GOLDEN BALES COPORATION AUDITED FINANCIAL STATEMENT 2020

GOLDEN BALES CORPORATION

Km. 14, After Panacan Sub-Station, Panacan, Davao City

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN"

The management of **GOLDEN BALES CORPORATION** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended **December 31, 2020.** Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended **December 31, 2020** and the accompanying Annual Income Tax Return are in accordance with the books and records of **GOLDEN BALES CORPORATION** complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **GOLDEN BALES CORPORATION** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

[redacted]

NIXON Y. LIM
Chief Executive Officer

[redacted]

EDNA C. KO
Chief Financial Officer

E&C Elises & Ciudadano
(A Professional Firm of Certified Public Accountants)

"Dedicated to Excellence and Quality Service"

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
GOLDEN BALES CORPORATION
Km. 14, After Panacan Sub-Station, Panacan,
Davao City

Opinion

We have audited the financial statements of GOLDEN BALES CORPORATION which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of GOLDEN BALES CORPORATION as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements 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. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes paid and accrued (Note 19), and the schedules of retained earnings available for dividend declaration and tabular list of effective Philippine Financial Reporting Standards and interpretations at the end of the reporting period are presented for the purpose of complying with the disclosure requirement of the Bureau of Internal Revenue and the Securities and Exchange Commission and are not a required part of the basic financial statements. Such information and additional schedules are the responsibility of Management. They have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ELISES & CIUDADANO
(A Professional Firm of Certified Public Accountants)
BOA Accreditation No. 0161 (December 17, 2021)
SEC Accreditation No. 0375-F (January 07, 2022)
BSP BSFIs Category C (December 31, 2021)

By:

[redacted]

THELMA S. CIUDADANO
CPA Certificate No. 33318 (September 27, 1977)
BIR AN. 19-002456-001-2020 (March 03, 2023)

PTR No. 5028680 C (January 16, 2021)

Davao City, Philippines
March 25, 2021

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	Note	December 31	
			2019
Inventory			
Prepayment	7	71,189,615	67,676,065
		50, 2,8	199,391,
Property and equipment, net			50,278,928
No Asset		177,285,526	56,278,928
TOTAL ASSETS		327, 8,386	255,670,25
HOLDERS' EQUITY			
Income tax payable			
		28,063,226	33,591,287
pay		63, 0,000	4,500,000
Total Non-Current Liability			
Total Liabilities		214,674,804	148,091,287
Retained earnings	15	89,423,582	84,328,969
Equity		12,673,582	,578,
TOTAL		348,386	,670,256

GOLDEN BALES CORPORATION

STATEMENTS OF INCOME

	Note		Years Ended December 31 2020		2019
Revenue	16	Ps.	191,449,633	Ps.	240,711,511
Direct costs	17		(142,805,259)		(189,786,566)
Gross Profit		Ps.	48,644,374	Ps.	50,924,945
Selling and administrative expenses	18		(41,617,321)		(41,886,014)
Income from operations		Ps.	7,027,053	Ps.	9,038,931
Provision for income tax			(1,932,440)		(2,711,679)
NET INCOME		Ps.	5,094,613	Ps.	6,327,252
EARNINGS PER SHARE		Ps.	0.22	Ps.	0.27

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GOLDEN BALES CORPORATION

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2020 and 2019

	SUBSCRIBED AND PAID	RETAINED EARNINGS Unappro-priated	RETAINED EARNINGS Appro-priated	TOTAL
Balance at January 1, 2019	Ps. 23,250,000	Ps. 17,401,717	Ps. 60,600,000	Ps. 101,251,717
Appropriated for plant expansion		(5,000,000)	5,000,000	-
Net income		6,327,252		6,327,252
Balance at December 31, 2019	Ps. 23,250,000	Ps. 18,728,969	Ps. 65,600,000	Ps. 107,578,969
Balance at January 1, 2020	Ps. 23,250,000	Ps. 18,728,969	Ps. 65,600,000	Ps. 107,578,969
Appropriated for plant expansion		(5,000,000)	5,000,000	-
Net income		5,094,613		5,094,613
Balance at December 31, 2020	Ps. 23,250,000	Ps. 18,823,582	Ps. 70,600,000	Ps. 112,673,582

GOLDEN BALES CORPORATION

STATEMENTS OF CASH FLOWS

	Note		Years Ended December 31 2020		2019
Cash flows from operating activities					
Net income before tax		Ps.	7,027,053	Ps.	9,038,931
Adjustments for:					
Depreciation	9		16,469,052		12,981,684
Interest expense	18		3,570,540		3,223,584
Operating income before working capital changes			27,066,645		25,244,199
Changes in operating assets and liabilities					
Receivables	6		72,038,400		(36,005,839)
Inventory	17		(18,368,113)		15,833,568
Prepayment	7		(3,513,530)		569,334
Accounts payable, accrued expenses and other liabilities	10		(5,149,335)		(5,492,309)
Income tax payable			(378,724)		210,495
Cash generated from operations			71,695,343		359,448
Interest paid			(3,570,540)		(3,223,584)
loans paid			(272,750,000)		(150,550,000)
Income taxes paid			(1,932,440)		(2,711,679)
Net cash from operating activities			(206,557,637)		(156,125,815)
Cash flows from investing activities					
Investment	8		(74,775,000)		-
Acquisition of property and equipment	9		(62,700,650)		(29,045,741)
Net cash from investing activities			(137,475,650)		(29,045,741)
Cash flows from financing activities					
Accounts payable	11		74,775,000		-
Accounts payable - others	12		48,086,576		-
Loan payable	13		222,000,000		186,800,000
Net cash from financing activities			344,861,576		186,800,000
Net increase (decrease) in cash			828,289		1,628,444
Cash at beginning of year			8,342,225		6,713,781
CASH AT END OF YEAR	5	Ps.	9,170,514	Ps.	8,342,225

GOLDEN BALES CORPORATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 - CORPORATE INFORMATION

Golden Bales Corporation is a registered stock corporation with the Philippine Securities and Exchange Commission with Reg. No. CS200251939 and incorporated on July 30, 2002. Its purpose is to engage in the business of buying and selling of used paper products, cartons and/or scrap materials in whatever form but not limited to converting, packaging and baling the same into another form of finished products or raw materials and/or otherwise dealing the same at wholesale or retail, among others. It is also engaged in exporting of scrap materials; and trucking and hauling services.

The Company's major shareholders with percentages of ownership are shown below:

	December 31	
	2020	2019
Greenstone Packaging Corporation	70%	70%
Paulino B. Ko	12%	12%
Edna C. Ko	8%	8%
Paulo Benedicto C. Ko	5%	5%
Paulo Lorenzo C. Ko	5%	5%
Nixon Y. Lim	0%	0%
Total	100%	100%

The business address is located at Km. 14, After Panacan Sub-Station, Panacan, Davao City.

The financial statements are authorized for issue on March 25, 2021.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

a.) Statement of Compliance and Basis of Preparation

The financial statements of Golden Bales Corporation have been prepared in accordance with the presentation, recognition and measurement bases specified by the Philippine Financial Reporting Standards adopted by the Philippine Financial Reporting Standards Council, which are in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) under the historical cost convention.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2 or value in use in PAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – inputs are 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 are unobservable inputs for the asset or liability.

The preparation of financial statements in conformity with Philippine Financial Reporting Standards requires management to make certain critical estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

The financial statements are presented in Philippine Pesos, which is the Company's functional and presentation currency, and all values are rounded to the nearest peso except when otherwise indicated.

b.) New and revised Philippine Financial Reporting Standards (PFRS)

In the current year, the Company has not applied a number of amendments to PFRS issued by the International Accounting Standards Board (IASB) and adopted by the Philippine Financial Reporting Standards Council that are mandatorily effective for an accounting period that begins on or after 1 January 2016.

b.1 - Amendments to PFRS that are mandatorily effective for the current year

1. PFRS 14 *Regulatory Deferral Accounts*

PFRS 14 is an interim standard which provides relief for first-time adopters of PFRS in relation to the accounting for certain balances that arise from rate-regulated activities ("regulatory deferral accounts"). The standard permits these entities to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts.

2. Amendments to PFRS 11 *Accounting for Acquisitions of Interest in Joint Operations*

The amendments to PFRS 11 clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.

This includes:

- measuring identifiable assets and liabilities at fair value
- expensing acquisition-related costs
- recognising deferred tax, and
- recognising the residual as goodwill, and testing this for impairment annually.

Existing interest in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained.

The amendments also apply when a joint operation is formed and an existing business is contributed.

3. Amendments to PAS 16 and PAS 38 *Clarification of Acceptable Methods of Depreciation and/or Amortization*

The amendments clarify that a revenue-based method of depreciation or amortization is generally not appropriate.

PAS 16 Property, Plant and Equipment was amended to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment.

PAS 38 Intangible Assets now includes a rebuttable presumption that the amortization of intangible assets based on revenue is inappropriate. This presumption can be overcome if either

- The intangible assets is expressed as a measure of revenue (ie where a measure of revenue is the limiting factor on the value that can be derived from the asset), or
- It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

4. Amendments to PAS 27 – *Equity method in separate financial statements*

PAS 27 Separate Financial Statements allows entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.

PAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. The amendments introduce the equity as a third option. The election can be made for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively.

5. Amendments to PAS 16 and PAS 41 *Agriculture Bearer Plants*

PAS 41 Agriculture now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses.

A bearer plant is defined as a living plant that:

- is used in the production or supply of agricultural produce
- is expected to bear produce for more than one period, and
- has a remote likehood of being sold as agricultural produce, except for incidental scrap sales.

Agricultural produce growing on bearer plants remains within the scope of PAS 41 and is measured at fair value costs to sell with changes recognised in profit or loss as the produce grows.

6. Annual Improvements to PFRS 2012-2014 Cycle

The latest annual improvements clarify:

- PFRS 5 – when an asset (or disposal group) is reclassified from 'held for sale' to held for distribution' or vice versa this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such

- PFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition.

- PFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by PAS 34

- PAS 19 – that when determining the discount rate for post- employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise

- PAS 34 – what is meant by the reference in the standard to information disclosed elsewhere in the interim financial report', entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make that information available to users on the same terms and at the same as the interim financial statements.

7. Amendments to PAS 1 *Disclosure Initiative*

The amendments to PAS 1, Presentation of Financial Statement, made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

- Disaggregation and subtotals – line items specified in PAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

- Notes – confirmation that the notes do not need to be presented in a particular order.

- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in PAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

8. Amendments to PFRS 10, PFRS 12 and PAS 28 *Investment entities: Applying the consolidation exception*

Amendments made to PFRS 10 Consolidated Financial Statements, and PAS 28, Investment, in associates and joint ventures clarify that:

- The exception from preparing consolidated financial statements is also available to intermediate parent which are subsidiaries of investment entities.

- An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.

- Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.

b.2 - New and revised PFRS in issue but not yet effective

The Company has not applied the following new and revised PFRS that have been issued but are not yet effective:

		Effectivity
PFRS 9	Financial Instruments	Effective for annual periods beginning on or after 1

		January 2018, with earlier application permitted.
PFRS 15	Revenue from Contracts with Customers	Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
PFRS 16	Leases	Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
PFRS 2	Amendments on Classification and Measurement of Share-based Payment Transactions	Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
PAS 12	Amendment of Deferred Tax Assets for Unrealised Losses	Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
PAS 7	Amendments to PAS 7 anent Disclosure Initiative	Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
PFRS 10 and PAS 28	Sale or Contributions of Assets between an Investor and its Associate or Joint venture	In December, the IASB decided to defer the application date of these amendments until such time as the IASB has finalized its research project on the equity method.

1. PFRS 9 *Financial Instruments and Associated amendments to various other standards*

PFRS 9 replaces the multiple classification and measurement models in PAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instrument, including investments in complex debt instruments and equity investment, must be recognized at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option, entities will need to recognize the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, PFRS 9 is now complete. The changes introduce:

- a third measurement (FVOCI) for certain financial assets that are debt instruments
- a new expected credit loss (ECL) model which involves a three- stage approach whereby financial assets move the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

For financial years commencing before February 1, 2015, entities could elect to apply PFRS 9 early for any of the following:

- the own credit risk requirements financial liabilities
- classification and measurement (C&M) requirements for financial assets
- C & M requirements for financial assets and financial liabilities, or
- C & M requirements for financial assets and liabilities and hedge accounting.

After February 1, 2015, the new rules must be adopted in their entirety.

This standard is effective for financial reporting period starting January 1, 2018.

2. PFRS 15 *Revenue from Contracts with Customers*, *and associated amendments to various standards*

The IASB has issued a new standard for the recognition of revenue. This will replace PAS 18 which covers contracts for goods and services and PAS 11 which covers construction contracts. The new standard is based on the principle that revenue recognized when control of a good or services transfers to a customer – so the notion of control replaces the existing notion of risk and rewards.
A new five- step process must be applied before revenue can be recognised:

- identify contracts with customers
- identify the separate performance obligation

- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- Revenue may be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.) – minimum amounts must be recognized if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognized over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangement, to name a few.
- As with any new standards, there are also increased disclosures.

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes, and controls, compensation and bunos plans, contracts , tax planning and investor communications.

Entities will have a choice of full retrospective, prospective application with additional disclosures.

This standard is effective for financial reporting period starting January 1, 2018.

3. PFRS 16 *Leases*

PFRS 16 will affect primarily the accounting by lessees and balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short- term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and Depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessons will not significantly change. Some differences may arise as a result of new guidance on the definition of a lease. Under PFRS 16, 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.

The standard is effective for financial reporting starting January 1, 2019. Early adoption is permitted only if PFRS 15 is adopted at the same time.

4. Amendments to PFRS 2 *Classification and Measurement of Share-based Payment Transactions*

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

  i. the original liability is derecognised;

  ii. the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

  iii. any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

This standard is effective for annual periods beginning on or after January 1, 2018

5. Amendments to PAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*

Amendments made to PAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value is below the assets tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can recovered, the recoverability of the deferred tax assets can only be assessed in combination with other tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

This standard is effective for financial reporting beginning on or after January 1, 2017

6. Amendments to PAS 7 *Disclosure Initiative*

Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash such as acquisitions, disposals, accretion of interest and unrealized exchange differences.

Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for an assets that hedge arising from financing liabilities.

Entities may include changes in other items as part of this disclosure, for example by providing net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities.

The information may be disclosed in tabular format as reconciliation from opening and closing balances, but a specific format not mandated.

This standard is effective for financial reporting beginning on or after January 1, 2017

7. Amendments to PFRS 10 and PAS 28 *Sale or contributions of assets between an investor and its Associate or Joint venture*

Limited scope amendments to PFRS 10 Consolidated *financial statements* and PAS 28 *Investments in associate and joint ventures.* -

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitutes 'business' (as defined in PFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognize the full gain, or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively.

In December the IASB decided to defer the application date of this amendments until such time as the IASB has finalized its research project on the equity method.

c.) Financial Instruments

Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions governing such financial asset or financial liability and derecognize a financial asset when and only when the Company's contractual rights to the cash flows underlying such financial asset have already expired. A financial liability (or a part of a financial liability) is derecognized when the obligation is extinguished. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Cash

Cash is carried in the statement of financial position at cost. Cash includes cash on hand and in banks.

Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company lends money directly to a debtor with no intention of trading the receivable. Loans and receivables are included in loans and interest receivable in the statement of financial position under the caption current assets.

Loans and receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less unearned interest and discount and provision for impairment. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition. A provision for impairment of loan and receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The factors considered by Management in declaring a receivable account as impaired are its historical collections, write-off experience, current economic trends and other factors that affect the Company's ability to collect payments. The amount of the provision is recognized in the statement of profit or loss.

Accounts payable and other financial liabilities

Accounts and other payables are obligation to pay for goods or services that have been acquired in the course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as noncurrent liabilities. Financial liabilities are initially measured at fair value plus transaction costs, if there are any, and are subsequently measured at amortized cost, using the effective interest rate method.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received. Equity instruments are not re-measured after initial recognition. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to capital in excess of par value account. Dividend declaration to the Company's stockholders is recognized as a liability in the Company's financial statements in which the dividends are approved by the Company's stockholders. Repurchase of the company's own equity instruments is recognized as treasury shares and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

d.) Property and Equipment

Property and equipment are stated at historical cost less subsequent depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are 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. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

The Company computes depreciation based on the carrying values of the property and equipment using the straight-line method over the useful lives of the assets as follows:

Category	Number of years
• Buildings	20
• Building improvement	20
• Warehouse equipment	10
• Plant machineries and equipment	10
• Furniture, fixtures and equipment	10
• Communication software	10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.c).

An item of property and equipment is derecognized upon disposal or when no future benefits are expected to arise from the continued use of the asset. Any gains and losses on disposals or retirement of an item of property and equipment are determined as difference between the sales proceeds and the carrying amount of the asset. These are included in the statement of profit or loss and other comprehensive income. The cost and the related accumulated depreciation and any accumulated impairment losses, if any, are removed from the account.

e.) Impairment of Non-Financial Assets

The carrying values of property and equipment and other assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of the asset is the greater of net selling price and value in use. 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 loss is charged to income.

f.) Employee Benefits

Short-term benefits

Employee entitlements to salaries and wages, annual vacation, and other benefits are recognized when they are accrued to employees. Annual vacation and other leaves have been calculated on an actual entitlement basis at current rates of pay. Unpaid benefits at the end of the reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments.

Post-employment obligations

The Company maintains a defined contribution plan for its regular employees. Under the plan, the Company pays a fixed contribution to a publicly administered pension entity. The Company has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets/fund to pay all employees the benefits relating to employee service in the current and prior periods. However, Management has set up yearly appropriation based on certain percentage of net profit after tax to take care of future deficit. The contributions are recognized as employee benefit expense when they are due.

The Company employs less than ten (10) employees and, therefore, is not covered under Republic Act (RA) No. 7641 (The Philippine Retirement Pay Law), which provides for defined benefit minimum guarantee equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service. The benefits due under RA No. 7641 are required to be accounted for as defined benefit plan under PAS 19 (Revised), "Employee Benefits".

Incentive bonus / commission

The Company recognizes a liability and an expense for incentive bonus / commission, based on a formula that takes into consideration the employees' performance or Company's profit subject to bonus scheme after certain agreed – upon adjustments.

g.) Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of the specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a.) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b.) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(c.) There is a change in the determination of whether fulfillment is dependent on a specified asset;
(d.) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Company as lessee

Leases where the lessor retains substantially all the risk and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in profit or loss over the lease term on a straight-line basis.

h.) Taxation

Income tax expense represents the sum of the tax currently payable and deferred income tax.

Current Tax

The tax currently payable is based on taxable income for the year. Taxable income differs from the profit as reported in the statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted at the end of the reporting period.

Deferred Income Tax

Deferred income tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the temporary differences (principally relating to provisions for receivable impairment and unearned interest and discounts) between financial reporting bases of assets and liabilities and their related tax bases.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The rates enacted at the end of the reporting period are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability.

Current and Deferred Tax for the Period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items recognized in profit or loss or directly in equity. In this case, the tax is also recognized in profit or loss or directly in equity, respectively.

i.) Earnings Per Share

Basic earnings per share were computed dividing net profit for the year over the number of shares outstanding during the year. There are no potential common shares outstanding that would require disclosure of diluted earnings per share in the statement of profit or loss.

j.) Revenue and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

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

1. Sales of goods. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, which is normally upon delivery.

2. Service. This is recognized on an accrual basis when the service has been provided/ performed.

Expenses are recognized in profit or loss upon utilization of goods or services or at the date such expenses are incurred.

k.) Events After the End of the Reporting Date

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

l.) Comparatives

Where necessary, comparative figures have been reclassified as required by relevant standards.

NOTE 3 - FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risk and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in market, products and emerging best practice.

Risk management is carried by Management under policies approved by the Board of Directors.

The risks arising from financial instruments to which the Company is exposed are financial risks, which include credit risk, liquidity risk, and interest rate risk.

Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are set-up for losses that have been incurred at the end of the reporting date. Significant changes in the economy, or in the health of the particular industry segment that represents a concentration in the Company's portfolio, could result in losses that are different from those provided for at the end of the reporting date. The Company therefore carefully manages its exposure to credit risk.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to receivable and cash accounts. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk are approved by the Board of Directors.

The Company's maximum exposure to credit risk before collateral held or other credit risk enhancements at the reporting date are shown below.

	December 31	
	2020	2019
Cash	9,170,514	8,342,225
Receivables	48,549,292	120,587,692
Total	57,719,806	128,929,917

The above table represents a worst case scenario of credit risk exposure to the Company at December 31, 2020 and 2019, without taking account of any collateral held or other credit enhancements attached.

As shown above, 15.89% (6.47% in 2019) of the total maximum exposure is derived from cash, while 84.11% (93.53% in 2019 from receivables.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Company.

The following table shows the aging analysis of receivables:

	Neither past due nor impaired	Past due (more than 30 days but not more than 365 days) but not impaired	Past due (over 365 days) but not impaired	Impaired	TOTAL
December 31, 2020					
Business	-	48,549,292	-	-	48,549,292
Personal	-	-	-	-	-
TOTAL	-	48,549,292	-	-	48,549,292
December 31, 2019					
Business	-	120,587,692	-	-	120,587,692
Personal	-	-	-	-	-
TOTAL	-	120,587,692	-	-	120,587,692

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of these funds when needed. The Board sets limits on the minimum available cash resources to meet such needs and demands.

The table below summarizes the maturity profile of the Company's financial liability:

At 31 December 2020	Within 1 year	Over 1 year	TOTAL
Accounts payable - trade	26,478,418		26,478,418
Withholding tax payable	413,126		413,126
Accrued taxes and licenses	605,813		605,813
Other payables	565,871		565,871
Accounts payable		74,775,000	74,775,000
Accounts payable - others		48,086,576	48,086,576
Loan payable		63,750,000	63,750,000
Total Financial Liabilities	28,063,228	186,611,576	214,674,804

At 31 December 2019	Within 1 year	Over 1 year	TOTAL
Income tax payable	378,724		378,724
Accounts payable - trade	1,669,690		1,669,690
Accounts payable - others	31,275,000		31,275,000
Withholding tax payable	55,326		55,326
Other payables	212,547		212,547
Loan payable		114,500,000	114,500,000
Total Financial Liabilities	33,591,287	114,500,000	148,091,287

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The interest rate risk associated with bank deposits is considered minimal.

Fair Values of Financial Assets and Liabilities

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Company's statement of financial position at their fair values.

		Fair Value			Carrying Amount Approximates Fair Value
	Carrying Value	1	2	3	
At 31 December, 2020					
FINANCIAL ASSETS					
Cash	9,170,514	-	-	-	9,170,514
Receivables	48,549,292	-	-	-	48,549,292
Other financial assets	269,628,580	-	-	-	269,628,580
TOTAL	327,348,386	-	-	-	327,348,386
FINANCIAL LIABILITIES					
Accounts payable, accrued expenses and other liabilities	28,063,228	-	-	-	28,063,228
Other financial liabilities	186,611,576	-	-	-	186,611,576
TOTAL	214,674,804	-	-	-	214,674,804

		Fair Value			Carrying Amount Approximates Fair Value
	Carrying Value	1	2	3	
At 31 December, 2019					
FINANCIAL ASSETS					
Cash	8,342,225	-	-	-	8,342,225
Receivables	120,587,692	-	-	-	120,587,692
Other financial assets	126,740,339	-	-	-	126,740,339
TOTAL	255,670,256	-	-	-	255,670,256
FINANCIAL LIABILITIES					
Accounts payable, accrued expenses and other liabilities	33,212,563	-	-	-	33,212,563
Income tax payable	378,724	-	-	-	378,724
Other financial liabilities	114,500,000	-	-	-	114,500,000
TOTAL	148,091,287	-	-	-	148,091,287

The following methods and assumptions were used to estimate the fair value of each class of financial instrument.

1) *Cash*

The carrying values approximate their fair values due to the short-term maturity of these financial instruments.

2) *Receivables*

Receivables are net of provisions for impairment and unearned discounts. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's overall strategy remains unchanged.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities less cash. Total capital is equal to total stockholders' equity at year end.

The gearing ratios at year end were as follows:

	December 31	
	2020	2019
Total liabilities	214,674,804	148,091,287
Cash	9,170,514	8,342,225
Net Debt	205,504,290	139,749,062
Shareholders' equity	112,673,582	107,578,969
Net debt to equity ratio	182.39%	129.90%

NOTE 4 – CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments 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. The estimates and assumption that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical judgment in applying accounting policies

Below is the critical judgment, apart from those involving estimations, that Management has made in the process of applying the Company's accounting policies and that has the most significant effect on the amounts recognized in the financial statements.

Classification of financial instruments

The Company classifies a 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 agreement 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 statement of financial position.

The classification of financial assets and financial liabilities is presented in Note 2.c.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded as at financial reporting date cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values.

Disclosures of fair values of the Company's financial assets and financial liabilities in a way that permit it to be compared with its carrying amounts are shown in Note 3.

Company as lessee under operating lease

The Company has entered into commercial property lease and has determined that the lessor retains all the significant risks and rewards of ownership of these properties which are leased on operating lease.

Key sources of estimating uncertainty

Following are the key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimating provision for impairment of loans receivable

The Company calculates its provision for impairment of loans receivable based on periodic examination and evaluation of existing risks affecting certain specific customers, prevailing economic conditions, collections and loss experience and other factors that affect the Company's ability to collect payments.

The amounts and timing of recorded expenses for any period would differ if Management made different judgments or utilized different estimates. An increase in the provision for impairment would increase the recorded operating expenses and decrease current assets.

Estimating useful lives of property and equipment

The Company estimates the useful lives of its property and equipment based on the period over which its assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the 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 operating expenses and decrease non-current assets.

Impairment of non-financial assets

The Company assesses at each financial reporting date whether there is an indication that the carrying amount of non-financial assets may be impaired. If any such indications exist, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. At the financial reporting date, the Company assesses 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.

Based on management's assessment, the carrying amounts of its non-financial assets are recoverable as of the financial reporting date. The net book values of property and equipment and other assets are disclosed in Note 7.

Recognition of deferred income tax

The Company reviews the carrying amounts of deferred income tax at each financial reporting date and reduces them to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax to be utilized. Significant management judgment is required to determine the amount of deferred income tax that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimates of future taxable income indicate that temporary differences will be realized in the future. Deferred tax assets and liability recognized in the statements of financial position amounted to Ps. 186,806 (Ps. 147,132 in 2015) and Ps. 961 (ps. 643 in 2015), respectively.

Estimating income tax

The Company makes significant judgment in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period.

The Company reviews the carrying amounts of deferred income tax at the end of each reporting period and reduces the amounts to the extent that it is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

NOTE 5 - CASH

Cash consist of:

	December 31	
	2020	2019
Cash	9,170,514	8,342,225
TOTAL	9,170,514	8,342,225

NOTE 6 – RECEIVABLES

Receivable consists of:

	December 31 2020	2019
Trade	32,978,925	51,897,451
Advances to suppliers	15,570,367	32,915,241
Others	-	35,775,000
Total	48,549,292	120,587,692

NOTE 7 – PREPAYMENT

Prepayment consists of:

	December 31 2020	2019
Input tax receivable	71,074,567	67,676,085
Prepaid income tax	115,048	-
Total	71,189,615	67,676,085

NOTE 8 – INVESTMENT

This consists of investment in stocks-common in Steniel Manufacturing Corporation.

NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment consist of:

	COST			ACCUMULATED DEPRECIATION			
2020	12-31-19	Addition (disposal)	12-31-20	12-31-19	Provision (retirement)	12-31-20	NET book value
Land	9,768,600		9,768,600	-		-	9,768,600
Land improvements	4,912,906		4,912,906	3,472,044	460,350	3,932,394	980,512
Admin building	34,867,266		34,867,266	23,211,636	2,913,907	26,125,543	8,741,723
Laboratory building	1,806,723		1,806,723	1,626,048	180,672	1,806,720	3
Building improvement	51,219,858		51,219,858	38,891,398	6,487,002	45,378,400	5,841,458
Warehouse building	7,974,103	19,314,992	27,289,095	2,462,657	2,175,285	4,637,942	22,651,153
Warehouse equipments	3,487,179		3,487,179	828,694	329,018	1,157,712	2,329,467
Plant machineries	18,673,750		18,673,750	14,030,582	1,379,542	15,410,124	3,263,626
Plant equipments	3,098,695	43,385,659	46,484,354	1,510,992	2,335,651	3,846,643	42,637,711
Lightings and electricals	1,159,982		1,159,982	1,159,982	-	1,159,982	-
Motor vehicles	1,977,207		1,977,207	1,977,207	-	1,977,207	-
Furniture, fixtures nd equipments	1,929,202		1,929,202	1,549,655	192,920	1,742,575	186,627
Computer software	256,697		256,697	132,345	14,705	147,050	109,647
Total	141,132,166	62,700,650	203,832,818	90,853,240	16,469,052	107,322,292	96,510,526

2019	COST 12-31-18	COST Addition (disposal)	COST 12-31-19	ACCUMULATED DEPRECIATION 12-31-18	ACCUMULATED DEPRECIATION Provision (retirement)	ACCUMULATED DEPRECIATION 12-31-19	NET book value
Land	9,768,600		9,768,600	-		-	9,768,690
Land improvements	4,912,906		4,912,906	3,011,694	460,350	3,472,044	1,440,862
Admin building	34,867,266		34,867,266	20,297,729	2,913,907	23,211,626	11,655,630
Laboratory building	1,806,723		1,806,723	1,445,376	180,672	1,626,048	180,675
Building improvement	32,727,168	18,492,690	51,219,858	32,404,396	6,487,002	38,891,398	12,328,460
Warehouse building	2,845,532	5,128,571	7,974,103	1,703,805	758,852	2,462,657	5,511,446
Warehouse equipments	1,710,391	1,776,788	3,487,179	499,676	329,018	828,694	2,658,485
Plant machineries	15,173,750	3,500,000	18,673,750	12,651,040	1,379,542	14,030,582	4,643,168
Plant equipments	3,098,695		3,098,695	1,344,624	166,368	1,510,992	1,587,703
Lightings and electricals	1,159,982		1,159,982	1,061,634	98,348	1,159,982	-
Motor vehicles	1,977,207		1,977,207	1,977,207	-	1,977,207	-
Furniture, fixtures nd equipments	1,781,510	147,692	1,929,202	1,356,735	192,920	1,549,655	379,547
Computer software	256,697		256,697	117,640	14,705	132 345	124,352
Total	112,086,427	29,045,741	141,132,168	77,871,556	12,981,684	90,853,240	50,278,928

NOTE 10 – ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABLITIES

Accounts payable, accrued expenses and other liabilities consist of:

	December 31 2020	December 31 2019
Accounts payable - trade	26,478,418	1,669,690
Accounts payable - others	-	31,275,000
Withholding tax payable	413,126	65,326
Accrued taxes and licenses	605,813	-
Other payables	565,871	212,547
TOTAL	28,063,228	33,212,563

NOTE 11 – ACCOUNTS PAYABLE

Accounts payable represents investment in Steniel Manufacturing Corporation.

NOTE 12 – ACCOUNTS PAYABLE - OTHERS

Accounts payable – others consist of funds to finance acquisitions of property and equipment.

NOTE 13 – LOAN PAYABLE

Loan payable represents borrowings/credit line from Banco de Oro. It was converted into "Term Loan" for five (5) years.

NOTE 14 – SHARE CAPITAL

Share capital consists of:

	2020			2019		
	SHARES		AMOUNT	SHARES		AMOUNT
Authorized capital stock - Ps. 1.00 par value per share	50,000,000	Ps.	50,000,000	50,000,000	Ps.	50,000,000
Issued and outstanding	23,250,000	Ps.	23,250,000	23,250,000	Ps.	23,250,000

NOTE 15 – RETAINED EARNINGS

Retained earnings represent accumulated earnings of the Company. Free retained earnings represent accumulated earnings available for dividend declaration subject to certain adjustments (SEC Memo Circular No. 11, Series of 2008).

	RETAINED EARNINGS		TOTAL
	UNAPPROPRIATED	APPROPRIATED	
Balance at December 31, 2018	17,401,717	60,600,000	78,001,717
Appropriated for plant expansion	(5,000,000)	5,000,000	-
Net income for the year	6,327,252		6,327,252
Balance at December 31, 2019	16,728,969	65,600,000	84,328,969
Appropriated for plant expansion	(5,000,000)	5,000,000	-
Net income for the year	5,094,613		5,094,613
Balance at December 31, 2020	18,823,582	70,500,000	89,423,582

NOTE 16 – REVENUE

Revenue consists of:

	December 31	
	2020	2019
Sales from used paper products and scrap materials	135,005,875	158,061,687
Zero-rated sales	54,019,224	80,028,934
Lessor of real property	2,392,614	2,620,990
Trucking services	31,920	-
TOTAL	191,449,633	240,711,611

NOTE 17 – DIRECT COSTS

Direct costs consist of:

	December 31	
	2020	2019
Inventory, beg.	2,785,326	18,618,894
Purchases	144,078,464	157,892,047
Depreciation	6,219,496	2,732,128
Fuel, oil and lubricants	2,337,049	3,106,795
Salaries and wages	2,232,018	2,426,733
Power, light and water	1,930,765	2,666,298
Manpower services	1,591,535	443,010
Repairs and maintenance	1,208,858	2,417,659
Materials, parts and supplies	1,043,150	1,650,918
SSS, PHIC and Pag-ibig contributions	281,435	374,269
13th month pay	186,002	202,144
Calibration	74,600	42,000
Total	163,958,698	192,571,892
Less: Inventory, end	21,153,439	2,785,326
Direct Costs	142,805,259	189,786,566

NOTE 18 – SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses consist of:

	December 31	
	2020	2019
Freight and handling	17,505,312	18,717,790
Depreciation	10,249,556	10,249,556
Security services	4,052,160	2,716,704
Interest expense	3,670,540	3,223,584
Taxes and licenses	2,701,670	2,368,732
Salaries and wages	1,106,886	1,310,831
Insurance expense	978,047	1,123,920
Rental	206,000	184,000
Postage and communications	184,273	188,579
Office supplies	156,484	208,131
SSS, philhealth and pag-ibig contributions	137,210	196,900
13th month pay	82,240	108,834
Travel and transportation	1,857	2,348
Employees benefits	-	60,000
Other operating expenses	575,086	1,226,306
TOTAL	41,517,321	41,886,014

NOTE 19 – OTHER MATTERS (TAXES AND LICENSES)

Pursuant to the disclosure requirements of BIR Revenue Regulation No. 15-2010, shown below are the information on taxes, duties and license fees paid and accrued by the Company as at December 31, 2020 and 2019:

a.) Income Taxes

	December 31	
	2020	2019
Provision for income taxes consist of:		
Current		
RCIT/MCIT	1,932,440	2,711,679
Total	1,932,440	2,711,679

b.) Value Added Tax (VAT)

Details of the Company's net sales/receipts, output VAT and input Vat account are as follows:

1) Sales	Net Sales/ Receipt	Output Vat
Sales of goods	135,005,875	16,200,705
Services	2,424,534.00	290,944
Zero-Rated	54,019,224	-
Total	191,449,633	16,491,649
2) Purchases	**Purchases**	**Input Vat**
Beginning balance		67,626,404
Current year transactions:		
Capital goods not exceeding 1 million		
Goods other than capital goods	137,617,261	16,514,071
Services lodged under other accounts	28,547,840	3,425,741
Total	166,165,101	87,566,216
Balance		(71,074,567)

c.) Withholding Taxes

Details of withholding taxes for the year are as follows:

	December 31	
	2020	2019
Expanded	2,785,831	2,063,664
TOTAL	2,785,831	2,063,664

On March 26, 2021, the President signed into law the "Corporate Recovery and Tax Incentives for Enterprise Act" or CREATE which seeks to reduce the corporate income tax rate and rationalize the current fiscal incentives by making it time-bound, targeted and performance based.

Corporate income tax of domestic corporations shall either be 20% or 25%. The 20% rate applies to domestic corporations with a net taxable income not exceeding P5 million AND with total assets not exceeding P100 million. In computing the total assets, the value of the land where the office, plant and equipment are situated during the taxable year is to be excluded.

All other domestic corporations are subject to the 25% corporate income tax rate. Also, MCIT for both domestic and resident foreign corporations have been decreased to 1%.

Section 09 of the Revenue Regulation No 5-2021 provides the mandated rates to be used during the transition period. The current and deferred taxes for financial reporting purposes as of December 31, 2020 are measured using the RCIT/MCIT rate as of December 31, 2020. The difference will be reflected as an adjustment to the current income tax for the year ended December 31, 2021 in accordance with PAS 12, Income Taxes.

NOTE 20 – PROFESSIONAL FEES

ELISES & CIUDADANO (A Professional Firm of Certified Public Accountants), formerly Ampil, Elises, Ciudadano & Co., CPAs, is a registered general professional partnership under SEC Registration No. PG200323006 dated October 14, 2003 and as amended on December 17, 2015, is income tax exempt.

GOLDEN BALES COPORATION AUDITED FINANCIAL STATEMENT 2021

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

The following document has been received:

Receiving: SHIELLA MAY MACASUKIT
Receipt Date and Time: May 13, 2022 04:42:48 PM

Company Information

SEC Registration No.: CS200251939
Company Name: GOLDEN BALES CORPORATION
Industry Classification: G51909
Company Type: Stock Corporation

Document Information

Document ID: OST10513202283869 21
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2021
Submission Type: Annual
Remarks: None

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	2	5	1	9	3	9

Company Name

GOLDEN BALES CORPORATION

Principal Office (No./Street/Barangay/City/Town)Province)

KM. 14 AFTER PANACAN SUB-
STATION, PANACAN, DAVAO CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS21		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
mail@goldenbales.com.ph	082-2349429	09190670914

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
SIX (6)	any day in March	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
EDNA C. KO			

Contact Person's Address

Note: In case of death, resgination or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

GOLDEN BALES CORPORATION

Km. 14, After Panacan Sub-Station, Panacan, Davao City

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS"

The management of **GOLDEN BALES CORPORATION** 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 the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 to do so.

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

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

ELISES & CIUDADANO (A Professional Firm of Certified Public Accountants), the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with the Philippines Standard on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

[redacted]

NIXON Y. LIM
Chairman of the Board

[redacted]

NIXON Y. LIM
Chief Executive Officer

[redacted]

EDNA C. KO
Chief Financial Officer

Signed this 25th day of March 2022.

E&C Elises & Ciudadano
(A Professional Firm of Certified Public Accountants)

"Dedicated to Excellence and Quality Service"

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THELMA S. CIUDADANO
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Davao City, Philippines

Telephone: (082) 282-2962
Fax (6382) 221-2594
Email: thelmaciudadano@yahoo.com

Annex 68-B

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

To the Shareholders and the Board of Directors
GOLDEN BALES CORPORATION
Km. 14, After Panacan Sub-Station,
Panacan, Davao City

We have examined the financial statements of **GOLDEN BALES CORPORATION** for the year ended **December 31, 2021,** on which I have rendered the attached report dated March 25, 2022.

In compliance with SRC Rule 68, we are stating that the said company has a total number of five (5) shareholders owning one hundred (100) or more shares each.

ELISES & CIUDADANO
(A Professional Firm of Certified Public Accountants)
BOA Accreditation No. 0161 (November 18, 2024)
SEC Accreditation No. 0161-SEC (AFS 2021-2025)
BSP Accreditation No. 0161-BSP (AFS 2021-2025)
CDA CEA No. 032-AF (March 17, 2024)

By:

[redacted]

THELMA S. CIUDADANO
CPA Certificate No. 33318 (September 27, 1977)
PTR No. 6359999 C (January 5, 2022)

BIR AN. 19-002456-001-2020 (March 03, 2023)
SEC Accreditation No. 33318-SEC (AFS 2021-2025)
BSP Accreditation No. 33318-BSP (AFS 2021-2025)

Davao City, Philippines
March 25, 2022

Elises & Ciudadano
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
GOLDEN BALES CORPORATION
Km. 14, After Panacan Sub-Station, Panacan,
Davao City

Opinion

We have audited the financial statements of GOLDEN BALES CORPORATION which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of GOLDEN BALES CORPORATION as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements 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. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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"Dedicated to Excellence and Quality Service"

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

Report on Other Legal and Regulatory Requirements
Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes paid and accrued (Note 19), and the schedules of retained earnings available for dividend declaration and tabular list of effective Philippine Financial Reporting Standards and Interpretations at the end of the reporting period are presented for the purpose of complying with the disclosure requirement of the Bureau of Internal Revenue and the Securities and Exchange Commission and are not a required part of the basic financial statements. Such information and additional schedules are the responsibility of Management. They have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

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BSP Accreditation No. 33318-BSP (AFS 2021-2025)

Davao City, Philippines
March 25, 2022

BIR REVENUE REGION 19
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COR

	Note	December 31 2021	2020
ASSETS			
Prepayment		78,396,254	,189,6
Tota Curren		,771,987	150,062,860
			775,000
roperty equipment		756,023	,510,526
		164,	177,285,526
OTA		Ps. 326,303,01	,348,386
AREHOLDERS			
Inco payable			
		43,478,220	28,063,228
Loan payable	13	30,850,000	63,750,000
Total Non-Current Liability		159,783,981	186,611,576
lities		203,262,201	214,674,804
gs		,790,809	89,423,582
quity		123,040,8	12,673,58
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		Ps. 326,303,010	Ps. 327,348,386

BIR REVENUE REGION 19
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GOLDEN BALES CORPORATION

STATEMENTS OF INCOME

		Years Ended December 31			
	Note		2021		2020
Revenue	16	Ps.	338,832,967	Ps.	191,449,633
Direct costs	17		(278,750,126)		(142,805,259)
Gross Profit		Ps.	60,082,841	Ps.	48,644,374
Selling and administrative expenses	18		(46,259,871)		(41,617,321)
Income from operations		Ps.	13,822,970	Ps.	7,027,053
Provision for income tax			(3,455,743)		(1,932,440)
NET INCOME		**Ps.**	**10,367,227**	**Ps.**	**5,094,613**
EARNINGS PER SHARE		**Ps.**	0.45	**Ps.**	0.22

BIR REVENUE REGION 19
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MAY 12 2022

GOLDEN BALES CORPORATION

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2021 and 2020

	SUBSCRIBED AND PAID	RETAINED EARNINGS Unappro-priated	RETAINED EARNINGS Appro-priated	TOTAL
Balance at January 1, 2020	Ps. 23,250,000	Ps. 18,728,969	Ps. 65,600,000	Ps. 107,578,969
Appropriated for plant expansion		(5,000,000)	5,000,000	-
Net income		5,094,613		5,094,613
Balance at December 31, 2020	**Ps. 23,250,000**	**Ps. 18,823,582**	**Ps. 70,600,000**	**Ps. 112,673,582**
Balance at January 1, 2021	Ps. 23,250,000	Ps. 18,823,582	Ps. 70,600,000	Ps. 112,673,582
Appropriated for plant expansion		(10,000,000)	10,000,000	-
Net income		10,367,227		10,367,227
Balance at December 31, 2021	Ps. 23,250,000	Ps. 19,190,809	Ps. 80,600,000	Ps. 123,040,809

GOLDEN BALES CORPORATION

STATEMENTS OF CASH FLOWS

	Note		Years Ended December 31 2021		2020
Cash flows from operating activities					
Net income before tax		Ps.	13,822,970	Ps.	7,027,053
Adjustments for:					
Depreciation	9		15,738,496		16,469,052
Interest expense	18		1,973,941		3,570,540
Operating income before working capital changes			31,535,407		27,066,645
Changes in operating assets and liabilities					
Receivables	6		11,740,444		72,038,400
Inventory	17		(21,029,814)		(18,368,113)
Prepayment	7		(7,206,639)		(3,513,530)
Accounts payable, accrued expenses and other liabilities	10		15,001,329		(5,149,335)
Income tax payable			413,663		(378,724)
Cash generated from operations			30,454,390		71,695,343
Interest paid			(1,973,941)		(3,570,540)
loans paid			(178,750,000)		(272,750,000)
Income taxes paid			(3,455,743)		(1,932,440)
Net cash from operating activities			(153,725,294)		(206,557,637)
Cash flows from investing activities					
Investment	8		-		(74,775,000)
Acquisition of property and equipment	9		(2,983,993)		(62,700,650)
Net cash from investing activities			(2,983,993)		(137,475,650)
Cash flows from financing activities					
Accounts payable	11		-		74,775,000
Accounts payable - others	12		6,072,405		48,086,576
Loan payable	13		145,850,000		222,000,000
Net cash from financing activities			151,922,405		344,861,576
Net increase (decrease) in cash			(4,786,882)		828,289
Cash at beginning of year			9,170,514		8,342,225
CASH AT END OF YEAR	5	Ps.	4,383,632	Ps.	9,170,514

GOLDEN BALES CORPORATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - CORPORATE INFORMATION

Golden Bales Corporation is a registered stock corporation with the Philippine Securities and Exchange Commission with Reg. No CS200251939 and incorporated on July 30, 2002. Its purpose is to engage in the business of buying and selling of used paper products cartons and/or scrap materials in whatever form but not limited to converting, packaging and baling the same into another form of finished products or raw materials and/or otherwise dealing the same at wholesale or retail, among others. It is also engaged in exporting of scrap materials; and trucking and hauling services.

The Company's major shareholders with percentages of ownership are shown below:

	December 31	
	2021	2020
Greenstone Packaging Corporation	70%	70%
Paulino B. Ko	12%	12%
Edna C. Ko	8%	8%
Paulo Benedicto C. Ko	5%	5%
Paulo Lorenzo C. Ko	5%	5%
Nixon Y. Lim	0%	0%
Total	100%	100%

The business address is located at Km. 14, After Panacan Sub-Station, Panacan, Davao City.

The financial statements are authorized for issue on March 25, 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

The accounting and financial reporting policies are consistent with those of the previous financial year except for the changes as stated below.

a.) Statement of Compliance and Basis of Preparation

The financial statements of Golden Bales Corporation been prepared in accordance with the presentation, recognition and measurement bases specified by the Philippine Financial Reporting Standards adopted by the Philippine Financial Reporting Standards Council, which are in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) under the historical cost convention.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2 or value in use in PAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – inputs are 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 are unobservable inputs for the asset or liability.

The preparation of financial statements in conformity with Philippine Financial Reporting Standards requires management to make certain critical estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

The financial statements are presented in Philippine Pesos, which is the Company's functional and presentation currency, and all values are rounded to the nearest peso except when otherwise indicated.

The Company presents and classifies assets and liabilities in the statement of financial position based on whether it is current and non-current. Current assets are: (a) expected to be realized or intended to be sold or consumed in normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within twelve months after the reporting period or (d) cash or cash equivalent (unless restricted). All other assets are non-current.

Current liabilities are those; a.) expected to be settled within the entity's normal operating cycle b.) held for purposes of trading c.) due to be settled within twelve months d.) for which the entity does not have an unconditional right to defer settlement beyond twelve months. Other liabilities are non-current. When a long-term debt is expected to be refinanced under an existing loan facility, and the Company has the discretion to do so, the debt is classified as non-current even if the liability would otherwise be due within twelve months.

Deferred income taxes are classified as non-current.

b.) New and revised Philippine Financial Reporting Standards (PFRSs)

In the current year, the Company has applied the following standards and amendments issued by the International Accounting Standards Board (IASB) and adopted by the Philippine Financial Reporting Standards Council (PFRSC) for the first time that are mandatorily effective for its annual reporting period commencing January 1, 2020.

Management believes that the revised framework reporting and amendments below did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

1. The Conceptual Framework for Financial Reporting

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standard.

The Conceptual Framework includes some new concepts, provides updated definition and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 – Financial statements and the reporting entity
- Chapter 4 – The elements of financial statements
- Chapter 5 – Recognition and derecognition
- Chapter 6 – Measurement
- Chapter 7 – Presentation and disclosure
- Chapter 8 – Concepts of capital and capital maintenance

Effective for annual periods beginning on or after January 1, 2020.

2. Definition of Material – Amendments to PAS 1 and PAS 8

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 (consequently to PAS 1 and PAS 8) to align the definition of 'material' across the standard and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, is material in the context of financial statements.

The amendments explain that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information. Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately.

The amendments replaced the threshold 'could influence', which suggests that any potential influence of users must be considered, with 'could reasonably be expected to influence' in the definition of 'material'. In the amended definition, therefore, it is clarified that the materiality assessment will need to take into account only reasonably expected influence on economic decisions of primary users.

The current definition refers to 'users' but does not specify their characteristics, which can be interpreted to imply that an entity is required to consider all possible users of the financial statements when deciding when information to disclose. Consequently, the IASB decided to refer primary users in the new definition to help respond to concerns that the term 'users' may be interpreted too widely.

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Effective for annual periods beginning on or after January 1, 2020.

The Company has not applied the following amendments to PFRS issued by IASB and adopted by PFRSC that are mandatorily effective on accounting period on or after January 1, 2020.

Management believes that the amendments below did not have any impact on the Company's accounting policies and did not require retrospective adjustment.

1. Definition of a Business – Amendments to PFRS 3

The IASB issued amendments to the definition of a business in PFRS 3, Business Combinations, to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all the inputs and processes needed to create outputs. That is, the inputs must have 'the ability to contribute to the creation' rather than 'the ability to create outputs'.

Prior to the amendments, PFRS 3 stated that a business need not include all the inputs or processes that the seller used in operating that business, 'if market participants are capable of acquiring the business and continuing to produce outputs, for example, by integrating the business with their own inputs and processes'. The reference to such integration is now deleted from PFRS 3 and the assessment must be based on what has been acquired in its current state and condition.

The amendments specify that if a set of activities and assets does not have outputs at the acquisition date, an acquired process must be considered substantive only if: (a) it is critical to the ability to develop or convert acquired inputs into outputs; and (b) the inputs acquired include both an organized workforce with necessary skills, knowledge, or experience to perform that process, and other inputs that organized workforce could develop or convert into outputs. In contrast, if a set of activities and assets has outputs at that date, an acquired process must be considered substantive if: (a) it is critical to the ability to continue producing outputs and the acquired inputs include an organized workforce with the necessary skills, knowledge, or experience to perform that process; or (b) it significantly contributed to the ability to continue producing outputs and either is considered unique or scarce, or cannot be replaced without significant cost, effort or delay in the ability to continue producing outputs.

The amendments narrowed the definition of outputs to focus on goods and services to customers, investments income (such as dividends or interest) or other income from ordinary activities.

The amendments introduced an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. Entities may elect to apply the concentration test on a transaction-by-transaction basis. The test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if an entity elects not to apply the test, a detailed assessment must be performed applying the normal requirements in PFRS

2. The amendments must be applied to transaction that are either business combinations or assets acquisitions for which the acquisitions date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

Effective for annual period beginning on or after January 1, 2020.

3. Interest rate Benchmark Reform – Amendments to PFRS 9, PAS 39 and PFRS 7

The amendments in Interest Benchmark Reform (Amendments to PFRS 9, PAS 39 and PFRS 7 clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as result of interest rate benchmark reform.

Effective for annual periods beginning on or after January 1, 2020.

c.) New and revised PFRS in issue but not yet effective

The Company has not applied the following new and revised PFRS and Interpretations that have been issued but are not yet effective.

Management believes that adoption of those standards/interpretations will not have any material impact on the amounts to recognize in the Company's financial statements.

New Pronouncements	Effectivity
PFRS 17 – Insurance contracts	Originally, effective for annual periods beginning on or after January 1, 2021, but extended to January 1, 2023.
- Amendments to PFRS 16 - COVID 19-related rent concessions	Effective for annual periods beginning on or after June 1, 2020.
- Amendments to PAS 1 – Classification of liabilities as current or non-current	Effective for annual periods beginning on or after June 1, 2022 (possibly deferred to January 1, 2023).
- Amendments to PAS 16 – Property, plant and equipment proceeds before intended use	Effective for annual periods beginning on or after January 1, 2022.
- Amendments to PFRS 3 – Reference to the Conceptual Framework	Effective for annual periods beginning or after January 1, 2022.
- Amendments to PAS 37 – Onerous contracts – cost of fulfilling a contract	Effective for annual periods beginning or after January 1, 2022.
- Annual improvements to PFR Standards 2018-2020	Effective for annual periods beginning or after January 1, 2022.
- Amendments to PFRS 10 and PAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	Effective for annual periods beginning or after January 1, 2022.

1. PFRS 17 Insurance Contracts

PFRS 17 was issued in May 2017 as replacement for PFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

The standard allows a choice between recognizing changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under PFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

This was originally scheduled to be effective for annual periods beginning on or after January 1, 2021 but was extended to January 1, 2023.

2. Covid-19-related Rent Concessions – Amendments to PFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases (consequently to PFRS 16) which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognized in profit or loss arising from the rent concessions.

Effective for annual periods beginning on or after June 1, 2020.

3. Classification of Liabilities as Current or Non-current – Amendments to PAS 1

The narrow-scope amendments to PAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Effective for annual periods beginning on or after January 1, 2022 [possibly deferred to 1 January 2023]

4. Property, Plant and Equipment: Proceeds before intended use – Amendments to PAS 16

The amendment to PAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

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

5. Reference to the Conceptual Framework – Amendments to PFRS 3

Minor amendments were made to PFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date.

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

6. Onerous Contracts – Cost of Fulfilling a Contract Amendments to PAS 37

The amendment to PAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

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

7. Annual Improvements to PFRS Standards 2018–2020

The following improvements were finalized in May 2020:

- PFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

- PFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

- PFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same PFRS 1 exemption.

- PAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under PAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

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

8. Sale or contribution of assets between an investor and its associate or joint venture – Amendments to PFRS 10 and PAS 28

The IASB has made limited scope amendments to IFRS 10 Consolidated Financial Statements (consequently PFRS 10) and IAS 28 Investments in Associates and Joint Ventures (consequently to PAS 28).

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in PFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognize the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognized by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

In December 2015, the IASB decided to defer the application date of this amendment until such time as the IASB has finalized its research project on the equity method.

d.) Financial Assets and Financial Liabilities

The Company's principal financial instruments comprise cash and loans receivable. The main purpose of these financial instruments is to fund the Company's operations and capital expenditures. The Company has various other financial instruments such as employees and other receivables, accounts payable and accrued expenses, excluding statutory obligations.

Recognition and initial measurement

The Company initially recognizes financial instruments on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVPTL, transaction costs that are directly attributable to its acquisition or issue.

Classification

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss, (FVTPL)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVPTL

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company has no debt instrument measured at FVTPL and financial assets measured at FVPTL as at December 31, 2021 and 2020.

Business model assessment

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

- the stated policies and objectives for the portfolio and 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.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose 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 basic 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 payment of principal and interest, the Company considers the contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms;
- terms that limit the Company's claims to cash flows from specified assets; and
- features that modify consideration of the time value of money.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial Liabilities

The Company classifies its financial liabilities as measured at amortized cost or FVTPL:

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at FVTPL, and borrowings, other financial liabilities carried at amortized cost, or as derivatives designated at hedging instruments, as appropriate.

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

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest amortization process.

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

Other financial liabilities at amortized cost

After initial measurement, financial liabilities not qualified and not designated as at FVPTL are subsequently measured at amortized cost using the effective interest method.

Derecognition

Financial Assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire.

On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (1) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Financial Liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired.

Financial liabilities are derecognized when the obligation under the liability is discharged or cancelled or expires.

Modifications of financial assets and financial abilities

Financial assets

If the terms of financial assets are modified, the Company evaluates whether the cash flows of the modified assets are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment. In other cases, it is presented as interest income.

Financial Liabilities

The Company derecognizes a financial liability when its terms are modified and cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.
The Company has no modified liability as of December 31, 2021 and 2020.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under PFRS, or for gains and losses arising from a group of similar transactions.

Impairment

The Company assesses on a forward looking basis the loss allowance for expected credit losses associated with its receivable accounts. The loss allowance is based on the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Company has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

- To calculate ECL, the Company estimates the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e. the difference between: the contractual cash flows that are due to the Company under the contract, and

- The cash flows the Company expects to receive is discounted at the effective interest rate of the receivable account.

The Company groups its receivable accounts into stages based on the applied impairment methodology, as described below:

- Stage 1 - Performing - when receivable accounts are first recognized, or classified as current, the Company recognizes an allowance based on 12-month expected credit losses one (1) percent of the gross carrying amount of the receivable accounts.

- Stage 2 - Underperforming – when receivable accounts show a significant increase in credit risk, or 90-180 days past amortization due and three (3) missed amortization, the Company records an allowance for the lifetime credit loan of 20-50% percent of the gross carrying amount of the loan account and the Company records an allowance for the lifetime credit loss of 10-99% percent of the gross carrying amount of the receivable accounts.

- Stage 3 – Impaired - the Company recognizes the lifetime expected credit losses of 100% percent for these loan accounts.In addition, In Stage 3, the Company accrues interest income on the amortized account of the loan account.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of a borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured, as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial assets are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Presentation

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the financial assets measured at amortized cost.

Write-off

Receivable accounts are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor 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 the recovery of amounts due.

e.) Cash

Cash included cash on hand and savings and demand deposits that are unrestricted and readily available for use in the Company's operations and generally earn interest based on daily bank deposit rates.

f.) Loans and Other Receivables

Receivables are recognized initially at fair value plus incremental direct transaction costs and subsequently measured at amortized cost using the effective interest method, less provision for impairment. These are held as part of a business model whose objective is to collect contractual cash flows and have contractual cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. A loss allowance is established on a forward looking basis for expected credit losses associated with loans and other receivables. The loss allowance is based on the probability of default in the next twelve months unless there has been significant increase in credit risk since recognition, in which case, the allowance is based on the probability of default over the life of the asset. The amount of the loss allowance is recognized in statements of profit or loss.

Loans and other receivables are derecognized when the contractual rights to receive cash flows from the financial instrument expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party.

g.) Accounts Payable and Other Financial Liabilities

Accounts and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30days of recognition. They are presented as current liabilities unless payment is not due within twelve (12) months after the reporting period. They are recognized initially at fair value including transaction costs unless the financial liability is carried at FVTPL, in which case, the transaction costs are immediately recognized in profit or loss, and subsequently measured at amortized costs using the effective interest method.

h.) Equity Instrument

Equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recorded at the proceeds received and are not remeasured after recognition.

Ordinary and preferred shares are classified as equity.

i.) Prepayment

Prepaid expenses are expenses paid in advance and recorded as asset. They are apportioned over the period covered by the payment and charged to the appropriate account in profit or loss when incurred.

Prepayment that are expected to be realized for no more than twelve (12) months after end of reporting period are lodged under current asset. Otherwise these are classified under non current asset.

j.) Chattel property acquired

In certain circumstances, chattel property are acquired following the foreclosure or dation in payment on loans that are in default.

These are initially measured at the carrying amount of the loan (i.e. outstanding loan balance adjusted for allowance for credit losses) plus booked accrued interest and transaction costs incurred upon acquisition.

Subsequent to initial recognition, and after the lapse of the option to recover possession within the period of 12 months, CPA are stated at cost less accumulated depreciation and any impairment value. Depreciation is computed starting April, 2021 on the straight-line method using the estimated useful life of five (5) years.

CPA are derecognized when the transferor-mortgagor exercises his/her option to recover or they have been disposed of or when CPA is permanently withdrawn from use and no future benefit is expected from its disposal. Any resulting gain or loss from the retirement or disposal of a CPA is included in profit or loss in the period of retirement or disposal.

Expenditures incurred after the CPA have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the period in which the costs are incurred.

Transfers are made to CPA when, and only when, there is a change in use evidenced by ending of owner occupation, and commencement of an operating lease to another party.

k.) Property and Equipment

Property and equipment are stated at historical cost less subsequent depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are 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. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

The Company computes depreciation based on the carrying values of the property and equipment using the straight-line method over the useful lives of the assets ranging from 5 – 10 years.
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.l).

An item of property and equipment is derecognized upon disposal or when no future benefits are expected to arise from the continued use of the asset. Any gains and losses on disposals or retirement of an item of property and equipment are determined as difference between the sales proceeds and the carrying amount of the asset. These are included in the statement of profit or loss and other comprehensive income. The cost and the related accumulated depreciation and any accumulated impairment losses, if any, are removed from the account.

l.) Impairment of Non-Financial Assets

The carrying values of property and equipment and other assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of the asset is the greater of net selling price and value in use. 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 loss is charged to income.

m.) Employee Benefits

Short-term benefits

Employee entitlements to salaries and wages, annual vacation, and other benefits are recognized when they are accrued to employees. Annual vacation and other leaves have been calculated on an actual entitlement basis at current rates of pay. Unpaid benefits at the end of the reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments.

Post-employment obligations

The Company maintains a defined contribution plan for its regular employees. Under the plan, the Company pays a fixed contribution to a publicly administered pension entity. The Company has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets/fund to pay all employees the benefits relating to employee service in the current and prior periods. However, Management has set up yearly appropriation based on certain percentage of net profit after tax to take care of future deficit. The contributions are recognized as employee benefit expense when they are due.

The Company employs less than ten (10) employees and, therefore, is not covered under Republic Act (RA) No. 7641 (The Philippine Retirement Pay Law), which provides for defined benefit minimum guarantee equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service. The benefits due under RA No. 7641 are required to be accounted for as defined benefit plan under PAS 19 (Revised), "Employee Benefits".

Productivity incentive

The Company recognizes a liability and an expense for productivity incentive, based on a formula that takes into consideration the employees' performance by reaching certain quota set by the Company.

n.) Revenue Recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. The Company concluded that it is acting as a principal in all its revenue arrangements.

p.) Leases

As explained in Note 2b, the Company has changed its accounting policy for leases where the Company is a lessee.

Until 2018 financial year, leases were classified as either finance leases or operating leases. Where the Company had substantially all the risks and rewards of ownership were reclassified as finance leases. Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were reclassified as operating lease. Payments made the operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Asset and liability arising from a lease are initially measured on a present value basis. Lease liability includes the net present value of the lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use asset is measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made or before the commencement date

Right-of-use asset is generally depreciated over the lease term on a straight-line basis.

q.) Taxation

Income tax expense represents the sum of the tax currently payable and deferred income tax.

Current Tax

The tax currently payable is based on taxable income for the year. Taxable income differs from the profit as reported in the statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted at the end of the reporting period.

Deferred Income Tax

Deferred income tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the temporary differences (principally relating to provisions for receivable impairment and unearned interest and discounts) between financial reporting bases of assets and liabilities and their related tax bases.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The rates enacted at the end of the reporting period are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability.

Current and Deferred Tax for the Period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items recognized in profit or loss or directly in equity. In this case, the tax is also recognized in profit or loss or directly in equity, respectively.

The Company establishes liabilities for probable and estimable assessments by the Bureau of Internal revenue (BIR) resulting from any known tax exposures. Estimates represent a reasonable provision for taxes ultimately expected to be paid and may need to be adjusted over time as more information becomes available.

r.) Earnings Per Share

Basic earnings per share were computed dividing net profit for the year over the number of shares outstanding during the year. There are no potential common shares outstanding that would require disclosure of diluted earnings per share in the statement of profit or loss.

s.) Provisions and Contingencies

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

In those cases, where the possible outflow of economic resource as a result of present obligation is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

t.) Going Concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

u.) Rounding of Amounts

All amount disclosed in the financial statements and notes have been rounded off to the nearest peso, unless otherwise indicated.

v.) Events after the End of the Reporting Date

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

w.) Comparatives

Where necessary, comparative figures have been reclassified as required by relevant standards.

NOTE 3 - FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risk and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in market, products and emerging best practice.

Risk management is carried by Management under policies approved by the Board of Directors.

The risks arising from financial instruments to which the Company is exposed are financial risks, which include credit risk, liquidity risk, and interest rate risk.

a. *Credit risk*

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are set-up for losses that have been incurred at the end of the reporting date. Significant changes in the economy, or in the health of the particular industry segment that represents a concentration in the Company's portfolio, could result in losses that are different from those provided for at the end of the reporting date. The Company therefore carefully manages its exposure to credit risk.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to receivable and cash accounts. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk are approved by the Board of Directors.

The Company's maximum exposure to credit risk before collateral held or other credit risk enhancements at the reporting date are shown below:

		December 31	
	Note	2021	2020
Cash	5	4,383,632	9,170,514
Receivables	6	36,808,848	48,549,292
Total		41,192,480	57,719,806

The above table represents a worst-case scenario of credit risk exposure to the Company at December 31, 2021 and 2020, without taking account of any collateral held or other credit enhancements attached.

As shown above, 10.64% (15.89% in 2020) of the total maximum exposure is derived from cash, while 89.36% (84.11% in 2020) from accounts receivable.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Company.

The Company assesses on a forward-looking basis the loss allowance for expected credit losses associated with its loans and other debt financial assets not held at FVTPL. The loss allowance is based on the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Company has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

- To calculate ECL, the Company estimates the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e. the difference between: the contractual cash flows that are due to the Company under the contract, and
- The cash flows the Company expects to receive is discounted at the effective interest rate of the loan.

The Company groups its loans into stages based on the applied impairment methodology, as described below:

- Stage 1 - Performing loans - when loans are first recognized, or classified as current, the Company recognizes an allowance based on 12-month expected credit losses of one (1) percent of the gross carrying amount of the loan account.
- Stage 2 - Underperforming loans - when a loans shows a significant increase in credit risk, the Company records an allowance for the lifetime credit loss of 2.5 – 15 percent of the gross carrying amount of the loan account.
- Stage 3 - Impaired loans - the Company recognizes the lifetime expected credit losses of 100% percent for these loans.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of a borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured, as follows:

- If the expected restricting will not result in derecognition of the existing asset, then the expected cash flow arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the asset, then the expected fair value of the new asset is treated as the financial cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Loss allowance for ECL are presented in the statement of financial position as a deduction from the gross carrying of the financial assets measured at amortized cost.

The Company groups its receivable accounts into stages based on the applied impairment methodology, as described below:

- Stage 1 - Performing - when receivable accounts are first recognized, or classified as current, the Company recognizes an allowance based on 12-month expected credit losses one (1) percent of the gross carrying amount of the receivable accounts.

- Stage 2 - Underperforming – when receivable accounts show a significant increase in credit risk, or 90-180 days past amortization due and three (3) missed amortization, the Company records an allowance for the lifetime credit loan of 20-50% percent of the gross carrying amount of the loan account and the Company records an allowance for the lifetime credit loss of 10-99% percent of the gross carrying amount of the receivable accounts.

- Stage 3 – Impaired - the Company recognizes the lifetime expected credit losses of 100% percent for these loan accounts.in addition, in Stage 3, the Company accrues interest income on the amortized account of the loan account.

Loans and other receivables are written off (either partially or in full) when there is no realistic prospect of recovery. 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 table below shows the credit quality by class of asset for all financial assets exposed to credit risk

	Current						
	High Grade	Medium Grade	Low Grade	Watchlisted	Substandard	Doubtful and Impaired	Total
December 31, 2021							
Business	36,808,848						36,808,848
Personal							
Total	36,808,848						36,808,848

	Current						
	High Grade	Medium Grade	Low Grade	Watchlisted	Substandard	Doubtful and Impaired	Total
December 31, 2020							
Business	48,549,292						48,549,292
Personal							
Total	48,549,292						48,549,292

The Company classifies the financial assets under current status having the following credit quality:

- High Grade – pertains to counterparties that are not expected to default in settling their obligations, thus, credit risk exposure is minimal.

- Medium Grade – pertains to counterparties who pay amounts due to them on their due dates even without an effort from the Company.

- Low Grade – financial assets that are collected on their due dates provided that the Company makes persistent effort to collect them *b.* ***Liquidity risk***

Prudent liquidity risk management implies maintaining sufficient cash and the availability of these funds when needed. The Board sets limits on the minimum available cash resources to meet such needs and demands.

The table below summarizes the maturity profile of the Company's financial liabilities, excluding statutory obligations:

	Within 1 year	Over 1 year and above	TOTAL
December 31, 2021			
Accounts payable - trade	41,748,366		41,748,366
Income tax payable	413,663		413,663
Withholding tax payable	827,519		827,519
Other payables	488,672		488,672
Accounts payable		74,775,000	74,775,000
Accounts payable - others		54,158,981	54,158,981
Loan payable		30,850,000	30,850,000
Total Financing Liabilities	43,478,220	159,783,981	203,262,201

	Within 1 year	Over 1 year and above	TOTAL
December 31, 2020			
Accounts payable - trade	26,478,418		26,478,418
Withholding tax payable	413,126		413,126
Accrued taxes and licenses	605,813		605,813
Other payables	565,871		565,871
Accounts payable		74,775,000	74,775,000
Accounts payable - others		48,086,576	48,086,576
Loan payable		63,750,000	63,750,000
Total Financing Liabilities	28,063,228	186,611,576	214,674,804

c. ***Interest rate risk***

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The interest rate risk associated with bank deposits is considered minimal.

d. ***Fair Values of Financial Assets and Liabilities***

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Company's statement of financial position at their fair values.

	Carrying Value	Fair Value 1	Fair Value 2	Fair Value 3	Carrying Amount Approximates Fair Value
At 31 December 2021					
FINANCIAL ASSETS					
Cash	4,383,632				4,383,632
Receivables	36,808,848				36,808,848
Other financial assets	285,110,530				285,110,530
Total	326,303,010				326,303,010
FINANCIAL LIABILITIES					
Accounts payable, accrued expenses and other liabilities	43,478,220				43,478,220
Other financial liabilities	159,783,981				159,783,981
Total	203,262,201				203,262,201

	Carrying Value	Fair Value 1	Fair Value 2	Fair Value 3	Carrying Amount Approximates Fair Value
At 31 December 2020					
FINANCIAL ASSETS					
Cash	9,170,514				9,170,514
Receivables	48,549,292				48,549,292
Other financial assets	269,628,580				269,628,580
Total	327,348,386				327,348,386
FINANCIAL LIABILITIES					
Accounts payable, accrued expenses and other liabilities	28,063,228				28,063,228
Other financial liabilities	186,611,576				186,611,576
Total	214,674,804				214,674,804

Fair Value Measurement

The following methods and assumptions were used to estimate the fair value of class of financial assets and financial liabilities.

1) *Cash, loans and receivable, accounts payable, accrued expenses, notes payable*

The carrying values approximate their fair values due to the short-term maturity of these financial instruments.

2) *Other financial liabilities*

The estimated fair values of other financial liabilities represent the discounted amount of estimated future cash flows expected to be paid. Expected cash flows are discounted at current market rates to determine fair value.

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's overall strategy remains unchanged.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities less cash. Total capital is equal to total stockholders' equity at year end.

The gearing ratios at year end were as follows:

	December 31	
	2021	2020
Total liabilities	203,282,201	214,674,804
Cash	4,383,632	9,170,514
Net Debt	198,878,569	205,504,290
Total shareholders' equity	123,040,809	112,673,582
Net debt to equity ratio	161.64%	182.39%

NOTE 4 – CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments 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. The estimates and assumption that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical judgment in applying accounting policies

Below is the critical judgment apart from those involving estimations, that Management has made in the process of applying the Company's accounting policies and that has the most significant effect on the amounts recognized in the financial statements.

Classification of financial instruments

The Company classifies a 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 agreement 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 statement of financial position.

The classification of financial assets and financial liabilities is presented in Note 2.d.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded as at financial reporting date cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

Disclosures of fair values of the Company's financial assets and financial liabilities in a way that permit it to be compared with its carrying amounts are shown in Note 3.

Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and contingencies are discussed in Note 2.

Key sources of estimating uncertainty

Following are the key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of loans and other receivables

The Company assesses on a forward-looking basis the loss allowance for expected credit losses associated with its loans and other debt financial assets not held at FVTPL. The loss allowance is based on the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Company has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Estimating useful lives of property and equipment

The Company estimates the useful lives of its property and equipment based on the period over which its assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the 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 operating expenses and decrease non-current assets.

Impairment of non-financial assets

The Company assesses at each financial reporting date whether there is an indication that the carrying amount of non-financial assets may be impaired. If any such indications exist, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. At the financial reporting date, the Company assesses 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.

Based on management's assessment, the carrying amounts of its non-financial assets are recoverable as of the financial reporting date. The net book values of property and equipment and other assets are disclosed in Notes 8 and 10, respectively.

Recognition of deferred tax assets

The Company reviews the carrying amounts of deferred tax assets at each financial reporting date and reduces them to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimates of future taxable income indicate that temporary differences will be realized in the future.

Estimating income tax

The Company makes significant judgment in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period.

The Company reviews the carrying amounts of deferred income tax at the end of each reporting period and reduces the amounts to the extent that it is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

NOTE 5 - CASH

Cash consists of:

	December 31	
	2021	2020
Cash on hand and balances with banks	4,383,632	9,170,514
TOTAL	4,383,632	9,170,514

Cash in banks generally earn interest at rates based on daily bank deposit rates.

NOTE 6 – RECEIVABLES

Receivables consist of:

	December 31	
	2021	2020
Trade	28,721,027	32,678,925
Advamces to suppliers	8,087,821	15,870,367
Total	36,808,848	48,549,292

NOTE 7 – PREPAYMENT

Prepayment consists of:

	December 31	
	2021	2020
Input tax receivable	78,396,254	71,074,567
Prepaid income tax	-	115,048
Total	78,396,254	71,189,615

NOTE 8 – INVESTMENT

This consists of investment in stocks-common in Steniel Manufacturing Corporation.

NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment consist of:

2021	COST 12-31-20	COST Addition (disposal)	COST 12-31-21	ACCUMULATED DEPRECIATION 12-31-20	ACCUMULATED DEPRECIATION Provision (retirement)	ACCUMULATED DEPRECIATION 12-31-21	NET book value
Land	9,768,600		9,768,600	-		-	9,768,600
Land improvements	4,912,906		4,912,905	3,932,394	460,350	4,392,744	520,162
Admin buliding	34,667,266		34,667,266	26,125,543	2,913,907	29,039,450	5,827,816
Laboratory building	1,806,723		1,806,723	1,806,720	3	1,806,723	-
Building improvement	51,219,858		51,219,858	45,378,400	5,641,438	51,219,858	-
Warehouse building	27,289,094	2,869,712	30,158,806	4,637,942	2,270,942	6,908,884	23,249,922
Warehouse equipments	3,487,179		3,487,179	1,157,712	329,018	1,486,730	2,000,449
Plant machineries	18,673,750		18,673,750	15,410,124	1,379,542	16,789,666	1,884,084
Plant equipments	46,484,354		46,484,354	3,846,643	2,335,651	6,182,294	40,302,060
Lightings and electricals	1,159,982		1,159,982	1,159,982	-	1,159,982	-
Motor vehicles	1,977,207		1,977,207	1,977,207	-	1,977,207	-
Furniture, fixtures nd equipments	1,929,202	114,281	2,043,483	1,742,575	192,920	1,935,495	107,988
Computer software	256,697		256,697	147,050	14,705	161,755	94,942
Total	203,832,818	2,983,993	206,816,811	107,322,292	15,738,496	123,060,788	83,756,023

2020	COST 12-31-19	COST Addition (disposal)	COST 12-31-20	ACCUMULATED DEPRECIATION 12-31-19	ACCUMULATED DEPRECIATION Provision (retirement)	ACCUMULATED DEPRECIATION 12-31-20	NET book value
Land	9,768,600		9,768,600	-		-	9,768,600
Land improvements	4,912,906		4,912,906	3,472,044	460,350	3,932,394	980,512
Admin building	34,867,266		34,867,266	23,211,636	2,913,907	26,125,543	8,741,723
Laboratory building	1,806,723		1,806,723	1,626,048	180,672	1,806,720	3
Building improvement	51,219,858		51,219,858	38,891,398	6,467,002	45,378,400	5,841,458
Warehouse building	7,974,103	19,314,992	27,289,095	2,462,657	2,175,285	4,637,942	22,651,153
Warehouse equipments	3,487,178		3,487,179	828,694	329,018	1,157,712	2,329,467
Plant machineries	18,673,750		18,673,750	14,030,582	1,379,542	15,410,124	3,263,626
Plant equipments	3,098,695	43,385,859	46,484,354	1,510,992	2,335,651	3,846,643	42,637,711
Lightings and electricals	1,159,982		1,159,982	1,159,982	-	1,159,982	-
Motor vehicles	1,977,207		1,977,207	1,977,207	-	1,977,207	-
Furniture, fixtures nd equipments	1,929,202		1,928,202	1,548,655	192,920	1,742,575	186,627
Computer software	256,697		256,697	132,345	14,705	147,050	109,647
Total	141,132,168	62,700,850	203,832,818	90,853,240	16,469,052	107,322,292	96,510,526

NOTE 10 – ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABLITIES

Accounts payable, accrued expenses and other liabilities consist of:

	December 31 2021	December 31 2020
Accounts payable - trade	41,748,366	26,478,418
Withholding tax payable	827,519	413,126
Accrued taxes and licenses	-	605,813
Other payables	488,672	565,871
TOTAL	43,064,557	28,063,228

NOTE 11 – ACCOUNTS PAYABLE

Accounts payable represents investment in Steniel Manufacturing Corporation.

NOTE 12 – ACCOUNTS PAYABLE - OTHERS

Accounts payable – others consist of funds to finance acquisitions of property and equipment.

NOTE 13 – LOAN PAYABLE

Loan payable represents borrowings/credit line from Banco de Oro. It was converted into 'Term Loan' for five (5) years.

NOTE 14 – SHARE CAPITAL

Share capital consists of:

	2021			2020		
	SHARES		AMOUNT	SHARES		AMOUNT
Authorized capital stock - Ps. 1.00 par value per share	50,000,000	Ps.	50,000,000	50,000,000	Ps.	50,000,0[illegible]
Issued and outstanding	23,250,000	Ps.	23,250,000	23,250,000	Ps.	23,250,0[illegible]

NOTE 15 – RETAINED EARNINGS

Retained earnings represent accumulated earnings of the Company. Free retained earnings represent accumulated earnin[illegible] available for dividend declaration subject to certain adjustments (SEC Memo Circular No. 11, Series of 2008).

	RETAINED EARNINGS		TOTAL
	UNAPPROPRIATED	APPROPRIATED	
Balance at December 31, 2019	18,728,969	65,600,000	84,328,9[illegible]
Appropriated for plant expansion	(5,000,000)	5,000,000	–
Net income for the year	5,094,613		5,094,6[illegible]
Balance at December 31, 2020	18,823,582	70,600,000	89,423,5[illegible]
Appropriated for plant expansion	(10,000,000)	10,000,000	-
Net income for the year	10,367,227		10,367,2[illegible]
Balance at December 31, 2021	**19,190,809**	**80,600,000**	**99,790,8[illegible]**

NOTE 16 – REVENUE

Revenue consists of:

	December 31	
	2021	2020
Sales from used paper products and scrap materials	249,289,200	135,005,875
Zero-rated sales	86,890,688	54,019,224
Lessor of real property	2,653,079	2,392,614
Trucking services	-	31,920
TOTAL	338,832,967	191,449,633

NOTE 17 – DIRECT COSTS

Direct costs consist of:

	December 31	
	2021	2020
Inventory, beg.	21,153,439	2,785,326
Purchases	281,581,217	144,078,464
Depreciation	6,315,153	6,219,496
Fuel, oil and lubricants	2,945,337	2,337,049
Salaries and wages	2,577,288	2,232,018
Manpower services	1,927,858	1,581,535
Power, light and water	1,407,313	1,930,765
Materials, parts and supplies	1,280,370	1,043,150
Repairs and maintenance	1,185,312	1,208,858
SSS, PHIC and Pag-ibig contributions	312,863	281,435
13th month pay	214,774	186,002
Calibration	32,455	74,600
Total	320,933,379	163,958,698
Less: Inventory, end	42,183,253	21,153,439
Direct Costs	278,750,126	142,805,259

NOTE 18 – SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses consist of:

	December 31	
	2021	2020
Freight and handling	23,093,788	17,505,31
Depreciation	9,423,343	10,249,55
Security services	3,503,258	4,052,16
Taxes and licenses	3,106,987	2,701,67
Interest expense	1,973,941	3,570,54
Insurance	1,541,679	978,04
Salaries and wages	1,235,311	1,106,88
Postage and communications	174,150	184,27
SSS, philhealth and pag-ibig contributions	150,806	137,21
13th month pay	102,942	92,24
Office supplies	85,988	156,48
Rental	72,000	206,00
Travel and transportation	25,208	1,85
Other operating expenses	1,770,570	675,08
TOTAL	46,259,871	41,617,32

NOTE 19 – OTHER MATTERS (TAXES AND LICENSES)

Pursuant to the disclosure requirements of BIR Revenue Regulation No. 15-2010, shown below are the information on taxes, duties and license fees paid and accrued by the Company as at December 31, 2021 and 2020:

a.) **Income Taxes**

	December 31	
	2021	2020
Provision for income taxes consist of:		
Current		
RCIT/MCIT	3,455,743	1,932,44
Total	3,455,743	1,932,44

b.) Value Added Tax (VAT)

Details of the Company's net sales/receipts, output VAT and input Vat account are as follows:

	December 31	
	2021	
1) Sales	Net Sales/ Receipt	Output Vat
Sales of goods	249,289,200	29,914,704
Services	2,653,079	318,369
Zero-Rated	86,890,688	-
Total	338,832,967	30,233,073
2) Purchases	Purchases	Input Vat
Beginning balance		71,074,567
Current year transactions:		
Input tax deferred on capital goods		
Capital goods not exceeding 1 million		435,648
Goods other than capital goods	285,038,879	34,204,665
Services lodged under other accounts	27,296,126	3,275,535
Total	312,335,005	108,990,416
Balance		(78,757,342)

c.) Withholding Taxes

Details of withholding taxes for the year are as follows:

	December 31	
	2021	2020
Expanded	3,534,378	2,785,831
TOTAL	3,534,378	2,785,831

d.) Other taxes and licenses charged to expense:

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees:

	December 31	
	2021	2020
License and permit fees	1,411,947	1,202,224
Community tax certificate	10,500	10,500
Real property tax	1,426,406	745,665
BIR annual registration	500	500
Documentary stamp tax	-	605,813
LTO registration	257,634	136,968
Total	3,106,987	2,701,670

On March 26, 2021, the President signed into law the "Corporate Recovery and Tax Incentives for Enterprise Act" or CREATE whic seeks to reduce the corporate income tax rate and rationalize the current fiscal incentives by making it time-bound, targeted an performance based.

Corporate income tax of domestic corporations shall either be 20% or 25%. The 20% rate applies to domestic corporations with net taxable income not exceeding P5 million AND with total assets not exceeding P100 million. In computing the total assets, the valu of the land where the office, plant and equipment are situated during the taxable year is to be excluded.

All other domestic corporations are subject to the 25% corporate income tax rate. Also, MCIT for both domestic and resident foreig corporations have been decreased to 1%.

Section 09 of the Revenue Regulation No 5-2021 provides the mandated rates to be used during the transition period. The curren and deferred taxes for financial reporting purposes as of December 31, 2020 are measured using the RCIT/MCIT rate as of Decembe 31, 2020. The difference will be reflected as an adjustment to the current income tax for the year ended December 31, 2021 in accordanc with PAS 12, Income Taxes.

NOTE 17 – PROFESSIONAL FEES

Elises & Ciudadano (A Professional Firm of Certified Public Accountants), formerly Ampil, Elises, Ciudadano & Co., CPAs, is registered general professional partnership under SEC Registration No. PG200323006 dated October 14, 2003 and as amended o December 17, 2015, is income tax exempt.

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

GOLDEN BALES CORPORATION

As at December 31, 2021 and 2020

Ratio	Description	Formula	December 31 2021	2020
Current ratio	Measures the company's ability to pay current or short-term liabilities with its current or short-term assets such as cash, inventory, and receivables.	Current ratio = (Current asset)/(Current liabilities)	3.72	5.35
Acid test ratio	Measures the ability of a company to pay its current liabilities when they come due with only quick assets. Quick assets are current assets that can be converted to cash within 90 days or the short term.	Acid test ratio =(Current assets−Inventory) /(Current liabilities)	2.75	4.59
Solvency ratio	Measure the Company's ability to meet its long-term debt obligations and is used often by prospective business lenders. A solvency ratio indicates whether a company's cash flow is sufficient to meet its long-term liabilities and thus is a measure of its financial health.	Solvency ratio =(Net income + Depreciation)/(Short term + Long term liabilty)	0.13	0.10
Debt-to-equity ratio	Another leverage ratio that compares a Company's total liabilities to its total shareholder's equity. This is a measurement of how much suppliers, lenders, creditors and obligors have committed to the company versus what the shareholders have committed. The ratio is determines how much of a company's assets are owned by the company and how much are leveraged or financed through debt.	Debt to equity ratio =(Total liabilities)/(Total equity)	1.65	1.91
Asset-to-equity ratio	Shows the relationship of the total assets of the Company to the portion owned by shareholders and is an indicator of the level of the Company's leverage	Asset to equity ratio =(Total assets)/(Total equity)	2.65	2.91
Interest rate coverage ratio	Used to determine how easily a company can pay interest on its outstanding debt	Interest rate coverage=(Earnings before income tax)/(Interest expense)	7.00	1.97
Return on equity	Measures the rate of return that the owners of common stock of a company receive on their shareholdings. Return on equity signifies how good the company is in generating returns on the investment it received from its shareholders.	Return on equity =(Net income)/(Stockholders ' equity)	0.08	0.05
Return on assets	A profitability ratio that provides how much profit a company is able to generate from its assets. Return on assets measures how efficient a company's management is in generating earnings from their economic resources or assets on their balance sheet.	Return on Assets =(Net income)/(Total assets)	0.03	0.02
Net profit margin	Also known as net income margin or net margin, is the ratio of profit a Company earns to the total amount of revenue (net sales) the Company generates. Net profit margin is expressed as a percentage. Net profit is what remains after accounting for all expenses, including operating costs, interest, and taxes.	Net Profit Margin =(Net income)/(Total revenue)	0.03	0.03
Other ratios				
	An indicator of a Company's financial leverage. It tells the percentage of a Company's total assets that were financed by creditors	Debt to total assets ratio =(Total liabilities)/(Total assets)	0.62	0.66

GOLDEN BALES COPORATION AUDITED FINANCIAL STATEMENT

2022

The following document has been received:

Receiving: JOSEMARI MANABAT
Receipt Date and Time: June 29, 2023 08:00:00 AM

Company Information

SEC Registration No.: CS200251939
Company Name: GOLDEN BALES CORPORATION
Industry Classification: G51909
Company Type: Stock Corporation

Document Information

Document ID: OST10629202381398481
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2022
Submission Type: Annual
Remarks: None

Acceptance of this document is subject to review of forms and contents

Reference No.: 462300053386944
Date Filed : April 14, 2023 02:00 PM
Batch Number : 0

Republic of the Philippines
Department of Finance
Bureau of Internal Revenue

For BIR Use Only: BCS/ Item:

BIR Form No. 1702-RT January 2018(ENCS) Page 1	**Annual Income Tax Return** For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate. *Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.*	1702-RT 01/18ENCS P1

1 For Calendar Fiscal; 2 Year Ended (MM/20YY) 12/2022	3 Amended Return? Yes No	4 Short Period Return? Yes No	5 Alphanumeric Tax Code (ATC) IC055 Minimum Corporate Income Tax (MCIT); IC010

Part I - Background Information

6 Taxpayer Identification Number (TIN)	7 RDO Code 132
8 Registered Name *(Enter only 1 letter per box using CAPITAL LETTERS)*	GOLDEN BALES CORPORATION
9A Registered Address *(Indicate complete registered address)*	KM 14 AFTER PANACAN SUB STATION PANACAN DAVAO CITY
9B Zipcode	8000
10 Date of Incorporation/Organization (MM/DD/YYYY)	
11 Contact Number	2262990
12 Email Address	edna.ko@goldenbales.com.ph
13 Method of Deductions	Itemized Deductions [Section 34 (A-J), NIRC] / Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]

Part II - Total Tax Payable *(Do NOT enter Centavos)*

14 Total Income Tax Due (Overpayment) *(From Part IV Item 43)*		4,207,420
15 Less: Total Tax Credits/Payments *(From Part IV Item 55)*		4,082,122
16 Net Tax Payable (Overpayment) *(Item 14 Less Item 15) (From Part IV Item 56)*		125,298
Add Penalties		
17 Surcharge	0	
18 Interest	0	
19 Compromise	0	
20 Total Penalties *(Sum of Items 17 to 19)*		0
21 TOTAL AMOUNT PAYABLE (Overpayment) *(Sum of Item 16 and 20)*		125,298

If Overpayment, mark "X" one box only *(Once the choice is made, the same is irrevocable)*

To be refunded — To be issued a Tax Credit Certificate (TCC) — To be carried over as tax credit next year/quarter

We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. *(If Authorized Representative, attach authorization letter and indicate TIN)*

NIXON Y. LIM		22 Number of Attachments
Signature over printed name of President/Principal Officer/Authorized Representative	Signature over printed name of Treasurer/Assistant Treasurer	
Title of Signatory — TIN	Title of Signatory — TIN	4

Part III - Details of Payment

Particulars	Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount
23 Cash/Bank Debit Memo				0
24 Check				0
25 Tax Debit Memo				0
26 Others *(Specify Below)*				
				0

Machine Validation/Revenue Official Receipts Details *(If not filed with an Authorized Agent Bank)*	Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)

MAY 02 2023

BIR Form No.
1702-RT
January 2018(ENCS)
Page 2

Annual Income Tax Return

Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

1702-RT 01/18ENCS P2

Taxpayer Identification Number (TIN)	Registered Name
008 - 037 - 376 - 000	GOLDEN BALES CORPORATION

Part IV - Computation of Tax (Do NOT enter Centavos)

27 Sales/Receipts/Revenues/Fees		437,319,947
28 Less: Sales Returns, Allowances and Discounts		0
29 Net Sales/Receipts/Revenues/Fees *(Item 27 Less Item 28)*		437,319,947
30 Less: Cost of Sales/Services		354,665,277
31 Gross Income from Operation *(Item 29 Less Item 30)*		82,654,670
32 Add: Other Taxable Income Not Subjected to Final Tax		0
33 **Total Taxable Income** *(Sum of Items 31 and 32)*		82,654,670
Less: Deductions Allowable under Existing Law		
34 Ordinary Allowable Itemized Deductions *(From Part VI Schedule I Item 18)*	65,824,991	
35 Special Allowable Itemized Deductions *(From Part VI Schedule II Item 5)*	0	
36 NOLCO *(only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Part VI Schedule III Item 8)*	0	
37 Total Deductions *(Sum of Items 34 to 36)*	65,824,991	
OR [in case taxable under Sec 27(A) & 28(A)(1)]		
38 Optional Standard Deduction *(40% of Item 33)*	0	
39 **Net Taxable Income/(Loss)** *(If Itemized: Item 33 Less Item 37; If OSD: Item 33 Less Item 38)*		16,829,679
40 **Applicable Income Tax Rate**		25 %
41 Income Tax Due other than Minimum Corporate Income Tax (MCIT) *(Item 39 x Item 40)*		4,207,420
42 MCIT Due *(2% of Item 33)*		826,547
43 Tax Due *(Normal Income Tax Due in Item 41 OR the MCIT Due in Item 42, whichever is higher) (To Part II Item 14)*		4,207,420
Less: Tax Credits/Payments (attach proof)		
44 Prior Year's Excess Credits Other Than MCIT		0
45 Income Tax Payment under MCIT from Previous Quarter/s		0
46 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s		660,452
47 Excess MCIT Applied this Current Taxable Year *(From Part VI Schedule IV Item 4)*		0
48 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307		2,237,480
49 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter		1,184,190
50 Foreign Tax Credits, if applicable		0
51 Tax Paid in Return Previously Filed, if this is an Amended Return		0
52 Special Tax Credits *(To Part V Item 58)*		0
Other Credits/Payments *(Specify)*		
53		0
54		0
55 Total Tax Credits/Payments *(Sum of Items 44 to 54) (To Part II Item 15)*		4,082,122
56 **Net Tax Payable / (Overpayment)** *(Item 43 Less Item 55)) (To Part II Item 16)*		125,298

Part V - Tax Relief Availment

57 Special Allowable Itemized Deductions *(Item 35 of Part IV x Applicable Income Tax Rate)*	0
58 Add: Special Tax Credits *(From Part IV Item 52)*	0
59 **Total Tax Relief Availment** *(Sum of Items 57 and 58)*	0

BIR Form No. **1702-RT** January 2018(ENCS) Page 3	**Annual Income Tax Return** Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	1702-RT 01/18ENCS P3

Taxpayer Identification Number (TIN)	Registered Name
- - -(	GOLDEN BALES CORPORATION

Schedule I - Ordinary Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

1 Amortizations	0
2 Bad Debts	0
3 Charitable Contributions	0
4 Depletion	0
5 Depreciation	3,496,950
6 Entertainment, Amusement and Recreation	0
7 Fringe Benefits	0
8 Interest	3,948,928
9 Losses	0
10 Pension Trust	0
11 Rental	0
12 Research and Development	0
13 Salaries, Wages and Allowances	1,118,413
14 SSS, GSIS, Philhealth, HDMF and Other Contributions	134,645
15 Taxes and Licenses	3,105,337
16 Transportation and Travel	18,672
17 Others (Deductions Subject to Withholding Tax and Other Expenses) *(Specify below; Add additional sheet(s), if necessary)*	
a Janitorial and Messengerial Services	0
b Professional Fees	0
c Security Services	4,312,225
d FREIGHT AND HANDLING	47,527,336
e INSURANCE	1,366,362
f OFFICE SUPPLIES	193,537
g POSTAGE AND COMMUNICATIONS	181,486
h 13TH MONTH PAY	104,804
i OTHER OPERATING EXPENSES	316,296
18 Total Ordinary Allowable Itemized Deductions *(Sum of Items 1 to 17i) (To Part IV Item 34)*	65,824,991

Schedule II - Special Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

Description	Legal Basis	Amount
1		0
2		0
3		0
4		0
5 Total Special Allowable Itemized Deductions *(Sum of Items 1 to 4) (To Part IV Item 35)*		0

BIR Form No. **1702-RT** January 2018(ENCS) Page 4

Annual Income Tax Return

Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

1702-RT 01/18ENCS P4

Taxpayer Identification Number (TIN)	Registered Name
	GOLDEN BALES CORPORATION

Schedule III - Computation of Net Operating Loss Carry Over (NOLCO)

1 Gross Income *(From Part IV Item 33)*	0
2 Less: Ordinary Allowable Itemized Deductions *(From Part VI Schedule I Item 18)*	0
3 Net Operating Loss*(Item 1 Less Item 2) (To Schedule IIIA, Item 7A)*	0

Schedule IIIA - Computation of Available Net Operating Loss Carry Over (NOLCO)

(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

Net Operating Loss		B) NOLCO Applied Previous Year
Year Incurred	A) Amount	
4	0	0
5	0	0
6	0	0
7	0	0

Continuation of Schedule IIIA (Item numbers continue from table above)

C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied) *[E = A Less (B + C + D)]*
4 0	0	0
5 0	0	0
6 0	0	0
7 0	0	0
8 Total NOLCO *(Sum of Items 4D to 7D) (To Part IV, Item 36)*	0	

Schedule IV - Computation of Minimum Corporate Income Tax (MCIT)

Year	A) Normal Income Tax as adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1	0	0	0
2	0	0	0
3	0	0	0

Continuation of Schedule IV (Item numbers continue from table above)

D) Excess MCIT Applied/Used in Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [G = C Less (D + E + F)]
1 0	0	0	0
2 0	0	0	0
3 0	0	0	0
Total Excess MCIT Applied *(Sum of Items 1F to 3F) (To Part IV Item 47)*		0	

Schedule V - Reconciliation of Net Income per Books Against Taxable Income *(attach additional sheet/s, if necessary)*

1 Net Income/(Loss) per books		16,829,679
Add: Non-deductible Expenses/Taxable Other Income		
2		0
3		0
4 Total *(Sum of Items 1 to 3)*		16,829,679
Less: A) Non-Taxable Income and Income Subjected to Final Tax		
5		0
6		0
B) Special Deductions		
7		0
8		0
9 Total (Sum of Items 5 to 8)		0
10 Net Taxable Income/(Loss) (Item 4 Less Item 9)		16,829,679

Republika ng Pilipinas
Kagawaran ng Pananalapi
Kawanihan ng Rentas Internas

eFPS Payment Details

TIN : |
Name : GOLDEN BALES CORPORATION
Tax Period : 12/31/2022
Reference Number : 462300053366944
Tax Type : IT - Annual Income Tax Return (REGULAR)

Payment Transaction Number : 234008646
Date : 04/14/2023
Cash Amount Paid : 125,298.00
Bank : 002000 - BPI

Origin	Bank Code	Amount	Number	Date	Status	Message	CBR BCS No.
Pending Online Confirmation	002000	125,298.00	-		Unknown	60 - Details of Payment were redirected to the corresponding Bank. Please verify with your Bank.	56736
Batch Confirmation	002000	125,298.00	ELY04142023204582284	04/14/2023	Authorized	0 - Successful	56736
Batch Acknowledgment	002000	125,298.00	ELY04142023204582284	04/14/2023	Authorized	0 - Successful	56736

Total Payments (Successful/Unsuccessful): 125,298.00
Total Payments (Successful) : 125,298.00

Print Close

GOLDEN BALES CORPORATION

Km. 14, After Panacan Sub-Station, Panacan, Davao City

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN"

The management of **GOLDEN BALES CORPORATION** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended **December 31, 2022**. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended **December 31, 2022** and the accompanying Annual Income Tax Return are in accordance with the books and records of **GOLDEN BALES CORPORATION** complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **GOLDEN BALES CORPORATION** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

[redacted]

NIXON Y. LIM
Chief Executive Officer

[redacted]

EDNA C. KO
Chief Financial Officer

Elises & Ciudadano
(A Professional Firm of Certified Public Accountants)

"Dedicated to Excellence and Quality Service"

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
GOLDEN BALES CORPORATION
Km. 14, After Panacan Sub-Station, Panacan,
Davao City

Opinion

We have audited the financial statements of GOLDEN BALES CORPORATION, which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of GOLDEN BALES CORPORATION as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs), 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. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Elises & Ciudadano
(A Professional Firm of Certified Public Accountants)

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Davao City, Philippines

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Fax (6382) 221-2594
Email: thelmaciudadano@yahoo.com

"Dedicated to Excellence and Quality Service"

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

Report on Other Legal and Regulatory Requirements
Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes paid and accrued by the Company discussed in Note 18 to the financial statements is presented for the purpose of complying with the disclosure requirement of the Bureau of Internal Revenue are not a required part of the basic financial statements. Such information and additional schedules are the responsibility of Management. They have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ELISES & CIUDADANO
(A Professional Firm of Certified Public Accountants)
BOA Accreditation No. 0161 (November 18, 2024)
SEC Accreditation No. 0161-SEC (AFS 2021-2025)
BSP Accreditation No. 0161-BSP (AFS 2021-2025)
CDA CEA No. 032-AF (March 17, 2024)

By:
[redacted]
THELMA S. CIUDADANO
CPA Certificate No. 33318 (September 27, 1977)
PTR No. 7896306 C (January 09, 2023)
TIN: 116-947-418
BIR AN. 19-002456-001-2023 (March 31, 2026)
SEC Accreditation No. 33318-SEC (AFS 2021-2025)
BSP Accreditation No. 33318-BSP (AFS 2021-2025)

Davao City, Philippines
March 25, 2023

MAY 02 2023

GOLDEN BALES CORPORATION

STATEMENTS OF FINANCIAL POSITION

	Note		December 31 2022		2021
ASSETS					
CURRENT ASSETS					
Cash	4	Ps.	8,865,388	Ps.	4,383,632
Receivables	5		49,082,568		36,808,848
Inventory	16		9,747,931		42,183,253
Prepayment	6		81,204,294		78,396,254
Total Current Assets			148,900,181		161,771,987
NON-CURRENT ASSETS					
Investment	7		80,775,000		80,775,000
Property and equipment, net	8		76,360,587		83,756,023
Total Non-Current Assets			157,135,587		164,531,023
TOTAL ASSETS		Ps.	306,035,768	Ps.	326,303,010
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Accounts payable, accrued expenses and other liabilities	9	Ps.	26,997,402	Ps.	43,064,557
Income tax payable			125,298		413,663
Total Current Liabilities			27,122,700		43,478,220
NON-CURRENT LIABILITIES					
Accounts payable	10		-		74,775,000
Accounts payable - others	11		-		54,158,981
Loan payable	12		143,250,000		30,850,000
Total Non-Current Liabilities			143,250,000		159,783,981
Total Liabilities			170,372,700		203,262,201
SHAREHOLDERS' EQUITY					
(Authorized Share Capital, 50,000,000 shares @ Ps. 1 par value; Ps. 50,000,000)					
Share capital	13		23,250,000		23,250,000
Retained earnings	14		112,413,068		99,790,809
Total Shareholders' Equity			135,663,068		123,040,809
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		Ps.	306,035,768	Ps.	326,303,010

BIR REVENUE REGION
MAY 0 2 2023

See Notes To Financial Statements

GOLDEN BALES CORPORATION

STATEMENTS OF INCOME

	Note		Years Ended December 31 2022		2021
Revenue	16	Ps.	437,319,947	Ps.	338,832,967
Direct costs	16		(354,665,277)		(278,750,126)
Gross Profit		Ps.	82,654,670	Ps.	60,082,841
Selling and administrative expenses	17		(65,824,991)		(46,259,871)
Income from operations		Ps.	16,829,679	Ps.	13,822,970
Provision for income tax			(4,207,420)		(3,455,743)
NET INCOME		Ps.	12,622,259	Ps.	10,367,227
EARNINGS PER SHARE		Ps.	0.54	Ps.	0.45

BIR REVENUE REGION 19 RECEIVED REVENUE DISTRICT NO. 113B EAST, DAVAO CITY

MAY 02 2023

GOLDEN BALES CORPORATION

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2022 and 2021

	SUBSCRIBED AND PAID	RETAINED EARNINGS Unappro-priated	RETAINED EARNINGS Appro-priated	TOTAL
Balance at January 1, 2021	Ps. 23,250,000	Ps. 18,823,582	Ps. 70,600,000	Ps. 112,673,582
Appropriated for plant expansion		(10,000,000)	10,000,000	-
Net income		10,367,227		10,367,227
Balance at December 31, 2021	Ps. 23,250,000	Ps. 19,190,809	Ps. 80,600,000	Ps. 123,040,809
Balance at January 1, 2022	Ps. 23,250,000	Ps. 19,190,809	Ps. 80,600,000	Ps. 123,040,809
Appropriated for plant expansion		(15,000,000)	15,000,000	-
Net income		12,622,259		12,622,259
Balance at December 31, 2022	Ps. 23,250,000	Ps. 16,813,068	Ps. 95,600,000	Ps. 135,663,068

GOLDEN BALES CORPORATION

STATEMENTS OF CASH FLOWS

	Note		Years Ended December 31 2022		2021
Cash flows from operating activities					
Net income before tax		Ps.	16,829,679	Ps.	13,822,970
Adjustments for:					
Depreciation	8		9,895,436		15,738,496
Interest expense	17		3,948,928		1,973,941
Operating income before working capital changes			30,674,043		31,535,407
Changes in operating assets and liabilities					
Receivables	5		(12,273,720)		11,740,444
Inventory	16		32,435,322		(21,929,814)
Prepayment	6		(2,808,040)		(7,206,639)
Accounts payable, accrued expenses and other liabilities	9		(16,067,155)		15,001,329
Income tax payable			(288,365)		413,663
Cash generated from operations			31,672,085		30,454,390
Interest paid			(3,948,928)		(1,973,941)
loans paid			(209,600,000)		(178,750,000)
Income taxes paid			(4,207,420)		(3,455,743)
Net cash from operating activities			(186,084,263)		(153,725,294)
Cash flows from investing activities					
Acquisition of property and equipment	8		(2,500,000)		(2,983,993)
Net cash from investing activities			(2,500,000)		(2,983,993)
Cash flows from financing activities					
Accounts payable	10		(74,775,000)		-
Accounts payable - others	11		(54,158,981)		6,072,405
Loan payable	12		322,000,000		145,850,000
Net cash from financing activities			193,066,019		151,922,405
Net increase (decrease) in cash			4,481,756		(4,786,882)
Cash at beginning of year			4,383,632		9,170,514
CASH AT END OF YEAR	4	Ps.	8,865,388	Ps.	4,383,632

GOLDEN BALES CORPORATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - CORPORATE INFORMATION

Golden Bales Corporation is a registered stock corporation with the Philippine Securities and Exchange Commission with Reg. No. CS200251939 and incorporated on July 30, 2002. Its purpose is to engage in the business of buying and selling of used paper products, cartons and/or scrap materials in whatever form but not limited to converting, packaging and baling the same into another form of finished products or raw materials and/or otherwise dealing the same at wholesale or retail, among others. It is also engaged in exporting of scrap materials; and trucking and hauling services.

The business address is located at Km. 14, After Panacan Sub-Station, Panacan, Davao City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

This is the first set of financial statements prepared under Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise indicated.

a.) Statement of Compliance and Basis of Preparation

The Company's financial statements have been prepared in accordance with the presentation, recognition and measurement bases specified by the Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs) adopted by the Philippine Financial Reporting Standards Council, which are in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) under the historical cost convention.

The preparation of Company's financial statements in conformity with Philippine Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Parent Company's financial statements. Actual results could differ from such estimates.

The Company's financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency, and all values are rounded to the nearest peso except when otherwise indicated.

The Company presents and classifies assets and liabilities in the statement of financial position based on whether it is current and non-current. Current assets are: (a) expected to be realized or intended to be sold or consumed in normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within twelve months after the reporting period or (d) cash or cash equivalent (unless restricted). All other assets are non-current.

Current liabilities are those: a.) expected to be settled within the entity's normal operating cycle b.) held for purposes of trading c.) due to be settled within twelve months d.) for which the entity does not have an unconditional right to defer settlement beyond twelve months. Other liabilities are non-current. When a long-term debt is expected to be refinanced under an existing loan facility, and the Company has the discretion to do so, the debt is classified as non-current even if the liability would otherwise be due within twelve months.

The Company's financial statements were approved by the Board of Directors and authorized for issue on March 25, 2023.

b.) Basis of Transition to the PFRS for SMEs

1. Application of the PFRS for SMEs

The Company's financial statements for the year ended December 31, 2021 are its first annual financial statements prepared under accounting policies that comply with the PFRS for SMEs.

The Company's transition date is January 1, 2019. The Company prepared its opening PFRS for SMEs statement of financial position at that date.

Under the Revised Securities Regulation Code (SRC) Rule 68, as amended, issued by the Securities and Exchange Commission requires for large entities (those with total assets of more than Ps. 350 Million or total liabilities of more than Ps. 250 Million) to adopt the full PFRS. In the past years, the Company's financial statements were prepared under the full PFRS. However, in 2021, the Company breached the threshold set by Rule 68, hence the adoption of the PFRS for SMEs.

The adoption of the new financial reporting framework (FRF) did not result in substantial changes to the Company's accounting policies. Additional disclosure requirements by the new FRF are included in the financial statements, where applicable.

2. The following disclosures were omitted in this year's financial statements as they are not required under PFRS for SMEs

   a. Categories and fair values of financial instruments (under PFRS 9,"Financial Instruments")
   b. Financial risks, management policies and objectives
   c. Statement of changes in Stockholders' Equity.

c.) Adoption of Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs)

The PFRS for SMEs, a stand-alone pronouncement, is intended for any entity that does not have public accountability, which means that its securities do not trade in public markets and it is not a financial institution. The Philippine Financial Reporting Standards Council (PFRSC) has set the effectivity of this standard for local reporting purposes to be on January 1, 2010.

The PFRS for SMEs includes the following topics: concepts and pervasive principles; the financial statements to be provided in a complete set of SME financial statements; financial instruments; inventories; investments in associates and in joint ventures; investment property; property, plant and equipment and intangible assets and related impairment; business combinations; leases, provisions and contingencies; distinguishing between liabilities and equity; revenue; government grants; borrowing costs; share-based payment arrangements; employee benefit arrangements; income tax; foreign currency translation and hyperinflationary environments; subsequent events; related party disclosures; specialized activities; and first-time adoption of PFRS for SMEs. Omitted topics that are considered not relevant to SMEs are: earnings per share; interim financial reporting; segment reporting; and special accounting for assets held for sale. Examples of options in full PFRS not included in the new standard are: financial instrument options; revaluation; for investment property, measurement is driven by circumstances rather than allowing an accounting policy choice between model for property, plant and equipment, and for intangible assets; proportionate consolidation for investments in jointly-controlled entities the cost and fair value models, and various options for government grants.

In conformity with PFRSC's intent to review the PFRS for SMEs on a three- year basis, it commenced a comprehensive review of the standard in 2012. The vast majority of the changes concern clarifications to the current text and, hence, will not constitute changes to the way entities account for certain transactions and events. The amendments, other than minor amendments and clarifications, are summarized below together with their anticipated impact on the presentation, recognition and measurement bases on the financial statement of an entity applying the PFRS for SMEs. The amendments are effective for annual reporting period commencing January 1, 2017.

Section		Amendments
1	Definition of an SME	Clarification with regard to publicly accountability and clarification with regard to the use of the PFRS for SMEs in the parent's separate financial statements added.
2	Concepts and pervasive principles	Added guidance on 'undue cost and effort' exemption. It is not a general principle. Consideration of cost or effort is from the perspective of the entity whereas considerations of benefits are from the perspective of the potential user. The entity is required to disclose the reasons why it has applied this exemption if it applies it.
4	Statement of financial position	Requirement to present investment property measured at cost less accumulated depreciation and impairment separately on the face of the statement of financial position added and relief from requirement to disclose certain comparative information provided. An entity with share capital is required to disclose a reconciliation of the opening and closing share capital for each class of share. No reconciliation disclosure is required for the comparative period.
5	Statement of comprehensive income and income statement	Clarification with regard to the single amount presented for discontinued operations added and alignment with changes made to PAS 1 on reclassifications. Other comprehensive income items that are recognized outside of profit or loss now include revaluation surplus/deficits arising from property, plant and equipment.
6	Statement of changes in equity and statement of income and retained earnings	Alignment with changes made to PAS 1 *Presentation of Financial Statements* on OCI components.

9	Consolidated and separate financial statements	The following amendments were made to consolidation matters: • General rule – An entity which controls another entity (subsidiary) is required to prepare consolidated financial statements in which all subsidiaries are consolidated. An entity is exempt from preparing consolidated financial statements if it is a subsidiary of another entity and the parent prepares consolidated PFRS/ PFRS for SME compliant financial statements. • Subsidiary acquired for disposal – If an entity acquires a subsidiary with the intention of selling it within 12 months from acquisition, it is required to measure it in terms of S11 – Basic financial instruments. If after 12 months, the entity still controls the subsidiary, it will consolidate it from the date of acquisition and restate the prior period financial statements. • Uniform reporting date – Financial information of the parent and subsidiaries used in the preparation of consolidated financial statements shall be prepared as at the same date unless it is impracticable to do so. • Disposal of a foreign operation – The cumulative foreign currency translation gain or loss recognized in equity relating to a foreign operation shall not be reclassified to profit or loss on disposal (loss of control) of a foreign operation. • Separate financial statements – In the parent's separate financial statements, it may use either the Cost (less impairment), FV (through P&L) or Equity method accounting policies in respect of its investment in subsidiaries, associates and joint-controlled entities.
11	Basic financial instruments	Several clarifications and 'undue cost and effort' exemption regarding the requirement to measure investments in equity instruments at FV added. Clarifications include: • General measurement basis is cost except for preference shares or ordinary shares which are publicly traded or whose fair values can be measured reliably without undue cost or effort. • Instruments at FV through P&L exclude transaction costs unless the arrangement is in effect a financing transaction in which case the instruments shall be measured at the present value of the future cash flows discounted at the market rate for a similar debt instrument.
12	Other financial instrument issues	Clarifications on the scope of this section and clarifications regarding hedge accounting added. Scope includes contracts to buy or sell nonfinancial items except where these are entered into and continue to be held for the entity's expected purchase, sale or usage requirements.
17	Property, plant and equipment	Alignment with changes made to PAS 16 Property, plant and equipment on classification of spare parts, stand-by and servicing equipment, which can be recognized in accordance with this section if they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory. An entity may elect to measure property, plant and equipment using either the cost or revaluation models. The selected policy is to be applied to the entire class of property, plant and equipment. The application of this change is prospective if retrospective application is impracticable. However, where the change is from the cost model to the revaluation model, this change is applied prospectively.
18	Intangible assets other than goodwill	Modified requirement to useful life determination for amortization of an intangible. All intangible assets are deemed to have a finite life. If the useful life of an intangible asset cannot be established reliably, the useful life should be based on management's best estimate not exceeding 10 years.
19	Business combinations and goodwill	Replacement of the undefined term 'date of exchange' with the defined term 'date of acquisition' when determining the cost of a business combination. Addition of clarifying guidance on the measurement requirements for employee benefits arrangements, deferred tax and non-

		controlling interests when allocating the cost of a business combination. Addition of an undue cost or effort exemption to the requirement to recognize intangible assets separately in a business combination and the addition of a disclosure requirement for all entities to provide a qualitative description of the factors that make up any goodwill recognized.
20	Leases	Modification to include leases with an interest rate variation clause that is linked to market interest rates within the scope of this section instead of Section 12 Other Financial Instruments. -- Clarification that only some outsourcing arrangements, telecommunication contracts that provide rights to capacity and take-or pay contracts are, in substance, leases.
22	Liabilities and equity	Addition of clarifying guidance on classifying financial instruments as equity or a liability. An entity shall classify a financial instrument as a financial liability or as equity in accordance with the substance of the contractual arrangement, not merely its legal form, and in accordance with the definitions of a financial liability and an equity instrument. Unless an entity has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation, the obligation meets the definition of a financial liability, and is classified as such, except for those instruments classified as equity instruments. Exemption from the initial measurement requirements for equity instruments issued as part of a business combination, including business combinations of entities or businesses under common control. An entity shall measure the equity instruments, other than those issued as part of a business combination or those accounted as extinguishing financial liabilities with equity instruments, at the FV of the cash or other resources received or receivable, net of transaction costs (direct costs of issuing an equity instrument). If payment is deferred and the time value of money is material, the initial measurement shall be on a present value basis.
26	Share-based payment	Alignment of the scope and the definitions with PFRS 2 Share-based Payment to clarify that share-based payment transaction involving equity instruments of other group entities are in the scope of this Section. The clarifications are as follows: • This section applies to all share-based payment transactions in which the identifiable consideration appears to be less than the FV of the equity instruments granted or the liability incurred and not only to share-based payment transactions that are provided in accordance with programs established under law. • The grant date for vesting conditions and modifications to grants of equity instruments with employees. The requirements also apply to share-based payment transactions with parties other than employees if these transactions are measured by reference to the FV of the equity instrument granted, but reference to the grant date refers to the date that the entity obtains the goods or the counterparty renders the service. • The simplification provided for group plans is for the measurement of the share-based payment expense only and does not provide relief from its recognition.
27	Impairment of assets	Clarification regarding applicability to assets from construction contracts.
28	Employee Benefits	The disclosure requirements on accounting policy for termination benefits have been removed. An entity shall recognize the net change in the liability during the period, other than a change attributable to benefits paid to employees during the period or to contributions from the employer, as the cost of its other long-term employee benefits during the period. That cost is recognized entirely in P&L as an expense unless another section of this PFRS requires it to be recognized as part of the cost of an asset, such as inventories or property, plant and equipment.

29	Income Taxes	Alignment of the main principles of this section with PAS 12 Income Taxes for the recognition and measurement of deferred income tax, but modified to be consistent with the other requirements in the PFRS for SMEs (covers all amendments to this section, except those from amendment below, and the related definitions in the section 22 Glossary). Addition of an undue cost or effort exemption to the requirement to offset income tax assets and liabilities. An entity shall offset current tax assets and current tax liabilities, or offset deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off the amounts and the entity can demonstrate without undue cost or effort that it plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.
30	Foreign currency translation	Clarification that financial instruments that derive their value from the change in a specified foreign exchange rate are excluded from this Section, but not financial instruments denominated in a foreign currency.
33	Related party disclosures	Alignment of the definition of 'related party', with PAS 24 Related Party Disclosures, which now includes a management entity providing key management personnel services.
34	Specialized activities	Removal of the requirement to disclose comparative information for the reconciliation of changes in the carrying amount of biological assets. An entity using PFRS that is engaged in exploration for, or evaluation of mineral resources shall determine an accounting policy that specifies which expenditures are recognized as exploration and evaluation assets. The policy must be applied consistently. Costs such as acquisition of rights to explore, topographical and similar studies, exploratory drilling, trenching, sampling and technical feasibility are included in the initial measurements of the asset. Expenditure related to the development of mineral resources shall not be recognized as exploration and evaluation assets. The assets are initially measured at cost and subsequently measured in terms of Section 17 Property, plant and equipment and Section 18 Intangible assets other than goodwill. These assets shall be assessed for impairments when fact and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.
35	Transition to the PFRS for SMEs	The following transitional amendments were added; • An option to permit Section 35 to be used more than once based on the amendments to PFRS 1 First-time Adoption of International Financial Reporting Standards from the Annual Improvements to PFRSs 2009–2011 Cycle. • An exception to the retrospective application of the PFRS for SMEs for government loans that exist at the date of transition to the PFRS for SMEs based on Government Loans (Amendments to PFRS 1) issued in March 2012. • An option to permit first-time adopters to use an event-driven FV measurement as 'deemed cost' based on the amendments to PFRS 1 from Improvements to PFRSs. • An option to permit an entity to use the previous generally accepted accounting principles (GAAP) carrying amount of items of property, plant and equipment or intangible assets used in operations subject to rate regulation based on the amendments to PFRS 1 from Improvements to PFRSs. • Guidance for entities emerging from severe hyperinflation that are applying the PFRS for SMEs for the first time based on Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to PFRS 1) issued in December 2010.

d.) Cash

Cash are carried in the statement of financial position at face value. Cash included savings that are unrestricted and readily available for use in the Company's operations and generally earn interest based on daily bank deposit rates.

e.) Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position only when the Company becomes a party to the contractual provisions of the instrument and derecognize a financial asset when the Company's contractual rights to the cash flows underlying such financial asset have expired. A financial liability (or a part of a financial liability) is derecognized when the obligation is extinguished.

The Company's basic financial instruments are categorized as follows:

- *Cash* - Cash includes cash on hand and demand deposits.
- *Receivables* - Trade receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Most service income is made on the basis of normal credit term and the receivables do not bear interest. At the end of the reporting period, the carrying amounts of accounts receivables are reviewed to determine whether there is any objective evidence that the amounts are not collectible.
- *Accounts Payables and Borrowings* – Accounts payable are obligations on the basis of normal credit terms and do not bear interest. They are recognized initially at the transaction amount and subsequently measured at amortized cost using the effective interest method. Borrowings are recognized initially at transaction price (that is, the present value of cash payable to the creditor) and are subsequently stated at amortized cost using the effective interest rate method

f.) Impairment of Non-financial Assets

The carrying values of the Company's assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of the asset is the greater of net selling price and value in use. 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. No impairment loss was charged to profit and loss in both years.

g.) Equity

Ordinary shares issued by the Company are classified as capital stock. They are measured at the fair value of cash received and are not re-measured after initial recognition. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to capital in excess of par value account. Dividend declaration to the Company's stockholders is recognized as a liability in the Company's financial statements in which dividends are approved by the Company's Board of Directors and stockholders. Repurchase of the Company's own shares is recognized as treasury shares and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue, or cancellation of the Company's own shares.

h.) Employee Benefits

Short-term benefits

Employee entitlements to salaries and wages, annual vacation, and other benefits are recognized when they are accrued to employees. Annual vacation and other leaves have been calculated on an actual entitlement basis at current rates of pay. Unpaid benefits at the end of the reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments.

Post-employment obligations

The Company maintains a defined contribution plan for its regular employees. Under the plan, the Company pays a fixed contribution to a publicly administered pension entity. The Company has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets/fund to pay all employees the benefits relating to employee service in the current and prior periods.

The Company employs less than ten (10) employees and, therefore, is not covered under Republic Act (RA) No. 7641 (The Philippine Retirement Pay Law), which provides for defined benefit minimum guarantee equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service.

However, under Section 28 paragraph 19 of PFRS for SMEs, the Company is permitted to measure its employees' defined benefit obligations with respect to current employees by making some simplifications by ignoring estimated future salary increases (that is, assume current salaries continue until current employees are expected to begin receiving post-employment benefits), future service (that is, assume closure of the plan for existing as well as any new employees) and possible in-service mortality between the reporting date and date employees are expected to begin receiving post-employment benefits (that is, all current employees will receive the post-employment benefits).

Therefore, in keeping with the exemption allowed by PFRS for SMEs referred to above, the Company has computed its employees' retirement plan equivalent to the current monthly salary of current employees. The Company's intention is to pay the difference between the government mandated contributions and the Company's annual accruals.

i.) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

i. The Company as Lessor

Rental income, shown under revenues in the statement of profit or loss, from operating leases is recognized on a straight–line basis over the term of the relevant lease. Properties leased out under operating leases are included in land held for future development and sale in the statement of financial position (Note 10).

j.) Taxation

Income tax expense represents the sum of the tax currently payable and deferred income tax.

Current Tax

The tax currently payable is based on taxable income for the year. Taxable income differs from the profit as reported in the statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted at the end of the reporting period.

Deferred Income Tax

Deferred income tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the temporary differences (principally relating to provisions for receivable impairment and unearned interest and discounts) between financial reporting bases of assets and liabilities and their related tax bases.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The rates enacted at the end of the reporting period are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability.

Current and Deferred Tax for the Period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items recognized in profit or loss or directly in equity. In this case, the tax is also recognized in profit or loss or directly in equity, respectively.

k.) Revenues Recognition

The Company develops and sells multi-use properties. Revenue is recognized when control over the property has been transferred to the customer. Revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred.

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

i. Sales of goods. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, which is normally upon delivery.

ii. Rental income. Rental income that is leased to a third party under operating lease is recognized in statement of profit or loss on a straight-line basis over the lease term and is included in "other revenues" in the statement of profit or loss.

l.) Recognition of costs and expenses

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date such costs and expenses are incurred, determined a) on the basis of a direct association between the costs and expenses incurred and the earning of specific items of revenue; b) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several reporting periods and association can only be broadly or indirectly determined; or c) immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

m.) Going Concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

n.) Provisions and Contingencies

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as expense.

In those cases where the possible outflow of economic resource as a result of present obligation is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

o.) Rounding Off of Amount

All amount disclosed in the financial statements and notes have been rounded off to the nearest peso, unless otherwise indicated.

p.) Earnings Per Share

Basic earnings per share were computed dividing net profit for the year of the Company over the weighted average number of shares outstanding during the year. There are no potential common shares outstanding that would require disclosure of diluted earnings (loss) per share in the statements of comprehensive income.

q.) Events After the End of the Reporting Period

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

r.) Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in current year's presentation.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments 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. The estimates and assumption that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical judgment in applying accounting policy

Below is the critical judgment, apart from those involving estimations, that Management has made in the process of applying the accounting policy stated hereunder and that has the most significant effect on the amounts recognized in the financial statements.

Classification of financial instruments

The Company classifies a 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 agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather that its legal form, governs its classification in the statement of financial position.

Financial assets not quoted in an active market

The Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Company as lessor under operating lease

The Company has entered into property lease and has determined that the Company retains all the significant risks and rewards of ownership of these properties which are leased on operating lease. Critical judgment was exercised by Management to distinguish the lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of the properties covered by the agreements. Failure to make the right judgment will result either overstatement or understatement of assets and liabilities.

Key sources of estimating uncertainty.

Following are the key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimating provision for impairment of accounts receivable

The Company calculates its provision for impairment of accounts receivable based on periodic examination and evaluation of existing risks affecting certain specific accounts, prevailing economic conditions, collections and loss experience and other factors that affect the Company's ability to collect payments.

The amounts and timing of recorded expenses for any period would differ if Management made different judgments or utilized different estimates. An increase in the provision for impairment would increase the recorded operating expenses and decrease current assets.

Estimating income tax

The Company makes significant judgment in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period.

The Company reviews the carrying amounts of deferred income tax at the end of each reporting period and reduces the amounts to the extent that it is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

NOTE 4 - CASH

Cash consists of:

	December 31 2022	2021
Cash on hand and balances with banks	8,865,388	4,383,632
TOTAL	8,865,388	4,383,632

Cash in banks generally earn interest at rates based on daily bank deposit rates.

NOTE 5 – RECEIVABLES

Receivables consist of:

	December 31	
	2022	2021
Trade	37,069,232	28,721,027
Advamces to suppliers	12,013,336	8,087,821
Total	49,082,568	36,808,848

NOTE 6 – PREPAYMENT

Prepayment consists of:

	December 31	
	2022	2021
Input tax receivable	81,204,294	78,396,254
Total	**81,204,294**	78,396,254

NOTE 7 – INVESTMENT

This consists of investment in stocks-common in Steniel Manufacturing Corporation.

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consist of:

2022	COST			ACCUMULATED DEPRECIATION			Net book value
	12-31-21	Addition (disposal)	12-31-22	12-31-21	Provision (retirement)	12-31-22	
Land	9,768,600		9,768,600	-		-	9,768,600
Land improvements	4,912,906		4,912,906	4,392,744	460,350	4,853,094	59,812
Admin building	34,867,266		34,867,266	29,039,450	2,913,907	31,953,357	2,913,909
Laboratory building	1,806,723		1,806,723	1,806,723	-	1,806,723	-
Building improvement	51,219,858		51,219,858	51,219,858	-	51,219,858	-
Warehouse building	30,158,806	2,500,000	32,658,806	6,908,884	2,354,275	9,263,159	23,395,647
Warehouse equipments	3,487,179		3,487,179	1,486,730	329,018	1,815,748	1,671,431
Plant machineries	18,673,750		18,673,750	16,789,666	1,379,542	18,169,208	504,542
Plant equipments	46,484,354		46,484,354	6,182,294	2,335,851	8,517,945	37,966,409
Lightings and electricals	1,159,982		1,159,982	1,159,982	-	1,159,982	-
Motor vehicles	1,977,207		1,977,207	1,977,207	-	1,977,207	-
Furniture, fixtures nd equipments	2,043,483		2,043,483	1,935,495	107,988	2,043,483	-
Computer software	256,697		256,697	161,755	14,705	176,460	80,237
Total	206,816,811	2,500,000	209,316,811	123,060,788	9,895,436	132,956,224	76,360,587

2021	COST 12-31-20	Addition (disposal)	12-31-21	ACCUMULATED DEPRECIATION 12-31-20	Provision (retirement)	12-31-21	Net book value
Land	9,768,600		9,768,600	-		-	9,768,600
Land improvements	4,912,908		4,912,908	3,932,394	460,350	4,392,744	520,162
Admin building	34,867,266		34,867,266	26,125,543	2,913,907	29,039,450	5,827,816
Laboratory building	1,806,723		1,806,723	1,806,720	3	1,806,723	-
Building improvement	51,219,858		51,219,858	45,378,400	5,841,458	51,219,858	-
Warehouse building	27,289,094	2,869,712	30,158,806	4,637,942	2,270,942	6,908,884	23,249,922
Warehouse equipments	3,487,179		3,487,179	1,157,712	329,018	1,486,730	2,000,449
Plant machineries	18,673,750		18,673,750	15,410,124	1,379,542	16,789,666	1,884,084
Plant equipments	46,484,354		46,484,354	3,846,643	2,335,651	6,182,294	40,302,060
Lightings and electricals	1,159,982		1,159,982	1,159,982	-	1,159,982	-
Motor vehicles	1,977,207		1,977,207	1,977,207	-	1,977,207	-
Furniture, fixtures nd equipment	1,929,202	114,281	2,043,483	1,742,575	192,920	1,935,495	107,988
Computer software	256,697		256,697	147,050	14,705	161,755	94,942
Total	203,832,818	2,983,993	206,816,811	107,322,292	15,738,496	123,060,788	83,756,023

NOTE 9 – ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABLITIES

Accounts payable, accrued expenses and other liabilities consist of:

	December 31 2022	2021
Accounts payable - trade	25,373,677	41,748,366
Withholding tax payable	1,111,353	827,519
Other payables	512,372	488,672
TOTAL	26,997,402	43,064,557

NOTE 10 – ACCOUNTS PAYABLE

Accounts payable represents investment in Steniel Manufacturing Corporation.

NOTE 11 – ACCOUNTS PAYABLE - OTHERS

Accounts payable – others consist of funds to finance acquisitions of property and equipment.

NOTE 12 – LOAN PAYABLE

Loan payable represents borrowings/credit line from Banco de Oro. It was converted into 'Term Loan' for five (5) years.

NOTE 13 – SHARE CAPITAL

Share capital consists of:

	2022			2021		
	SHARES		AMOUNT	SHARES		AMOUNT
Authorized capital stock - Ps. 1.00 par value per share	50,000,000	Ps.	50,000,000	50,000,000	Ps.	50,000,000
Issued and outstanding	23,250,000	Ps.	23,250,000	23,250,000	Ps.	23,250,000

NOTE 14 – RETAINED EARNINGS

Retained earnings represent accumulated earnings of the Company. Free retained earnings represent accumulated earnings available for dividend declaration subject to certain adjustments (SEC Memo Circular No. 11, Series of 2008).

	RETAINED EARNINGS		TOTAL
	UNAPPROPRIATED	APPROPRIATED	
Balance at December 31, 2020	18,823,582	70,600,000	89,423,582
Appropriated for plant expansion	(10,000,000)	10,000,000	-
Net income for the year	10,367,227		10,367,227
Balance at December 31, 2021	19,190,809	80,600,000	99,790,809
Appropriated for plant expansion	(15,000,000)	15,000,000	-
Net income for the year	12,622,259		12,622,259
Balance at December 31, 2022	16,813,068	95,600,000	112,413,068

NOTE 15 – REVENUE

Revenue consists of:

	December 31	
	2022	2021
Sales from used paper products and scrap materials	330,577,936	249,289,200
Zero-rated sales	104,424,215	86,890,688
Lessor of real property	2,317,796	2,653,079
TOTAL	437,319,947	338,832,967

NOTE 16 – DIRECT COSTS

Direct costs consist of:

	December 31	
	2022	2021
Inventory, beg.	42,183,253	21,153,439
Purchases	289,765,660	281,561,217
Materials, parts and supplies	9,467,900	1,280,370
Fuel, oil and lubricants	6,772,484	2,945,337
Depreciation	6,398,486	6,315,153
Manpower services	3,093,095	1,927,858
Salaries and wages	2,882,938	2,577,268
Repairs and maintenance	1,983,491	1,185,312
Power, light and water	1,139,094	1,407,313
SSS, PHIC and Pag-ibig contributions	344,645	312,863
13th month pay	233,233	214,774
Calibration	148,929	32,455
Total	364,413,208	320,933,379
Less: Inventory, end	9,747,931	42,183,253
Direct Costs	**354,665,277**	**278,750,126**

NOTE 17 – SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses consist of:

	December 31	
	2022	2021
Freight and handling	47,527,336	23,093,788
Security services	4,312,225	3,503,258
Interest expense	3,948,928	1,973,941
Depreciation	3,496,950	9,423,343
Taxes and licenses	3,105,337	3,106,987
Insurance	1,366,362	1,541,579
Salaries and wages	1,118,413	1,235,311
Office supplies	193,537	85,988
Postage and communications	181,486	174,150
SSS, philhealth and pag-ibig contributions	134,645	150,806
13th month pay	104,804	102,942
Travel and transportation	16,672	25,208
Rental	-	72,000
Other operating expenses	316,296	1,770,570
TOTAL	65,824,991	46,259,871

NOTE 18 – OTHER MATTERS (TAXES AND LICENSES)

Pursuant to the disclosure requirements of BIR Revenue Regulation No. 15-2010, shown below are the information on taxes, duties and license fees paid and accrued by the Company as at December 31, 2022 and 2021:

a.) Income Taxes

	December 31	
	2022	2021
Provision for income taxes consist of:		
Current		
RCIT/MCIT	4,207,420	3,455,743
Total	4,207,420	3,455,743

b.) Value Added Tax (VAT)

Details of the Company's net sales/receipts, output VAT and input Vat account are as follows:

	December 31	
	2022	
	Net Sales/ Receipt	Output Vat
1) Sales		
Sales of goods	330,577,936	39,669,352
Services	2,317,796	278,136
Zero-Rated	104,424,215	-
Total	437,319,947	39,947,488
	Purchases	Input Vat
2) Purchases		
Beginning balance		78,396,254
Current year transactions:		
Input tax deferred on capital goods		367,008
Capital goods not exceeding 1 million		
Goods other than capital goods	306,854,777	36,822,573
Services lodged under other accounts	46,382,892	5,565,947
Total	353,237,669	121,151,782
Balance		(81,204,294)

c.) Withholding Taxes

Details of withholding taxes for the year are as follows:

	December 31	
	2022	2021
Expanded	4,299,515	3,534,378
TOTAL	4,299,515	3,534,378

	December 31	
[illegible]	[illegible]	[illegible]
LTO registration	154,639	257,634
	3,105,337	**3,106,987**

P OFESSIONAL FEES

[illegible]