal value of land owned by SLC (Notes 1, 12 and 14). Upon completion of this transaction, the balance of borrowings will be paid in full.

Credit Risk
Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is managed on a Company basis at the STN level. Credit risk arises from deposits with banks and receivables. Cash transactions are limited to high-credit-quality financial institutions.

For the Company's banks and financial institutions requirements, decisions are made at the Company level that considers and leverages on Company's needs and cost. Cash in banks are maintained with universal and commercial banks which represent the largest single group, resource-wise, of financial institutions in the Philippines.

The maximum exposure of the Company to credit risk as at December 31, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2021**	2020
Cash in banks	*5*	**P18,166**	P3,106
Receivables	*6*	**122**	122
		P18,288	P3,228

The table below shows the credit quality of the Company's financial assets as at December 31, 2021 and 2020:

December 31, 2021	**Financial Assets at Amortized Cost**			
	High Grade	**Medium Grade**	**Low Grade**	**Total**
Cash in banks	**P18,166**	**P -**	**P -**	**P18,166**
Receivables	**-**	**122**	**-**	**122**
	P18,166	**P122**	**P -**	**P18,288**

December 31, 2020	Financial Assets at Amortized Cost			
	High Grade	Medium Grade	Low Grade	Total
Cash in banks	P3,106	P -	P -	P3,106
Receivables	-	122	-	122
	P3,106	P122	P -	P3,228

It is the Company's policy to maintain accurate and consistent risk ratings across the financial assets which facilitates focused management of applicable risks. The Company utilizes an internal credit rating system based on its assessment of the quality of the financial assets. The Company classifies its unimpaired receivables into the following credit grades:

High Grade - This pertains to accounts with a very low probability of default as demonstrated by the customer/debtor long history of stability, profitability and diversity. The customer/debtor has the ability to raise substantial amounts of funds through the public markets. The customer/debtor has a strong debt service record and a moderate use of leverage.

Medium Grade - The customer/debtor has no history of default. The customer/debtor has sufficient liquidity to fully service its debt over the medium term. The customer/debtor has adequate capital to readily absorb any potential losses from its operations and any reasonably foreseeable contingencies. The customer/debtor reported profitable operations for at least the past 3 years.

Low Grade - The customer/debtor is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. Operating performance could be marginal or on the decline. The customer/debtor may have a history of default in interest but must have regularized its service record to date. The use of leverage is above industry standards but has contributed to shareholder value.

The table below presents the Company's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	Financial Assets at Amortized Cost			
December 31, 2021	**12-month ECL**	**Lifetime ECL not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total**
Cash in banks	**P18,166**	**P -**	**P -**	**P18,166**
Receivables	-	**122**	-	**122**
	P18,166	**P122**	**P -**	**P18,288**

	Financial Assets at Amortized Cost			
December 31, 2020	12-month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks	P3,106	P -	P -	P3,106
Receivables	-	122	-	122
	P3,106	P122	P -	P3,228

The Company believes that the unimpaired amounts are past due by more than 60 days are still collectible based on historical payment behavioral analyses of the underlying counterparties' credit ratings.

Market Risk

Market risk is the risk that the changes in market prices, such as foreign exchange rates, interest rates and other market prices, will affect the Company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign Currency Risk

The Company is exposed to foreign currency risk on its cash in banks that is denominated in US Dollars. The Company regularly monitors the outstanding balance of its cash in banks that is denominated in US Dollars and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to this foreign currency denominated asset.

The Company expects that the effects of this foreign currency risk are immaterial to the separate financial statements.

Interest Rate Risk

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 Company's exposures to interest rate risk relates primarily to the Company's borrowings. The Company manages its interest rate risk by limiting its borrowings to long-term loans with fixed interest rates over the term of the loan.

Share Price Changes of Investment in Equity Instruments
The Company has investments in equity instruments traded in the Philippine Stock Exchange and are exposed to share price changes. Share price changes of investments in equity instruments arises from future commercial transactions and recognized assets and liabilities.

The following table demonstrates the sensitivity to a reasonably possible change in the fair value of investments in equity instruments, with all other variables held constant, of the Company's equity:

	Effect on Capital Deficiency			
	2021		2020	
	6% Increase	**6% Decrease**	6% Increase	6% Decrease
Investment in equity instruments	**P784**	**(P784)**	P1,025	(P1,025)

Fair Value Estimation of Financial Assets and Liabilities
Cash in Banks and Receivables. The carrying amounts of cash in banks and receivables approximate fair values due to the relatively short-term maturities of these financial instruments.

Investment in Equity Instruments. The fair value of quoted investment in equity instruments is determined by reference to their quoted bid prices at the reporting date (Level 1). The fair values of golf shares and country club memberships are based on cost since there is no realizable basis for fair value.

Trade Payables and Other Current Liabilities, Due to Related Parties and Current Portion of Borrowings. The carrying amounts of trade payables and other current liabilities, due to related parties and current portion of borrowings approximate fair value due to the relatively short-term maturities of these financial instruments.

Borrowings, Net of Current Portion. Borrowings, net of current portion are reported at their present values, which approximate the cash amounts that would fully satisfy the obligations as of reporting date. The carrying amounts of the borrowings with annual interest approximate their fair values.

Capital Management
The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Cash flow from the activities of the Company's operating subsidiaries is considered a measure that reflects the Company's ability to generate funding from operations for its investing and financing activities and is representative of the realization of value or shareholders from the Company's operations.

Total capital comprises the total equity as shown in the separate statements of financial position. The Company being a listed entity is covered by the PSE requirement of 10% minimum public ownership. The Company is under suspended trading status in Philippine Stock Exchange since 2006 pursuant to the PSE's Implementing Guidelines for Companies under Corporate Rehabilitation when the Company notified the PSE in a disclosure that the stockholders have approved entering into rehabilitation proceedings (Note 1).

The Company is not subject to externally imposed capitalization requirements.

19. Supplementary Information Required by the BIR

In addition to the disclosures mandated under PFRS and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRS. The following is the tax information required based on RR No. 15-2010 for the taxable year ended December 31, 2021 (amounts rounded off to the nearest peso):

A. Value Added Tax (VAT)

Input VAT:	
Beginning of the year	**P2,644,931**
Current year's domestic purchases:	
Services lodged under other accounts	**135,266**
Balance at the end of the year	**P2,780,197**

B. Withholding Taxes

Expanded withholding taxes	**P17,266**
Withholding taxes on compensation	**25,222**
	P42,488

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
License and permit fees	**P500**

D. Tax Assessment and Cases

As of December 31, 2021, the Company has no pending tax court cases nor has received tax assessment notices from the BIR.

ANNEX C

SUSTAINABILITY REPORT

STENIEL MANUFACTURING CORPORATION
SUSTAINABILITY REPORT FOR 2021

Contextual Information

Company Details	
Name of Organization	Steniel Manufacturing Corporation
Location of Headquarters	Gateway Business Park, Brgy. Javalera, Gen. Trias Cavite
Location of Operations	Gateway Business Park, Brgy. Javalera, Gen. Trias Cavite
Report Boundary: Legal Entities (e.g. subsidiaries) included in this report	Steniel Manufacturing Corporation and its subsidiaries, Steniel Mindanao Packaging Corporation and Steniel Cavite Packaging Corporation
Business Model, including Primary Activities, Brands, Products, and Services	Manufacturing, processing, and selling of paper products (temporarily suspended). Leasing of machinery and equipment.
Reporting Period	Calendar Year 2021
Highest Ranking Person Responsible for this report	Eliza C. Macuray – Treasurer/CFO/CAE

ECONOMIC

I. Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount (in Php)
Direct economic value generated (revenue)	1,276,504,693
Direct economic value distributed:	
II. Operating costs	82,290,738
III. Employee wages and benefits	12,056,627
IV. Payments to suppliers, other operating costs	2,013,898,663
V. Dividends given to stockholders and interest payments to loan providers	12,238,906
VI. Taxes given to government	38,169,027
VII. Investments to community (e.g. donations, CSR)	108,195

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Revenue performance affects share value, the ability to pay employee wages and benefits, the amount of money that can be spent on CSR, and taxes paid to the government.	• Stockholders • Employees • Government • Community	The Company adheres to good business practices to ensure consistent performance and healthy revenue growth.

What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
Revenue can be affected by the business performance of its machinery and equipment lessee. Market volatility that affects the performance of its investments in equity instruments can also affect revenue performance.	• Stockholders • Employees • Government	The Company ensures that its machineries and equipment for lease are periodically checked and serviced to ensure smooth operations for the lessee.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Revenue performance can be enhanced by a sound investment plan	• Stockholders • Employees • Government	Management is currently studying investment opportunities that can help improve revenue performance

Climate-related risks and opportunities

Governance	Strategy	Risk Management	Metrics and Targets
N/A	N/A	N/A	N/A

II. Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	10% to 20%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Domestic sourcing of raw materials is more convenient in terms of communications and shorter delivery lead time. However, sourcing the materials from abroad is cheaper especially when in bulk.	• Suppliers • Customers • Government	Establish good partnership with local suppliers and at the same time continue to look for other potential suppliers here and abroad.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Availability of materials. Poor planning and forecasting are direct causes of inventories that are out of balance with business needs.	• Suppliers • Customers • Government	Engage in collaborative strategic sourcing. The Company will place emphasis on demand planning and forecasting as an additional means of

		ensuring optimal inventory levels.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Sourcing locally results to shorter lead time and less expensive compared to shipping from international suppliers.	• Suppliers • Customers • Government	To identify potential local partners.

III. Anti-Corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100%
Percentage of directors and management that have received anti-corruption training	100%
Percentage of employees that have received anti-corruption training	100%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Anti-corruption policies and procedures are explained and enforced at all levels of the organization	• Directors and Officers • Employees • Business Partners • Government	Management ensures that its anti-corruption policies and procedures are explained to its employees and business partners. Officers and employees are prohibited from engaging in direct and indirect bribery and corrupt practices. In addition, all directors and officers of the Company undergo the mandatory Corporate Governance seminars annually. Such seminars include anti-corruption topics.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Failure to strictly enforce the Company's anti-corruption policies and procedures	• Directors and Officers • Employees	Management strictly enforces the Company's anti-corruption policies and procedures and reviews all transactions to ensure that there is no corruption

		involved.
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Enhance training on anti-corruption policies and procedures	• Directors and Officers • Employees	Management is looking into ways it can enhance training on anti-corruption policies and procedures.

Incidents of Corruption

Disclosure	Quantity
Number of incidents in which directors were removed or disciplined for corruption	0
Number of incidents in which employees were dismissed or disciplined for corruption	0
Number of incidents when contracts with busines partners were terminated due to incidents of corruption	0

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Acts of corruption affect the Company's reputation and morale of its employees.	• Directors and Officers • Employees • Government	Management strictly enforces the Company's anti-corruption policies and procedures and reviews all transactions to ensure that there is no corruption involved.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Corrupt practices and acts.	• Directors and Officers • Employees • Government	Review and strictly enforce the Company's anti-corruption policies and procedures and reviews all transactions to ensure that there is no corruption involved.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Enhance training on anti-corruption policies and procedures	• Directors and Officers • Employees • Government	Management is looking into ways it can enhance training on anti-corruption policies and procedures.

ENVIRONMENT

I. Resource Management

Energy consumption within the organization - monthly average

Disclosure	Quantity	Units
Energy Consumption (renewable sources)	11.42	GJ
Energy Consumption (gasoline)	N/A	GJ
Energy Consumption (LPG)	N/A	GJ
Energy Consumption (diesel)	130.8	GJ
Energy Consumption (electricity)	0.9034	kWh

Reduction of energy consumption - - monthly average

Disclosure	Quantity	Units
Energy Consumption (renewable sources)	3.41	GJ
Energy Consumption (gasoline)	N/A	GJ
Energy Consumption (LPG)	N/A	GJ
Energy Consumption (diesel)	2.1	GJ
Energy Consumption (electricity)	0.0013	kwh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Group relies heavily on electricity for their operations. To minimize the adverse effect of power interruption, the Group has standby generators that may be used at the manufacturing plants. Efficient use of power and fuel directly affects the costs and expenses.	• Employees • Customers	Identify high potential energy users & energy type. Prioritize area for energy savings principally based on feasibility or energy reduction potentials. Develop utility reduction plan to achieve energy usage objectives target
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Increasing cost of power supply. Increase consumption but decrease in production.	• Employees • Customers	As part of contingency measures, standby generators are available as back up to supply power.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Use of renewable energy	• Employees • Customers • Government	Management is pro-active in adoption of energy-efficient equipment and office facilities. Management is also considering alternative sources of

		power (such as rooftop solar panels) for the supply of electricity.

Water consumption within the organization - monthly average

Disclosure	Quantity	Units
Water withdrawal	0	Cubic meters
Water consumption	684.75	Cubic meters
Water recycled and reused	155.92	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of operations, the Company has minimal water consumption. Thus, impact is negligible.	• Employees • Customers	Management use rainwater & recycled water in production operations.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of operations, the Company has minimal water consumption. Thus, risk is negligible.	• Employees • Customers	The management installed an additional rainwater tank with a capacity of 60 cubic meter. This is to support the water supply inside the plant
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of operations, the Company minimal water consumption. Thus, opportunities in relation to this matter are negligible	• Employees • Customers	The company adopted the method of rainwater harvesting & the use of renewable source.

Materials used by the organization - monthly

Disclosure	Quantity	Units
Materials used by weight or volume		
• Renewable	2698.6	metric tons/month
• Non-renewable	148,103	Kgs/month
Percentage of recycled input materials used to manufacture the organization's primary products	30	%

What is the impact and where does it occur? What is the organization's involvement in the	Which stakeholders are affected?	Management Approach

impact?		
Taking into account the nature of the operation, the main raw material used are paper which is recyclable. Many but not all corrugated boards and boxes produced and its wastes in the operation are recycled back to paper.	• Employees • Customers • Government	Management is pro-active with its commitment in using recycled materials in its operation. Full implementation for monitoring.
What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
No risk since the materials are recyclable and biodegradable.	• Employees • Customers • Government	Management is in the packaging business using raw materials that are recyclable and biodegradable. It is one of the main commitments of the Company to care for the environment
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Taking into account the nature of the business, the current trend in the world is using biodegradable and recyclable materials lessen the environmental impact	• Employees • Customers • Government	Management is in the business of packaging where majority of the finished goods are recyclable and biodegradable.

<u>Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)</u>

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	
Habitats protected or restored	N/A	ha
IUCN Red List species and national conservation list species with habitats in areas affected by operations	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A

What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A

II. Environmental impact management

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	201.9 mg/Nm3	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	(NOx)64.7 mg/Nm3 (SOx)526.2 mg/Nm3	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	N/A	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Energy indirect Greenhouse Gas (GHG) emission is the impact of usage of electricity, which is one of the major inputs in production.	• Employees • Customers • Government • Community	The Company has adopted and implemented energy conservation measures such as 1. steam looping system 2. water scrabber
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Poor air quality	• Employees • Customers • Government • Community	The Company has adopted and implemented energy conservation measures such as Air ventilation fan & Air conditioning unit
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Solar Power	• Employees • Government • Community	The Company is currently studying the viability of meeting the power needs of the Company through solar power sources.

Air pollutants

Disclosure	Quantity	Units
NOx	64.7mg/Nm3	kg
SOx	526.2 mg/Nm3	kg

Persistent organic pollutants (POPs)	N/A	kg
Volatile organic compounds (VOCs)	N/A	kg
Hazardous air pollutants (HAPs)	N/A	kg
Particulate matter (PM)	70.5mg/Nm3	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible impact in relation this matter.	• Community • Employees	The Company has a regular source emission testing & sampling of feed fuels.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	• Community • Employees	The Company has a regular source emission testing & sampling of fuels.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	-	-

Solid waste

Disclosure	Quantity	Units
Total solid waste generated	4,277,091	kg
Reusable	2760	pcs
Recyclable	4,215,566.00	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	61,525	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Solid waste could create to environment impact & threat to human health.	• Community • Employees • Customers	Management set a waste management goal & perform a professional waste audit.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**

Water pollution & health problem.	• Community • Employees • Customers	The Company has a material recovery facility with baling machine that helps recover reusable and recyclable materials.
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Improve water & air quality	• Community • Employees • Customers	Support & improve the existing futuristic plan of the company in reducing solid waste.

<u>Hazardous waste (SLUGE DATA) – monthly average</u>

Disclosure	Quantity	Units
Total weight of hazardous waste generated	3676.05	kg
Total weight of hazardous waste transported	3676.05	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible impact in relation this matter.	-	-
What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	• Community • Employees	The Company has a waste water facility that treat waste water & create an emergency preparedness & contingency plan.
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	-	-

<u>Effluents (RAW WATER)</u>

Disclosure	Quantity	Units
Total weight of hazardous waste generated	70,402.86	kg
Total weight of hazardous waste transported	0 (recycled water)	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible impact in relation this matter.	• Community • Employees	Review waste streams.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	• Community • Employees	Review waste streams.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	• Community • Employees	Review waste streams

III. Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	N/A	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	N/A	
No. of cases resolved through dispute resolution mechanism	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**

N/A	N/A	N/A

SOCIAL

I. Employee Management

Employee data

Disclosure	Quantity	Units
Total number of employees	134	person
a. Number of female employees	37	person
b. Number of male employees	97	person
Attrition rate (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)	-0.1	%
Ratio of lowest paid employee against minimum wage	0	person

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100	100
PhilHealth	Y	100	100
Pag-Ibig	Y	100	100
Parental leaves	Y	0	0
Vacation leaves	Y	100	100
Sick leaves	Y	89	82
Medical benefits (aside from PhilHealth)	Y	100	100
Housing assistance (aside from Pag-Ibig)	N	-	-
Retirement fund (aside from SSS)	N	-	-
Further education support	N	-	-
Company stock options	N	-	-
Telecommuting	N	-	-
Flexible working hours	N	-	-

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Benefits increase employee morale and productivity	• Employees	Management complies with all pertinent labor laws and regulations of the Department of Labor and Employment and all relevant government entities.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**

Employee dissatisfaction and attrition due to competition	• Employees	Management is looking into ways on how to improve morale.
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Periodic review of employee satisfaction.	• Employees	Management is looking in to periodically reviewing employee satisfaction to address the employees' needs and concerns.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	299	Hours
b. Male employees	725	Hours
Average training hours provided to employees		
a. Female employees	8	Hours/employee
b. Male employees	8	Hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The trainings increased the employees' skills and knowledge and boosted their confidence.	• Directors • Officers • Employees	Management identifies the right and mandatory trainings. Review of internal and external trainings periodically.
What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
Employees acquiring the right skills and knowledge may results to look for other companies who will give higher position opportunities and higher salary.	• Directors • Officers • Employees	Management will review the position and benefits of the employees.
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Periodic review of employee's skills and knowledge to identify possible future leaders.	• Directors • Officers • Employees	Management is looking in to periodical review of employee skills and knowledge to address the employees' needs and concerns. Management is also taking into

		consideration the career growth of the employees and considering succession planning.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	37	percent
Number of consultations conducted with employees concerning employee-related policies	4	session

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Harmonious labor-management relationship is a major factor in productivity and production quality. It has a big impact in promoting industrial peace and employee motivation.	• Directors • Officers • Employees	The operations team conduct meetings to discuss work-related issues. Resolving grievance issue is a priority of HR.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Labor dispute may affect productivity, industrial peace and harmony.	• Directors • Officers • Employees	The operations team conduct meetings to discuss work-related issues. Resolving grievance issue is a priority of HR.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Quick dissemination of new policies. Opportunity to discover immediate solutions if there are labor issues.	• Directors • Officers • Employees	Regular meetings between dedicated staff and the employees; representative(s) can help resolve labor related issues immediately.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	28	percent
% of male workers in the workforce	72	percent
Number of employees from indigenous communities and/or vulnerable sector (includes elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other disease, solo parents, and the poor or the base of the pyramid [Class D and E])	0	person

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Taking into account the nature of the business, the diversity of the workforce has negligible impact on the operations.	-	-
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature of the business, the Company has negligible risks in relation this matter.	-	-
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature of the business, the Company is yet to identify the opportunities.	-	-

II. **Workplace Conditions, Labor Standards, and Human Rights**

Occupational Health and Safety – EMD & HR

Disclosure	Quantity	Units
Safe Man-Hours	627,919	Man hours
No. of work-related injuries	9	
No. of work-related fatalities	0	
No. of work-related ill-health	0	
No. of safety drills	2 (fire drill & earthquake drill)	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Occupational Safety & Health Committee help the workers at the workplace do their task efficiently with the effective & improve safety program. It keeps workers & customers safe from hazard exposure.	• Employees • Customers	Management provides safety & health trainings to the employees &conducts drills.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**

Injuries, Fatalities, illnesses	• Employee • Customers	The Company issued personal protective equipment (PPE) to the employees & customers. The workers also undergone safety & health orientation & seminars before the deployment to the designated areas.
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
It could allow workers to have morale at the workplace.	• Employee • Customers	To continue with the implementation of the safety & health programs.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	person

Do you have policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A

III. Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy: -

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If yes, cite reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human Rights	N	
Bribery and corruption	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Bribery & Corruption in the supply chain can lead to have a great impact in the organization, likewise with the environmental issues, aspects like human rights and worker safety.	• Directors • Officers • Employees	Management has to work on identifying and implementing procedures taking into consideration a risk assessment program.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Reputational risk is one of the risks that can greatly affect the organization once corruption in the supply chain is made public.	• Directors • Officers • Employees	Management has to work on mitigating the risk relating to the sustainability in the supply chain. Strengthen internal control procedure.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Review and implementation of the internal control and procedures of the organization.	• Directors • Officers • Employees	Set-up and strict implementation of internal controls of the organization.

IV. Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)	Collective or individual rights that have been identified that are of particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)

N/A	N/A	N/A	N/A	N/A

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: N/A

Disclosure	Quantity	Units
FPIC process still undergoing	N/A	
CP secured	N/A	

What are the Risk/s identified?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Opportunity/ies identified?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A

V. Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	N/A	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
N/A	N/A
What are the Risk/s identified?	Management Approach
N/A	N/A
What are the Opportunity/ies identified?	Management Approach
N/A	N/A

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety	0	
No. of complaints addressed	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Taking into account the nature and size of operations, the Company has negligible impact in relation this matter.	-
What are the Risk/s identified?	**Management Approach**
Taking into account the nature and size of operations, the Company has negligible risks in relation this matter.	-
What are the Opportunity/ies identified?	**Management Approach**
Taking into account the nature and size of operations, the Company has negligible opportunities in relation this matter.	-

Marketing and Labelling Sales

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling	54	# of complaints
No. of complaints addressed	54	# of complaints

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Non-conforming products which occurs on production. Rejection is inevitable in manufacturing firm.	Continuous improvement of the machines to comply with the clients' requirements.
What are the Risk/s identified?	**Management Approach**
None	-
What are the Opportunity/ies identified?	**Management Approach**
Opportunity to increase efficiency and reduce rejection rate to minimize operating cost by upgrading the machines and helping employees develop their skills	The Company supports the program of the continuous improvement of the machines and provide trainings and workshops to employees in order to increase the efficiency and to reduce operating cost.

Customer privacy

Disclosure	Quantity	Units

No. of substantiated complaints on customer privacy	0	
No. of complaints addressed	N/A	
No. of customers, users and account holders whose information is used for secondary purposes	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
N/A	N/A
What are the Risk/s identified?	**Management Approach**
N/A	N/A
What are the Opportunity/ies identified?	**Management Approach**
N/A	N/A

Data Security MIS

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Data breaches will cause loss of trust and confidence in the Company	The Company strictly enforces data privacy policies and practices to avoid data breach, in compliance with the Data Privacy Law and relevant regulations.
What are the Risk/s identified?	**Management Approach**
Loss of trust and confidence in the Company in case of data breach	The Company strictly enforces data privacy policies and practices to avoid data breach, in compliance with the Data Privacy Law and relevant regulations.
What are the Opportunity/ies identified?	**Management Approach**
Periodically review, update, and improve the data privacy policies and practices	Management shall periodically review, update, and improve the Company's data privacy policies and practices to ensure compliance with Data Privacy Law and relevant regulations.

VI. UN SUSTAINABLE DEVELOPMENT GOALS

Key products and services and its contribution to sustainable development

Key Products and Services	Societal Value/Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Lease of machinery and equipment	Taking into account the nature and size of Operations, the Company has negligible societal value/contribution to UN SDGs.	Taking into account the nature and size of Operations, the Company has negligible potential negative impact of contribution to UN SDGs.	The Company adheres to good business practices and strives to achieve sustainable development where relevant.