CORBOX CORPORATION AUDITED FINANCIAL STATEMENT 2020

CORBOX CORPORATION

Tayud, Liloan, Cebu

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

PHILIPPINE CURRENCY

GERTRUDES TAN MATA

CERTIFIED PUBLIC ACCOUNTANT

Sto. Niño Compound Panganiban St., Cebu City

TEL. No. 423-9405 / 564-3385

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C 2 0 0 2 0 1 4 3 7

Company Name

C O R B O X   C O R P O R A T I O N

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

T A Y U D   L I L O A N ,   C E B U

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	S E C	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Numbers/s	Mobile Number
	0 3 2 4 2 4 9 1 8 5	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
6		December-2020

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Numbers/s	Mobile Number
Jeffrey L. Yu			

Contact Person's Address

Note: In case of death, resignation 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.

CORBOX Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of **CORBOX 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 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 **CORBOX 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 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 requirements of Revenue Regulations No.8 -2007 and other relevant issuances;
c) the CORBOX 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]

JEFFREY L. YU	NIXON Y. LIM	ESTEBAN C. KU
Chief Executive Officer	President	Treasurer

Bureau of Internal Revenue
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MAY 1 2021

Address: Tayud, Lilo-an, Cebu Philippines
Sales Dept.: Tel. No.: (032) 424 9181 to 84
Telefax No. (032) 424 8433
Sun Cel. # 0922 8156156
E-mail Address: corbox_corporation@yahoo.com
Acctg. Dept.: Tel. No.: (032) 424 9185 to 86
Telefax No. (032) 424 8434
Globe Cel. # 0917 3295307

CORBOX Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **CORBOX CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year(s) ended December 31, 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preperation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors 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.

Gertrudes Tan Mata, CPA, the independent auditors appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

[redacted]

Signature____________________
Printed Name of the CEO
JEFFREY L. YU

[redacted]

Signature____________________
Printed Name of the President
NIXON Y. LIM

[redacted]

Signature____________________
Printed Name of Treasurer
ESTEBAN C. KU

Signed this 09th day of April, 2021

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Address: Tayud, Lilo-an, Cebu Philippines
Sales Dept.: Tel. No.: (032) 424 9181 to 84
Telefax No. (032) 424 8433
E-mail Address: corbox_corporation@yahoo.com
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Telefax No. (032) 424 8434

GERTRUDES TAN MATA
CERTIFIED PUBLIC ACCOUNTANT
Sto Niño Compound Panganiban St., Cebu City
Tel. No. 423-9405/564-3385

STATEMENT OF REPRESENTATION

TO THE SECURITIES AND EXCHANGE COMMISSION:

In connection with my examination of the financial statements of the **CORBOX CORPORATION** which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the accounting profession and duly registered with the Board of Accountancy (BOA);
2. That said financial statements are presented in conformity with Philippine Financial Reporting Standards in all cases where I shall express an unqualified opinion; except that is case of any departure from such principles, I shall indicate the nature of the departure, the effects thereof, and the reasons why compliance with the principles would result in a misleading statement, if such is a fact;
3. That I shall fully meet the requirements of the independence as provided for in Section 14 of the Code of Professional Ethics for CPAs;
4. That in conduct of the audit, I shall comply with Philippine Standards in Auditing. In case of my departure from such standards or any limitation in the scope of my examination, I shall indicate the nature of departure and the extent of the limitation, the reasons therefore and the effects thereof on the expression of my opinion or which may necessitate the negation of the expression of an opinion;
5. That I shall comply with the applicable rules and regulations of the Securities and Exchange Commission in the preparation and submission of financial statements; and
6. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under the Code of Professional Ethics for CPAs.

As a CPA engaged in public practice, I make these representations in my individual capacity.

[redacted]

GERTRUDES TAN MATA, CPA
TIN No. 118-928-672
PRC Board Cert. No. 47310
BIR Accreditation No.
AN: 13-002211-002-2019 until Feb. 20, 2022
PRC/BOA Registration No.0939 until Nov. 23, 2022
PTR No. 2421528 dated, 01/08/2021 Cebu City

GERTRUDES TAN MATA

CERTIFIED PUBLIC ACCOUNTANT
Sto Niño Compound Panganiban St., Cebu City
Tel. No. 423-9405/564-3385

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
CORBOX CORPORATION
Tayud Liloan, Cebu

Report on the Audit of the Financial Statements

Opinion
I have audited the financial statements of **CORBOX CORPORATION.**, which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive 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 my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion
I conducted my audit in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to my audit of the financial statements in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 PFRSs, 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
My objectives is 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 my 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, I exercises professional judgment and maintain professional skepticism throughout the audit. I 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 my 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.

GERTRUDES TAN MATA
CERTIFIED PUBLIC ACCOUNTANT
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Tel. No. 423-9405/564-3385

- 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

I will 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 I had identified during my audit.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees to the financial statements is presented for Bureau of Internal Revenue purposes and is not a required part of the basic financial statements. Such information is the responsibility of the management. The Information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

GERTRUDES TAN MATA, CPA
TIN No. 118-928-672
PRC Board Cert. No. 47310
BIR Accreditation No.
AN: 13-002211-002-2019 until Feb. 20, 2022
PRC/BOA Registration No.0939 until Nov. 23, 2022
PTR No. 2421528 dated, 01/08/2021 Cebu City

April 12, 2021
Cebu City, Philippines

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CORBOX CORPORATION
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	Note(s)	2020	2019
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3 & 5	47,505,627.00	71,563,916.00
Accounts Receivable	3 & 6	516,114,279.00	543,537,802.00
Inventories	3 & 7	1,869,644,149.00	1,911,729,531.00
Other Current Assets	8	27,646,548.00	33,966,884.00
Total Current Assets		2,460,910,603.00	2,560,798,133.00
NONCURRENT ASSETS			
Property, plant and equipment - net	3 & 9	510,725,720.00	407,033,542.00
Security Deposits		349,416.00	349,416.00
Total Noncurrent Assets		511,075,136.00	407,382,958.00
TOTAL ASSETS		2,971,985,739.00	2,968,181,091.00
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	10	2,412,497,359.00	2,311,241,191.00
Income Tax Payable	11	17,650,542.00	19,908,685.00
Other current liabilities	12	1,998,720.00	1,819,124.00
Loans Payable	13	121,831,579.00	252,488,528.00
Tot		2,553,978,200.00	2,585,457,528.00
TOTAL LIABILITIES		2,553,978,200.00	2,585,457,528.00
STOCKHOLDERS' EQUITY			
Capital stock	14	150,000,000.00	150,000,000.00
Retained Earnings		268,007,539.00	232,723,562.00
Total Stockholders' Equity		418,007,539.00	382,723,562.00
		2,971,985,739.00	2,968,181,090.00

See accompanying Notes to Financial Statements

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CORBOX CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 & 2019

		2020	2019
SALES - NET	Note 2 & 15	2,481,487,310.00	2,500,806,676.00
COST OF GOODS SOLD	Note 16	2,339,601,158.00	2,355,618,552.00
GROSS PROFIT		141,886,152.00	145,188,124.00
OPERATING EXPENSES	Note 17	83,051,011.00	81,764,206.00
INCOME (LOSS) BEFORE TAX		58,835,141.00	63,423,918.00
PROVISION FOR INCOME TAX	Note 11	17,650,542.00	19,908,685.00
NET INCOME AFTER TAX		41,184,599.00	43,515,233.00
OTHER INCOME			
Interest Income		102,850.00	103,738.00
NET INCOME (LOSS)		41,287,449.00	43,618,971.00

See accompanying Notes to Financial Statements

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CORBOX CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 & 2019

	Capital Stock	Retained Earnings		Total
		Appropriated	Unappropriated	
BALANCE AT JANUARY 01, 2019	150,000,000.00	85,000,000.00	109,591,712.00	344,591,712.00
Additional Appropration for the year		60,000,000.00	(60,000,000.00)	
Net income (loss) for the year	-	40,000,000.00	3,618,971.00	43,618,971.00
Prior Year Adjustments (Deficiency Tax)		-	(2,487,121.00)	(2,487,121.00)
Cash Dividends			(3,000,000.00)	(3,000,000.00)
BALANCE AT DECEMBER 31, 2019	150,000,000.00	185,000,000.00	47,723,562.00	382,723,562.00
BALANCE AT JANUARY 01, 2020	150,000,000.00	185,000,000.00	47,723,562.00	382,723,562.00
Net income (loss) for the year	-	-	41,287,449.00	41,287,449.00
Prior Year Adjustments (Deficiency Tax)			(3,003,472.00)	(3,003,472.00)
Cash Dividends			(3,000,000.00)	(3,000,000.00)
BALANCE AT DECEMBER 31, 2020	150,000,000.00	185,000,000.00	83,007,539.00	418,007,539.00

See accompanying Notes to Financial Statements

CORBOX CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 & 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before Income tax	58,835,141.00	63,423,918.00
Adjustment for:		
Depreciation	37,524,365.00	22,286,374.00
Other Income	102,850.00	103,738.00
Prior Year Adjustments (Deficiency Tax)	(3,003,473.00)	(2,487,121.00)
OPERATING INCOME BEFORE WORKING CAPITAL CHARGES	93,458,883.00	83,326,909.00
Decrease (increase) in:		
Accounts Receivable	27,423,523.00	(106,233,050.00)
Inventories and supplies	42,085,382.00	(427,010,805.00)
Other Current Assets	6,320,336.00	(6,908,603.00)
Increase (decrease) in:		
Accounts payable and accrued expenses	101,256,168.00	825,574,494.00
Income Tax Paid	(19,908,685.00)	(19,030,603.00)
Other current liabilities	179,596.00	(374,456.00)
Net cash provided by operating activities	250,815,203.00	349,343,886.00
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to Property and Equipment	(141,216,543.00)	(98,751,050.00)
Net cash used in investing activities	(141,216,543.00)	(98,751,050.00)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) from Loans Payable	(130,656,949.00)	(236,934,058.00)
Additional Paid up Capital		
Cash Dividends Paid	(3,000,000.00)	(3,000,000.00)
Net cash provided by (used in) financing activities	(133,656,949.00)	(239,934,058.00)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,058,289.00)	10,658,778.00
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	71,563,916.00	60,905,138.00
CASH AND CASH EQUIVALENTS AT END OF YEAR	47,505,627.00	71,563,916.00

See accompanying Notes to Financial Statements

CORBOX CORPORATION.
NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Corbox Corporation is a domestic stock corporation incorporated under the laws of the Republic of the Philippines. It was registered with the Securities and Exchange Commission on December 18, 2002 under Reg. No. C200201437 and with the Bureau of Internal Revenue under Reg. No. 2RC0000073496 dated January 06, 2003 with TIN 221-721-131-000. The primary purpose is to engage in business as a general merchant, specializing in but not limited to the sales, manufacturing of containers, boxes of papers and paperboard, trading, importing, exporting and service of packaging. The company operates within the Philippines.

The registered office address of Corbox Corporation is located at Tayud, Liloan, Cebu.

The financial statements as of December 31, 2020 were authorized and approved for issue by the Board of Directors on April 09, 2021.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

Basis of Preparation

The accompanying financial statements of the Company have been prepared on the historical cost basis, except for the derivative financial instruments, investments held for trading and available-for-sale (AFS) investments, which have all been measured at fair value. The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are not rounded to the nearest peso (P 0.00), except when otherwise indicated.

The accompanying financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with PFRS. PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council (FRSC).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous year presented in the consolidated financial statements, except for the changes in accounting policies as explained below. The adoption of the amended standards and interpretations did not have any impact on the financial statements.

Adoption of Amendment to Standards and Interpretations

The FRSC approved the adoption of a number of amendments to standards and interpretations as part of PFRS. The Company has adopted the following amendments to PFRS 7 and interpretation starting January 1, 2013 and accordingly, changed its accounting policies.

- Amendments to PFRS 7, Disclosures - Transfers of Financial Assets, which requires additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of the consolidated financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in the derecognized financial assets.

- PIC Q&A No. 2011-03, Accounting for Inter-company Loans, provides guidance on how should an interest free or below market rate loan between companies be accounted for in the separate or stand-alone financial statements of the lender and the borrower (i) on the initial recognition of the loan; and (ii) during the periods to repayment.

The adoption of the above amendments to PFRS 7 and interpretation did not have a material effect on the consolidated financial statements. Additional disclosures required by the amendments to PFRS 7 and interpretation were included in the consolidated financial statements, where applicable.

New and Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new and revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing the consolidated financial statements. Those which may be relevant to the company are set out below. Except as otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements of the company. The company does not plan to adopt these standards early.

The company will adopt the following new and revised standards, amendments to standards and interpretations on the respective effective dates:

- Presentation of Items of Other Comprehensive Income (Amendments to PAS 1, Presentation of Financial Statements). The amendments: (a) require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and (c) change the title of the consolidated statement of comprehensive income to consolidated statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRS continue to apply in this regard. The adoption of the amendments is required for annual periods beginning on or after July 1, 2013.

- Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7). These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are: (a) offset in the consolidated statements of financial position; or (b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the consolidated statements of financial position. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PFRS 10, Consolidated Financial Statements, introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between power and returns. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008), Consolidated and Separate Financial Statements and Philippine Interpretation Standards Interpretation Committee (SIC) - 12, Consolidation - Special Purpose Entities. The adoption of the new standard may result to changes in consolidation conclusion in respect of the company's investees which may lead to changes in the current accounting for these investees. The adoption of the new standard is required for annual periods beginning on or after January 1, 2014.

- PFRS 11, Joint Arrangements, focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). The new standard: (a) distinguishes joint arrangements between joint operations and joint ventures; and (b) eliminates the option of using the equity method or proportionate consolidation as it always requires the use of equity method for jointly controlled entities that are now called joint ventures. PFRS 11 supersedes PAS 31, Interests in Joint Ventures and Philippine Interpretation SIC 13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The adoption of the new standard is required for annual periods beginning on or after January 1, 2014.

- PFRS 12, Disclosure of Interests in Other Entities, contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The new standard provides information that enables users to evaluate: (a) the nature of, and risks associated with, an entity's interests in other entities; and (b) the effects of those interests on the entity's financial position, financial performance and cash flows. The company is currently assessing the disclosure requirements for interests in subsidiaries, joint arrangements and associates in comparison with the existing disclosure. The adoption of the new standard is required for annual periods beginning on or after January 1, 2014.

- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12). The amendments: (a) simplify the process of adopting PFRS 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities; (b) simplify the transition and provide additional relief from the disclosures that could have been onerous depending on the extent of comparative information provided in the consolidated financial statements; and (c) limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- PFRS 13, Fair Value Measurement, replaces the fair value measurement guidance contained in individual PFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRS. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The company is currently reviewing its methodologies in determining fair values. The adoption of the new standard is required for annual periods beginning on or after January 1, 2014.

- PAS 19, Employee Benefits (Amended 2011), includes the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under

PAS 19; and (b) expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 27, Separate Financial Statements (2011), supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- PAS 28, Investments in Associates and Joint Ventures (2011), supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations, applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not re-measure the retained interest. The adoption of the amendments is not expected to have an effect on the consolidated financial statements since the company continues to account for its investments in associates at equity method. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- Improvements to PFRS 2009-2011 contain amendments to 5 standards with consequential amendments to other standards and interpretations, of which only the following are applicable to the company:

  o Comparative Information beyond Minimum Requirements (Amendments to PAS 1). These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements) are not required. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

  o Presentation of the Opening Statement of Financial Position and Related Notes (Amendments to PAS 1). The amendments clarify that: (a) the opening consolidated statement of financial position is required only if there is: (i) a change in accounting policy; (ii) a retrospective restatement; or (iii) a reclassification has a material effect upon the information in that consolidated statement of financial position; (b) except for the disclosures required under PAS 8, Accounting Policies, Change in Accounting Estimates and Errors, notes related to the opening consolidated statement of financial position are no longer required; and (c) the appropriate date for the opening consolidated statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements. The amendment explains that the requirements for the presentation of notes related to additional comparative information and those related to the opening consolidated statement of financial position are different, because the underlying objectives are different. Consequential amendments have been made to PAS 34, Interim Financial Reporting. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

  o Classification of Servicing Equipment (Amendments to PAS 16, Property, Plant and Equipment). The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in PAS 16 is now considered in determining whether these items should be accounted for under this standard. If these items do not meet the definition, then they are accounted for using PAS 2, Inventories. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

o Income Tax Consequences of Distributions (Amendments to PAS 32, Financial Instruments Presentation). The amendments clarify that PAS 12, Income Taxes applies to the accounting for income taxes relating to: (a) distributions to holders of an equity instrument; and (b) transaction costs of an equity transaction. This amendment removes a perceived inconsistency between PAS 32 and PAS 12. Before the amendment, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2, Members' Share in Co-operative Entities and Similar Instruments. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

o Segment Assets and Liabilities (Amendments to PAS 34). This is amended to align the disclosure requirements for segment assets and segment liabilities in interim consolidated financial statements with those in PFRS 8, Operating Segments. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when: (a) the amount is regularly provided to the chief operating decision maker; and (b) there has been a material change from the amount disclosed in the last annual consolidated financial statements for that reportable segment. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32). The amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is: (i) not contingent on a future event; and (ii) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement I and only if the gross settlement mechanism has features that: (i) eliminate or result in insignificant credit and liquidity risk; and (ii) process receivables and payables in a single settlement process or cycle. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- Investment Entities [Amendments to PFRS 10, PFRS 12, and PAS 27 (2011)]. The amendments provide consolidation exception for investment funds and require qualifying investment entities to recognize their investments in controlled entities, as well as investments in associates and joint ventures, in a single line item in the statement of financial position, measured at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. However, the parent of an investment entity (that is not itself an investment entity) is still required to consolidate all subsidiaries. This consolidation exception is mandatory. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- PFRS 9, Financial Instruments (2010) and (2009). PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of PFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. The adoption of the new standard is expected to have an effect on the classification and measurement of the company's financial assets. PFRS 9 (2010 and 2009) is effective for annual periods beginning on or after January 1, 2015.

Financial Assets and Financial Liabilities

Date of Recognition. The company recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs.

The company classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS financial assets, financial assets at FVPL and loans and receivables. The company classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of Fair Value. The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there is no significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

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

Financial Assets

Financial assets include Cash, Trade and Other Receivables.

Cash are stated at face value. Cash includes cash in bank and petty cash fund. Cash in bank in savings accounts earn interest at the respective bank deposit rates and these are deposits held at call with banks. Petty cash funds are intended as working funds for a small amount of expenses such as periodicals, reproduction cost, transportation, etc.

Trade receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amount. An estimate of doubtful accounts is made when collection of the full amount is no longer probable.

Financial Assets at FVPL. A financial asset is classified as at FVPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVPL if

the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's documented risk management or investment strategy. Derivative instruments (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets may be designated by management at initial recognition as at FVPL, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis;

- the assets are part of a company of financial assets which are managed and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are presented in the consolidated statements of financial position as assets when the fair value is positive and as liabilities when the fair value is negative. Gains and losses from changes in fair value of these derivatives are recognized under the caption marked-to-market gains (losses) included as part of "Other income (expenses)" in the consolidated statements of income.

The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current exchange rates for contracts with similar maturity profiles. The fair values of commodity swaps are determined based on quotes obtained from counterparty banks.

The combined carrying amounts of financial assets under this category amounted to P 2,971,985,740.00 and P 2,968,181,091.00 as of December 31, 2020 and 2019, respectively (Note 3, 5, 6 and 8).

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets as at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Interest income" in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in the consolidated statements of income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

The company's cash and cash equivalents, trade and other receivables, due from related parties and long-term receivables are included in this category.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The combined carrying amounts of financial assets under this category amounted to P 47,505,628.00 and P 71,563,916.00 as of December 31, 2020 and 2019, respectively (Note 3 & 5).

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the company's management has the positive intention and ability to hold to maturity. Where the company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. Any interest earned on the HTM investments shall be recognized as part of "Interest income" in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in the consolidated statements of income. Gains or losses are recognized in profit or loss when the HTM investments are derecognized or impaired, as well as through the amortization process.

The company has no investments accounted for under this category during the year.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. The effective yield component of AFS debt securities is reported as part of "Interest income" in the consolidated statements of income. Dividends earned on holding AFS equity securities are recognized as "Dividend income" when the right to receive payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any

The company's investments in equity and debt securities included under "Available-for-sale financial assets" account are classified under this category (Note 8).

The carrying amounts of financial assets under this category are nil during the year.

<u>Financial Liabilities</u>

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The company carries financial liabilities at FVPL using their fair values and reports fair value changes in profit or loss.

The company's derivative liabilities are classified under this category.
The carrying amounts of financial liabilities under this category are nil during the year

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

The company's liabilities arising from its short term loans, trade and other payables, long-term debt, cash bonds and other noncurrent liabilities are included under this category.

The combined carrying amounts of financial liabilities under this category amounted to P 2,533,978,200.00 and P 2,311,241,191.00 as of December 31, 2020 and 2019, respectively.

Debt Issue Costs
Debt issue costs are considered as directly attributable transaction cost upon initial measurement of the related debt and subsequently in the calculation of amortized cost using the effective interest method.

Derivative Financial Instruments and Hedging

Freestanding Derivatives
For the purpose of hedge accounting, hedges are classified as either: a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk); b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or c) hedges of a net investment in foreign operations.

At the inception of a hedge relationship, the company formally designates and documents the hedge relationship to which the company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair Value Hedge. Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in profit or loss. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that re-measurement is also recognized in profit or loss.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.

The company discontinues fair value hedge accounting if the hedging instrument expired, sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the company revokes the designation.

The company has no outstanding derivatives accounted for as fair value hedges during the year
Cash Flow Hedge. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in other comprehensive income and presented under the "Hedging reserve" account in the consolidated statements of changes in equity. The ineffective portion is immediately recognized in profit or loss.

If the hedged cash flow results in the recognition of an asset or a liability, all gains or losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying amount of the asset or liability. Otherwise, for all other cash flow hedges, gains or losses initially recognized in equity are transferred from equity to profit or loss in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affects profit or loss.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been reported directly in equity is retained in equity until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is recognized in profit or loss.

The company has no outstanding derivatives accounted for as a cash flow hedge during the year

Net Investment Hedge. The company has no hedge of a net investment in a foreign operation during the year.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss during the year incurred.

Embedded Derivatives
The company assesses whether embedded derivatives are required to be separated from host contracts when the company becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized as at FVPL. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

De-recognition of Financial Assets and Financial Liabilities
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

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

Impairment of Financial Assets

The company assesses at the reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For assets carried at amortized cost such as loans and receivables, the company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the company includes the asset as part of a group of financial assets pooled according to their credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a company of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is

reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.
AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument, for which its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows from the asset discounted using its historical effective rate of return on the asset.

Classification of Financial Instruments Between Debt and Equity
From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

Inventories
Inventories are stated at the lower of cost and estimated selling price less costs to sell. Cost is determined using the first-in-first-out (FIFO) method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to sell; the impairment loss is recognized immediately in profit or loss.

Inventories include disclose the components/specifications that are valued at lower of cost and estimated selling price less costs to sell, using the FIFO method.

For financial reporting purposes, duties and taxes related to the acquisition of inventories are capitalized as part of inventory cost. For income tax reporting purposes, such duties and taxes are treated as deductible expenses in the year these charges are incurred.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time that cost is incurred, if the recognition criteria are

met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.
The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO) and interest incurred during the construction period on funds borrowed to finance the construction of the projects. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as an expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the company and the cost of the items can be measured reliably.

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

For financial reporting purposes, duties and taxes related to the acquisition of property, plant and equipment are capitalized. For income tax reporting purposes, such duties and taxes are treated as deductible expenses in the year these charges are incurred.

For financial reporting purposes, depreciation and amortization, which commences when the asset is available for its intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Machinery and Equipment	5 - 10
Delivery Equipment	3 - 5
Building and Leasehold Improvements	25 - 30
Furniture and Fixtures	1 - 3
Land	no depreciation

The remaining useful lives, residual values, and depreciation and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that they are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

For income tax reporting purposes, depreciation and amortization are computed using the double-declining balance method.

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are recognized in profit or loss.

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

Investment Property

Investment property consists of properties held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and amortization and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

For financial reporting purposes, depreciation of office units is computed on a straight-line basis over the estimated useful lives of the assets of 20 years. For income tax reporting purposes, depreciation is computed using the double-declining balance method.

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

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement and disposal of investment property are recognized in profit or loss in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the company as an owner-occupied property becomes an investment property, the company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in profit or loss in the year in which the related expenditures are incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over 5 to 10 years.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.
The amount of intangible assets is included under the caption of others in the "Other noncurrent assets" in the consolidated statements of financial position.

Expenses incurred for research and development of internal projects and internally developed patents and copyrights are expensed as incurred and are part of "Selling and administrative expenses" account in the consolidated statements of income.

Impairment of Nonfinancial Assets
The carrying values of property, plant and equipment, investment property and intangible assets with finite lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Provisions
Provisions are recognized when: (a) the company has a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The company recognizes provisions arising from legal and/or constructive obligations associated with cost of dismantling and removing an item of property, plant and equipment and restoring the site where it is located, the obligation for which the company incurs either when the asset is acquired or as a consequence of using the asset during a particular year for purposes other than to produce inventories during the year.

Capital Stock

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects and any excess of the proceeds over the par value of shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the amount of the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue from sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally upon delivery and the amount of revenue can be measured reliably.

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

Dividend. Revenue is recognized when the company's right as a shareholder to receive the payment is established.

Rent. Revenue from investment property is recognized on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease. Rent income is included as part of other income.

Cost and Expense Recognition

Costs and expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred.

Expenses are also recognized in the consolidated statements of income when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized in the consolidated statements of income on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an 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 as an asset.

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 a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the 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 the 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 specific asset; or

(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 gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b), above.

Operating Lease

Company as Lessee. Leases which do not transfer to the company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Company as Lessor. Leases where the company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

<u>Borrowing Costs</u>

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

<u>Research and Development Costs</u>

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

<u>Employee Benefits</u>

The company does not have a tax qualified and fully funded defined benefit pension plan covering all permanent, regular, full-time employees administered by trustee banks. Retirement benefits cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement benefits cost includes current service cost, interest cost, expected return on plan assets, amortization of unrecognized actuarial gains and losses and past service costs, effect of asset limit and effect of any curtailments or settlements. Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to the plan, past service cost is recognized immediately as an expense. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the

previous reporting year exceed the greater of 10% of the present value of the defined benefit obligation or the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.
The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service costs not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the resulting asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of reductions in the future contributions to the plan, net actuarial losses of the current period and past service costs of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service costs of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service costs of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service costs of the current period are recognized immediately.

The company has a corporate performance incentive program that aims to provide financial incentives for the employees, contingent on the achievement of the company's annual business goals and objectives. The company recognizes achievement of its business goals through key performance indicators (KPIs) which are used to evaluate performance of the organization. The company recognizes the related expense when the KPIs are met, that is when the company is contractually obliged to pay the benefits.

(a) Retirement Benefit Obligations – PAS 19 provides that the Company shall recognize as an expense the undiscounted amount of short-term employees benefits when an employee has rendered service in exchange for those benefits. It also provides that the Company shall recognize in its balance sheet as defined benefit liability an amount equal to the excess of the present value of the defined benefit obligation over the fair value of the plan assets. If any, plus any unrecognized actuarial gains (less any actuarial losses) and minus any unrecognized past service cost. If the resulting amount is a negative (an asset), an entity shall recognize such amount as an asset subject to the limits prescribed by the Standard.

(b) Retirement Benefits – The corporation does not have a funded employee's retirement benefit plan. It has not recognized liability for past service and service and annual costs of earned retirement benefits due to its employees required under SFAS 24 / PAS 19. The expense is recognized only when an employee retires and is paid the retirement benefits accruing to him.

The Company is in the process on evaluation whether to do actuarial valuation in coordination with trusted insurance company or setting up a trust fund for the employees future retirement benefits through depositing with the client's main depository bank. It has not yet engaged the services of an Actuary to determine the present value of the defined benefit obligation using the projected unit credit method for the purpose of accruing retirement benefit obligation.

Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred Tax. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

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

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

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

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

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

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

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

In determining the amount of current and deferred tax, the company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

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

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

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

<u>Assets Held for Sale</u>
Noncurrent assets, or disposals comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are re-measured in accordance with the company's accounting policies. Thereafter, the assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on disposal is allocated first to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment properties or biological assets, which continue to be measured in accordance with the company's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment losses.

Intangible assets, investment property, and property, plant and equipment once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

When an asset no longer meets the criteria to be classified as held for sale or distribution, the company shall cease to classify such as held for sale. Transfers from assets held for sale or distribution are measured at the lower of its carrying amount before the asset was classified as held for sale or distribution, adjusted for any depreciation that would have been recognized had the asset not been classified as held for sale or distribution, and its recoverable amount at the date of the subsequent decision not to sell.

<u>Related Parties</u>
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant

influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Operating Segments

The company's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Chief Executive Officer (the "chief operating decision maker") reviews management reports on a regular basis.

The measurement policies the company used for segment reporting under PFRS 8, are the same as those used in its consolidated financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Reclassification

Certain accounts in the prior year financial statements and supporting note disclosures have been reclassified to conform to the current period presentation. Such reclassification did not affect the statement of cash flows nor did it impact previously reported loss or retained earnings.

Contingencies

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

Events After the Reporting Date

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

4. SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

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

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

Judgments

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

Operating Lease Commitments - Company as Lessor/Lessee. The Company has entered into commercial property leases on its investment property portfolio. The Company has determined that it retains all the significant risks and rewards of ownership of the properties leased out on operating leases while the significant risks and rewards for properties leased from third parties are retained by the lessors.

Determining Fair Values of Financial Instruments. Where the fair values of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The Company uses judgments to select from variety of valuation models and make assumptions regarding considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Distinction between Property, Plant and Equipment and Investment Property. The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Company accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

Taxes. Significant judgment is required in determining current and deferred income tax expense. 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 current income tax and deferred tax expenses in the year in which such determination is made.

Beginning July 2008, in the determination of the Company's current taxable income, the Company has an option to either apply the optional standard deduction (OSD) or continue to claim itemized standard deduction. The Company, at each taxable year from the affectivity of the law, may decide which option to apply; once an option to use OSD is made, it shall be irrevocable for that particular taxable year.

Estimations and Assumptions

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

Allowance for Impairment of Trade and Other Receivables. Allowance for impairment is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on past collection experience and other factors that may affect collectability. An evaluation of receivables, designed to identify potential changes to allowance, is performed regularly throughout the year. Specifically, in coordination with the Marketing Division, the Finance Division ascertains customers who are unable to meet their financial obligations. In these cases, the Company's Management uses sound judgment based on the best available facts and circumstances, included but not limited to, the length of relationship with the customers and their payment track record. The amount of impairment loss differ for each year based on available objective evidence for which the Company may consider that it will not be able to collect some of its accounts. Impaired accounts receivable are written off when identified to be worthless after exhausting all collection efforts. An increase in allowance for impairment of trade and other receivables would increase the Company's recorded selling and administrative expenses and decrease current assets.

Allowance for Inventory Obsolescence. The allowance for inventory obsolescence consists of collective and specific valuation allowance. A collective valuation allowance is established as a certain percentage based on the age and movement of stocks. In case there is write-off or disposal of slow-moving items during the year, a reduction in the allowance for inventory obsolescence is made. Review of allowance is done every quarter, while a revised set-up or booking is posted at the end of the year based on evaluations or recommendations of the proponents. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

Useful Lives. The useful life of each of the Company's item of property, plant and equipment and investment properties is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property, plant and equipment and investment properties would increase the recorded cost of goods sold, selling and administrative expenses, and decrease non-current assets.

There is no change in estimated useful lives of property, plant and equipment, and investment properties based on management reviews at the statement of financial position date.

Fair Value of Investment Properties. The fair value of investment property presented for disclosure purposes is based on market values, being the estimated amount for which the property can be exchanged between a willing buyer and seller in an arm's length transaction, or based on a most recent sale transaction of a similar property within the same vicinity where the investment property is located. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate estimated future cash flows expected to be received from leasing out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Impairment of Non-financial Assets. The Company assesses impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

• Significant underperformance relative to expected historical or projected future operating results;

• Significant changes in the manner of use of the acquired assets or the strategy for overall business; and,

• Significant negative industry or economic trends.
The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable value. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Determining the recoverable value of assets requires the estimation of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

Fair Value of Financial Instruments. Management uses valuation techniques in measuring fair value of financial instruments, where active market quotes are not available. In applying the valuation techniques, management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about assumptions that market participants would make. These estimates may vary from actual prices that would be achieved in an arm's length transaction at statement of financial position date.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments and when it is practicable to estimate such value:

• *Financial Assets at FVPL and AFS Investments.* Market values have been used to determine the fair values of traded government securities and equity shares. Market value is determined mainly by reference to the stock exchange quoted market bid prices at the close of business on the statement of financial position date.

• *Derivative Assets and Liabilities.* The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Mark-to-market valuation of commodity hedges is based on forecasted prices.

5. CASH AND CASH EQUIVALENTS

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

	2020	2019
Cash on Hand & in Bank	47,405,627.00	71,463,916.00
Petty Cash Fund	100,000.00	100,000.00
	47,505,627.00	71,563,916.00

6. RECEIVABLES

	2020	2019
Accounts Receivable	516,114,279.00	543,537,802.00

7. INVENTORIES

At cost:

	2020	2019
Raw Materials	1,689,953,238.00	1,669,306,330.00
Work in Process	64,414,820.00	90,088,192.00
Finished Goods	115,276,091.00	152,335,009.00
	1,869,644,149.00	1,911,729,531.00

8. OTHER CURRENT ASSETS

	2020	2019
VAT Input	592,331.00	2,191,659.00
Prepaid Tax - quarterly payments	-	75,191.00
Creditable Withholding Tax - excess	16,940,327.00	19,200,632.00
Input tax amortization	10,113,890.00	12,499,402.00
	27,646,548.00	33,966,884.00

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include all tangible assets with an estimated useful life beyond one year, are used in the conduct of the business, and are not intended for sale in the ordinary course of business. Assets of this nature include: property ordinarily not subject to depreciation or depletion and property subject to depreciation. This account consists of:

	Factory, Machine & Equipt.	Transpo. & Delivery Equipt.	Office Equipt.	Furniture & Fixtures	Building	Construction in Progress	Land	Total
Jan. 01, 2019								
Acquisition Cost	309,751,964.00	36,668,463.00	2,891,478.00	564,682.00	70,386,093.00	21,162,697.00	74,433,851.00	515,859,228.00
Depreciation	(70,884,703.00)	(14,822,232.00)	(1,509,148.00)	(389,250.00)	(21,220,353.00)	-	-	(108,825,686.00)
Net Carrying Value 12/31/19	238,867,261.00	21,846,231.00	1,382,330.00	175,432.00	49,165,740.00	21,162,697.00	74,433,851.00	407,033,542.00
Jan. 01, 2020								
Book Value	238,867,261.00	21,846,231.00	1,382,330.00	175,432.00	49,165,740.00	21,162,697.00	74,433,851.00	407,033,542.00
Addition	11,205,184.00	4,552,615.00	121,633.00	13,357.00	99,455,281.00	(21,162,697.00)	47,051,170.00	141,216,543.00
Depreciation	(27,061,400.00)	(8,271,558.00)	(68,457.00)	(38,368.00)	(2,084,592.00)	-	-	(37,524,305.00)
Net Carrying Value 12/31/20	223,011,045.00	18,127,288.00	1,435,506.00	150,421.00	146,536,429.00	-	121,485,021.00	510,725,780.00

10. ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

The details of Current Liabilities are shown below:

	2020	2019
Accounts Payable - Trade	2,411,949,136.00	2,310,731,631.00
SSS/PHIC Prem. Payable	383,599.00	313,406.00
HDMF Premium Payable	37,000.00	39,950.00
SSS Loan	54,119.00	61,888.00
HDMF Loan	73,505.00	94,316.00
	2,412,497,359.00	2,311,241,191.00

11. INCOME TAX

	2020	2019
Operating Income (Loss) before Tax	58,835,141.00	63,435,343.00
Add: Non-deductable	-	2,938,363.00
Total	58,835,141.00	66,373,706.00
Tax rate	30%	30%
Tax Due	17,650,542.00	19,908,685.00
Less: quarterly payments	-	75,191.00
Income Tax Payable	17,650,542.00	19,983,876.00

To validate the correct tax liability, a computation of the Minimum Corporate Income Tax (MCIT) was made as follows:

	2020	2019
Revenues	2,481,487,310.00	2,500,806,676.00
Less: Cost of Services	2,339,601,158.00	2,355,618,552.00
Gross Profit	141,886,152.00	145,188,124.00
Tax rate	2%	2%
Tax Due	2,837,723.04	2,903,762.48

12. OTHER CURRENT LIABILITIES

	2020	2019
Withheld Tax - Compensation	53,587.00	41,962.00
Withheld Tax - Dividends	200,000.00	200,000.00
Withheld Tax - Expanded	1,745,133.00	1,577,162.00
	1,998,720.00	1,819,124.00

13. LOANS PAYABLE

This represents interest bearing short term borrowing obtained from local banks renewable within 180-360 days at 3 % interest per annum. These are fully secured with real estate mortgage of several land titles, building and other real properties with no restrictions on titled properties and equipments pledge as collaterals. There was also a continuing surety agreement executed by some stockholders.

	2020	2019
Loans Payable	121,831,579.00	252,488,528.00

14. STOCKHOLDERS' EQUITY

a. Capital Stock

	2020	2019
Authorized 30,000,000 – 1.00 par value	150,000,000.00	150,000,000.00
Issued and Outstanding - 1.00 par value	150,000,000.00	150,000,000.00

b. Retained Earnings

i. Declaration of Cash Dividends

There was a cash dividend declared in the amount of P 3,000,000.00 during the year 2020.

ii. Appropriation of Capital Project

There was a total of appropriation in the amount of P 185,000,000.00 as of December 31, 2020 which was appropriated in the previous year intended for the future project expansion of the company.

15. SALES

	2020	2019
Sales – VAT	1,623,190,340.00	1,644,210,552.00
Sales – Zero Rated	858,296,970.00	856,596,124.00
Net Sales	2,481,487,310.00	2,500,806,676.00

16. COST OF GOODS SOLD

	2020	2019
Direct Materials:		
Raw Materials, Beg.	1,669,306,330.00	1,392,939,905.00
Add: Purchases - Direct Material	1,742,252,889.00	2,262,275,177.00
Total Materials Available for Sale	3,411,559,219.00	3,655,215,082.00
Less: Raw Materials, End	1,689,953,238.00	1,669,306,330.00
Total Raw Materials Used	1,721,605,981.00	1,985,908,752.00
Direct Labor:	33,321,088.00	33,178,421.00
Factory Overhead:		
Factory Supplies & Printing	41,595,575.00	48,604,383.00
Depreciation Factory	37,236,333.00	21,998,342.00
Light & Water	132,064,838.00	145,919,954.00
Repair & Maintenance - TDF	68,403,182.00	36,836,733.00
Freight & Trucking	126,468,371.00	143,625,540.00
Gas & Oil	17,933,584.00	26,587,659.00
Indirect Labor	87,935,892.00	54,386,614.00
13th Month Pay	2,170,907.00	2,444,465.00
Rental Factory	6,674,399.00	5,396,937.00
SSS & Others	1,458,718.00	1,375,132.00
Total Factory Overhead	521,941,799.00	487,175,759.00
Total Manufacturing Cost	2,276,868,868.00	2,506,262,932.00
Add: Work in Process, Beg.	90,088,192.00	38,102,883.00
Total Cost Place in Process	2,366,957,060.00	2,544,365,815.00
Less: Work in Process, End	64,414,820.00	90,088,192.00
Total Cost of Goods Manufactured	2,302,542,240.00	2,454,277,623.00
Add: Finished Goods, Beg	152,335,009.00	53,675,938.00
Total Goods Available for Sale	2,454,877,249.00	2,507,953,561.00
Less: Finished Goods, End	115,276,091.00	152,335,009.00
TOTAL COST OF GOODS SOLD	2,339,601,158.00	2,355,618,552.00

17. OPERATING EXPENSES

	2020	2019
Salaries, Wages & 13th Month	12,381,861.00	12,478,259.00
Separation pay	870,980.00	433,426.00
Office Supplies Used	3,645,123.00	4,130,603.00
Security Services	10,968,592.00	4,635,340.00
Gas & Oil	1,122,097.00	1,130,833.00
SSS & Other Taxes	747,161.00	621,290.00
Depreciation - Admin	288,032.00	288,032.00
Taxes & Licenses	7,637,741.00	4,193,919.00
Telephone & Telegraph	349,813.00	502,867.00
Commission Expense	2,221,710.00	2,260,455.00
Insurance Expense	7,673,625.00	9,594,231.00
Representation Expense	1,476,338.00	2,233,702.00
Meal/Transportation/Travel	150,132.00	1,283,767.00
Light & Water	3,190,628.00	3,525,361.00
Medical/Dental	234,463.00	195,836.00
Repair & Maintenance	12,178,962.00	9,506,635.00
Advertisement & Promotion	-	4,703.00
Legal Fees	507,778.00	1,170,588.00
Bank Charges	2,979,518.00	3,144,999.00
Seminars & Training	297,988.00	534,412.00
Interest Expense	14,128,469.00	19,894,948.00
	83,051,011.00	81,764,206.00

18. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

Risk Management Structure

Board of Directors

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Company. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Company's approach to risk issues in order to make relevant decisions.

Financial Risk Management Objectives and Policies

The Company's principal financial instrument comprises of cash and cash equivalents. The main purpose of this financial instrument is to raise finance for the Company's operations. The Company has various other financial instruments such as loans receivables, trade payables and accrued expenses which arise directly from its operations.

The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarized below. The Company also monitors the market price risk arising from all financial instruments.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company grants advances to stockholders after the BOD reassessed the Company's strategies for managing credits and view that they remain appropriate for the Company's circumstances. With respect to credit risk from other financial assets of the Company, which mainly comprise of cash and cash equivalents, amounts owed by and receivables from related parties, the exposure of the Company to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

Liquidity risk is the potential of not meeting obligations as they come due because of inability to liquidate assets or obtain adequate funding.

The Company maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay dividend declarations. The Company, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments.

Market Risks

The Company has no significant exposure to market risk during the year.

Capital Risk Management

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

19. OTHER MATTERS

The company has less than ten (10) stockholders and the shares are not traded in any stock exchange or over the counter market.

20. SUPPLEMENTARY INFORMATION REQUIRED BY BUREAU OF INTERNAL REVENUE'S RR NO. 15-2010

The Bureau of Internal Revenue issued Revenue Regulations (RR) No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying tax returns. Under the said RR, companies are required to disclose, in addition to the disclosure be adopted, in the Notes to financial statements, information on taxes, duties and license fee paid or accrued during the taxable year.

The following are information to which the company is required to disclose under RR No. 15-2010 for the year.

a. Sales and Output VAT

	Sales Amount	Output VAT
VATable Sales	1,623,190,340.00	194,782,841.00
Zero Rated Sales	858,296,970.00	-
	2,481,487,310.00	194,782,841.00

b. VAT Payable

	Purchase Amount	Input VAT
Input Taxes on goods	1,334,034,416.67	160,084,130.00
Input Taxes on services	151,033,751.00	29,052,947.00
Previous Year Excess Input		2,191,658.00
Quarterly VAT payments (jan to nov)		4,046,437.00
		195,375,172.00
VAT payable for the year		(592,331.00)

c. Withholding Taxes

	Amount
Withholding Tax - Expanded	1,745,133.00
Withholding Tax - Dividends	200,000.00
Withholding Tax - Compensation	53,587.00
	1,998,720.00

d. Taxes and Licenses

	Amount
Business Tax	4,855,342.00
Property Tax	2,302,764.00
Permits and Licenses	261,017.00
LTO renewals	218,118.00
Annual Registration Fee	500.00
	7,637,741.00

GERTRUDES TAN MATA

CERTIFIED PUBLIC ACCOUNTANT
Sto Niño Compound Panganiban St., Cebu City
Tel. No. 423-9405/564-3385

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Board of Directors and Stockholders
CORBOX CORPORATION
Tayud, Liloan, Cebu

I have examined the financial statements of CORBOX CORPORATION for the year ended December 31, 2020, on which I have rendered the attached report dated April 12, 2021.

In compliance with SRC Rule 68, I am stating that the said company has a total number of six (6) stockholders owning one hundred (100) or more shares each.

[redacted]
GERTRUDES TAN MATA, CPA
TIN No. 118-928-672
PRC Board Cert. No. 47310
BIR Accreditation No.
AN: 13-002211-002-2019 until Feb. 20, 2022
PRC/BOA Registration No.0939 until Nov. 23, 2022
PTR No. 2421528 dated, 01/08/2021 Cebu City

DATE: April 12, 2021

Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph

To: CORBOX_ACCTG@YAHOO.COM

Cc: CUERVOEDZELON@YAHOO.COM

Date: Friday, May 20, 2022 at 01:34 PM GMT+8

Hi CORBOX CORPORATION,

Valid files

- EAFS221721131OTHTY122021.pdf
- EAFS221721131AFSTY122021.pdf
- EAFS221721131ITRTY122021.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-QSQMZQQZ0QYPVMNMPNWYZTXP099LEB5BG**
Submission Date/Time: **May 20, 2022 01:17 PM**
Company TIN: **221-721-131**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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CORBOX CORPORATION AUDITED FINANCIAL STATEMENT 2021

CORBOX CORPORATION

Tayud, Liloan, Cebu

AMENDED AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

PHILIPPINE CURRENCY

GERTRUDES TAN MATA
CERTIFIED PUBLIC ACCOUNTANT
Sto. Niño Compound Panganiban St., Cebu City
TEL. No. 423-9405 / 564-3385

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C 2 0 0 2 0 1 4 3 7

Company Name

CORBOX CORPORATION

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

TAYUD LILOAN, CEBU

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
corbox_acctg@yahoo.com	0324249185	09338794075

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
6	1st Saturday of May	December-2021

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
Jeffrey L. Yu	corbox_acctg@yahoo.com	424-9181 to 85	

Contact Person's Address

Note: In case of death, resignation 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.

CORBOX Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of **CORBOX CORPORATION** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2021. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax 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, 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of **CORBOX 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 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 requirements of Revenue Regulations No.8 -2007 and other relevant issuances;
c) the CORBOX 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]

JEFFREY L. YE	NIXON Y. LIM	[illegible] C. KU
Chief Executive Officer	President	Treasurer

Address: Tayud, Lilo-an, Cebu Philippines
Sales Dept.: Tel. No.: (032) 424 9181 to 84
Telefax No. (032) 424 8433
Sun Cel. # 0922 8156156

E-mail Address: corbox_corporation@yahoo.com
Acctg. Dept.: Tel. No.: (032) 424 9185 to 86
Telefax No. (032) 424 8434
Globe Cel. # 0917 3295307

CORBOX Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **CORBOX CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year(s) ended December 31, 2021, 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 but to do so.

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

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

Gertrudes Tan Mata, CPA, the independent auditors appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature[redacted]
Printed Name of the CEO
JEFFREY L. YU

Signature_[redacted]
Printed Name of the President
NIXON Y. LIM

Signature [redacted]
Printed Name of Treasurer
ESTEBAN C. KU

Signed this 08th day of April, 2022

Address: Tayud, Lilo-an, Cebu Philippines
Sales Dept.: Tel. No.: (032) 424 9181 to 84
Telefax No. (032) 424 8433
Sun Cel. # 0922 8156156

E-mail Address: corbox_corporation@yahoo.com
Acctg. Dept.: Tel. No.: (032) 424 9185 to 86
Telefax No. (032) 424 8434
Globe Cel. # 0917 3295307

GERTRUDES TAN MATA
CERTIFIED PUBLIC ACCOUNTANT
Sto Niño Compound Panganiban St., Cebu City
Tel. No. 423-8405/564-3383

STATEMENT OF REPRESENTATION

TO THE SECURITIES AND EXCHANGE COMMISSION:

In connection with my examination of the **AMENDED** financial statements of the **CORBOX CORPORATION** which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the accounting profession and duly registered with the Board of Accountancy (BOA);
2. That said financial statements are presented in conformity with Philippine Financial Reporting Standards in all cases where I shall express an unqualified opinion; except that is case of any departure from such principles, I shall indicate the nature of the departure, the effects thereof, and the reasons why compliance with the principles would result in a misleading statement, if such is a fact;
3. That I shall fully meet the requirements of the independence as provided for in Section 14 of the Code of Professional Ethics for CPAs;
4. That in conduct of the audit, I shall comply with Philippine Standards in Auditing. In case of my departure from such standards or any limitation in the scope of my examination, I shall indicate the nature of departure and the extent of the limitation, the reasons therefore and the effects thereof on the expression of my opinion or which may necessitate the negation of the expression of an opinion;
5. That I shall comply with the applicable rules and regulations of the Securities and Exchange Commission in the preparation and submission of financial statements; and
6. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under the Code of Professional Ethics for CPAs.

As a CPA engaged in public practice, I make these representations in my individual capacity.

[redacted]

GERTRUDES TAN MATA, CPA
TIN No. 118-928-672
PRC Board Cert. No. 47310
BIR Accreditation No.
AN: 13-740218-003-2022 until Mar. 01, 2025
PRC/BOA Registration No.0939 until Nov. 23, 2022
PTR No. 3455735 dated, 01/06/2022 Cebu City

GERTRUDES TAN MATA
CERTIFIED PUBLIC ACCOUNTANT
Sto Niño Compound Panganiban St., Cebu City
Tel. No. 423-9405/564-3385

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
CORBOX CORPORATION
Tayud Liloan, Cebu

Report on the Audit of the Financial Statements

Opinion
I have audited the **AMENDED** financial statements of **CORBOX CORPORATION.**, which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive 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 my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company 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 (PFRSs).

Basis for Opinion
I conducted my audit in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to my audit of the financial statements in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 PFRSs, 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
My objectives is 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 my 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, I exercises professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

I will 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 I had identified during my audit.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 16 to the financial statements is presented for Bureau of Internal Revenue purposes and is not a required part of the basic financial statements. Such information is the responsibility of the management. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

[redacted]

GERTRUDES TAN MATA, CPA
TIN No. 118-928-672
PRC Board Cert. No. 47310
BIR Accreditation No.
AN: 13-740218-003-2022 until Mar. 01, 2025
PRC/BOA Registration No.0939 until Nov. 23, 2022
PTR No. 3455735 dated, 01/06/2022 Cebu City

May 12, 2022
Cebu City, Philippines

CORBOX CORPORATION
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 & 2020

	Note(s)	2021	2020
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3 & 5	141,679,285.00	47,505,627.00
Accounts Receivable	3 & 6	594,317,728.00	516,114,279.00
Inventories	3 & 7	2,084,775,917.00	2,308,142,376.00
Other Current Assets	8	45,562,521.00	28,539,649.00
Total Current Assets		2,866,335,451.00	2,900,301,931.00
NONCURRENT ASSETS			
Investments	9	81,675,000.00	-
Property, plant and equipment - net	3 & 10	772,738,099.00	510,725,720.00
Security Deposits		349,416.00	349,416.00
Total Noncurrent Assets		854,762,515.00	511,075,136.00
TOTAL ASSETS		3,721,097,966.00	3,411,377,067.00
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	11	2,850,763,135.00	2,848,686,994.00
Income Tax Payable	12	18,560,332.00	18,611,050.00
Other current liabilities	13	1,929,648.00	1,998,720.00
Loans Payable	14	382,849,680.00	121,831,579.00
Total Current Liabilities		3,254,102,795.00	2,991,128,343.00
TOTAL LIABILITIES		3,254,102,795.00	2,991,128,343.00
STOCKHOLDERS' EQUITY			
Capital stock	15	150,000,000.00	150,000,000.00
Retained Earnings		316,995,170.00	270,248,723.00
Total Stockholders' Equity		466,995,170.00	420,248,723.00
		3,721,097,966.00	3,411,377,067.00

See accompanying Notes to Financial Statements

CORBOX CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 & 2020

	Notes	2021	2020
SALES - NET	2 & 16	2,987,764,022.00	2,481,487,310.00
COST OF GOODS SOLD	17	2,815,234,456.00	2,336,399,466.00
GROSS PROFIT		172,529,566.00	145,087,844.00
OPERATING EXPENSES	18	98,288,241.00	83,051,011.00
INCOME (LOSS) BEFORE TAX		74,241,325.00	62,036,833.00
PROVISION FOR INCOME TAX	12	18,560,332.00	18,611,050.00
NET INCOME AFTER TAX		55,680,993.00	43,425,783.00
OTHER INCOME			
Interest Income		65,454.00	102,850.00
NET INCOME (LOSS)		55,746,447.00	43,528,633.00

See accompanying Notes to Financial Statements

CORBOX CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 & 2020

	Capital Stock	Retained Earnings		Total
		Appropriated	Unappropriated	
BALANCE AT JANUARY 01, 2020	150,000,000.00	185,000,000.00	47,723,562.00	382,723,562.00
Additional Appropration for the year				-
Net income (loss) for the year			43,528,633.00	43,528,633.00
Prior Year Adjustments (Deficiency Tax)			(3,003,472.00)	(3,003,472.00)
Cash Dividends			(3,000,000.00)	(3,000,000.00)
BALANCE AT DECEMBER 31, 2020	150,000,000.00	185,000,000.00	85,248,723.00	420,248,723.00
BALANCE AT JANUARY 01, 2021	150,000,000.00	185,000,000.00	85,248,723.00	420,248,723.00
Net income (loss) for the year	-		55,746,447.00	55,746,447.00
Cash Dividends			(9,000,000.00)	(9,000,000.00)
BALANCE AT DECEMBER 31, 2021	150,000,000.00	185,000,000.00	131,995,170.00	466,995,170.00

CORBOX CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 & 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before Income tax	74,241,325.00	62,036,833.00
Adjustment for:		
Depreciation	49,886,717.00	37,524,365.00
Other Income	65,454.00	102,850.00
Prior Year Adjustments (Deficiency Tax)	-	(3,003,472.00)
OPERATING INCOME BEFORE WORKING CAPITAL CHARGES	124,193,496.00	96,660,576.00
Decrease (increase) in:		
Accounts Receivable	(78,203,449.00)	27,423,523.00
Inventories and supplies	223,366,459.00	(396,412,845.00)
Other Current Assets	(17,022,872.00)	5,427,235.00
Due from Related Parties		
Increase (decrease) in:		
Accounts payable and accrued expenses	2,076,141.00	537,445,803.00
Income Tax Paid	(18,611,050.00)	19,908,685.00
Other current liabilities	(69,072.00)	179,596.00
Net cash provided by operating activities	235,729,653.00	290,632,573.00
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to Property and Equipment	(311,899,096.00)	(141,216,543.00)
Investments	(81,675,000.00)	
Net cash used in investing activities	(393,574,096.00)	(141,216,543.00)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) from Loans Payable	261,018,101.00	(130,656,949.00)
Additional Paid up Capital		
Cash Dividends Paid	(9,000,000.00)	(3,000,000.00)
Net cash provided by (used in) financing activities	252,018,101.00	(133,656,949.00)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	94,173,658.00	(24,058,289.00)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	47,505,627.00	71,563,916.00
CASH AND CASH EQUIVALENTS AT END OF YEAR	141,679,285.00	47,505,627.00

See accompanying Notes to Financial Statements

Schedules 2021

5. CASH AND CASH EQUIVALENTS

	2021	2020
Cash on Hand & in Bank	141,579,285.00	47,405,627.00
Petty Cash Fund	100,000.00	100,000.00
CASH AND CASH EQUIVALENTS	141,679,285.00	47,505,627.00

6. RECEIVABLES	2021	2020
Accounts Receivable	594,317,728.00	516,114,279.00

7. INVENTORIES

	2021	2020
Raw Materials	2,046,158,663.00	2,128,451,465.00
Work in Process	14,662,223.00	64,414,820.00
Finished Goods	23,955,031.00	115,276,091.00
	2,084,775,917.00	2,308,142,376.00

8. OTHER CURRENT ASSETS	2021	2020
VAT Input	5,670,071.00	575,087.00
Creditable Withholding Tax - excess	26,425,548.00	17,850,672.00
Input tax amortization	13,466,902.00	10,113,890.00
	45,562,521.00	28,539,649.00

10. INVESTMENTS	2021	2020
Invesment to Calumpang Packaging Corporation	300,000.00	
Invesment to Qbitprint Inc.	300,000.00	
Invesment to Qbits Resources Corporation	300,000.00	
Invesment to Steniel Miodanao Corporation	80,775,000.00	
	81,675,000.00	-

11 ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

	2021	2020
Accounts Payable - Trade	2,905,398,043.00	2,848,138,771.00
SSS/PHIC Prem. Payable	345,181.00	383,599.00
HDMF Premium Payable	35,400.00	37,000.00
SSS Loan	71,232.00	54,119.00
HDMF Loan	82,771.00	73,505.00
	2,905,932,627.00	2,848,686,994.00

12	2021	2020
Operating Income (Loss) before Tax	19,071,833.00	62,036,833.00
Add: Non Deductible Expense	-	
	19,071,833.00	62,036,833.00
Tax rate	25%	30%
Tax Due	4,767,958.00	18,611,050.00
Less: quarterly payments	-	
Income Tax Payable	4,767,958.00	18,611,050.00

To validate the correct tax liability, a computation of the Minimum Corporate Income Tax (MCIT) was made as follows:

	2021	2020
Revenues	2,987,764,023.00	2,481,487,310.00
Less: Cost of Services	2,870,403,947.00	2,336,399,466.00
Gross Profit	117,360,076.00	145,087,844.00
Tax rate	2%	2%
Tax Due	2,347,201.52	2,901,757.00

13 OTHER CURRENT LIABILITIES

	2021	2020
Withheld Tax - Compensation	224,792.00	53,587.00
Withheld Tax - Dividends	600,000.00	200,000.00
Withheld Tax - Expanded	1,104,856.00	1,745,133.00
	1,929,648.00	1,998,720.00

14. LOANS PAYABLE

	2021	2020
Loans Payable	382,849,680.00	121,831,579.00

16. SALES

	2021	2020
Sales – VAT	1,914,532,283.00	1,623,190,340.00
Sales – Zero Rated	1,073,231,739.00	858,296,970.00
Net Sales	2,987,764,022.00	2,481,487,310.00

17. COST OF GOODS SOLD

	2021	2020
Direct Materilas:		
Raw Materials, Beg.	2,128,451,465.00	1,669,306,330.00
Add: Purchases - Direct Material	1,980,316,060.00	2,180,751,116.00

Total Materials Available for Sale	4,108,767,525.00	3,850,057,446.00
Less: Raw Materials, End	2,046,158,663.00	2,128,451,465.00
Total Raw Materials Used	2,062,608,862.00	1,721,605,981.00
Direct Labor:	34,616,116.00	33,321,088.00
Factory Overhead:		
Factory Supplies & Printing	47,862,590.00	41,595,575.00
Depreciation Factory	49,598,685.00	37,236,333.00
Light & Water	143,304,973.00	132,064,838.00
Repair & Maintenance	114,921,187.00	68,403,182.00
Freight & Trucking	162,440,941.00	123,266,679.00
Gas & Oil	17,999,295.00	17,933,584.00
Indirect Labor	90,572,797.00	87,935,892.00
13th Month Pay	1,866,664.00	2,170,907.00
Rental Factory	1,782,554.00	6,674,399.00
SSS & Others	1,755,627.00	1,458,718.00
Total Factory Overhead	632,105,313.00	518,740,107.00
Total Manufacturing Cost	2,729,330,291.00	2,273,667,176.00
Add: Work in Process, Beg.	64,414,820.00	90,088,192.00
Total Cost Place in Process	2,793,745,111.00	2,363,755,368.00
Less: Work in Process, End	14,662,223.00	64,414,820.00
Total Cost of Goods Manufactured	2,779,082,888.00	2,299,340,548.00
Add: Finished Goods, Beg	115,276,091.00	152,335,009.00
Total Goods Available for Sale	2,894,358,979.00	2,451,675,557.00
Less: Finished Goods, End	23,955,031.00	115,276,091.00
TOTAL COST OF GOODS SOLD	2,870,403,948.00	2,336,399,466.00

18. OPERATING EXPENSES

	2021	2020
Salaries, Wages & 13th Month	13,060,554.00	12,381,861.00
Separation pay	665,340.00	870,980.00
Freight & trucking Expenses	10,436,537.00	-
Office Supplies Used	3,510,025.00	3,645,123.00
Security Services	10,197,911.00	10,968,592.00
Gas & Oil	1,351,651.00	1,122,097.00
SSS & Other Taxes	990,464.00	747;161.00
Depreciation - Admin	288,032.00	288,032.00
Taxes & Licenses	8,305,483.00	7,637,741.00
Telephone & Telegraph	480,886.00	349,813.00
Commission Expense	2,538,074.00	2,221,710.00
Insurance Expense	7,331,887.00	7,673,625.00
Representation Expense	381,730.00	1,476,338.00
Meal/Transportation/Travel	-	150,132.00
Light & Water	7,178,841.00	3,190,628.00
Medical/Dental	406,420.00	234,463.00
Repair & Maintenance	17,272,592.00	12,178,962.00
Advertisement & Promotion	-	-
Legal/Professional Fees	385,214.00	507,778.00
Bank Charges	4,582,636.00	2,979,518.00

Seminars & Training	138,725.00	297,988.00
Interest Expense	8,785,239.00	14,128,469.00
	98,288,241.00	83,051,011.00

20. SUPPLEMENTARY INFORMATION REQUIRED BY BUREAU OF INTERNAL REVENUE'S RR

a. Sales and Output VAT

	Sales Amount	Output VAT
VATable Sales	1,914,532,283.00	229,743,874.00
Zero Rated Sales	1,073,231,739.00	
	2,987,764,022.00	229,743,874.00

b. Input VAT

	Purchase Amount	Input VAT
Input Taxes on Goods	1,679,329,997.00	201,519,600.00
Input Taxes on Services	240,194,237.00	28,823,308.00
Previous Year Excess Input		575,087.00
Quarterly VAT payments		2,962,663.00
Creditable VAT		1,533,287.00
	1,919,524,234.00	235,413,945.00
VAT Input as of December 31, 2021		-5,670,071.00

c. Withokding Taxes

	Amount
Witholding Tax-Expanded	1,104,856.00
Withheld Tax - Dividends	600,000.00
Witholding Tax-Compensation	224,792.00
	1,929,648.00

d. Taxes and Licenceses

	Amount
Business Tax	4,793,577.69
Property Tax	2,428,627.60
Documentary Stamp Tax	605,812.50
Permit and Licenses	211,374.24
LTO Renewals	265,590.77
Annual Registration Fee	500.00
	8,305,482.80

CORBOX CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Corbox Corporation is a domestic stock corporation incorporated under the laws of the Republic of the Philippines. It was registered with the Securities and Exchange Commission on December 18, 2002 under Reg. No. C200201437 and with the Bureau of Internal Revenue under Reg. No. 2RC0000073496 dated January 06, 2003 with TIN 221-721-131-000. The primary purpose is to engage in business as a general merchant, specializing in but not limited to the sales, manufacturing of containers, boxes of papers and paperboard, trading, importing, exporting and service of packaging. The company operates within the Philippines.

The registered office address of Corbox Corporation is located at Tayud, Liloan, Cebu.

The financial statements as of December 31, 2021 were authorized and approved for issue by the Board of Directors on April 03, 2022.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

Basis of Preparation
The accompanying financial statements of the Company have been prepared on the historical cost basis, except for the derivative financial instruments, investments held for trading and available-for-sale (AFS) investments, which have all been measured at fair value. The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are not rounded to the nearest peso (P 0.00), except when otherwise indicated.

The accompanying financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with PFRS. PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council (FRSC).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous year presented in the consolidated financial statements, except for the changes in accounting policies as explained below. The adoption of the amended standards and interpretations did not have any impact on the financial statements.

Adoption of Amendment to Standards and Interpretations
The FRSC approved the adoption of a number of amendments to standards and interpretations as part of PFRS. The Company has adopted the following amendments to PFRS 7 and interpretation starting January 1, 2013 and accordingly, changed its accounting policies.

- Amendments to PFRS 7, Disclosures - Transfers of Financial Assets, which requires additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of the consolidated financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in the derecognized financial assets.

- PIC Q&A No. 2011-03, Accounting for Inter-company Loans, provides guidance on how should an interest free or below market rate loan between companies be accounted for in the separate or stand-alone financial statements of the lender and the borrower (i) on the initial recognition of the loan; and (ii) during the periods to repayment.

The adoption of the above amendments to PFRS 7 and interpretation did not have a material effect on the consolidated financial statements. Additional disclosures required by the amendments to PFRS 7 and interpretation were included in the consolidated financial statements, where applicable.

New and Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new and revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing the consolidated financial statements. Those which may be relevant to the company are set out below. Except as otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements of the company. The company does not plan to adopt these standards early.

The company will adopt the following new and revised standards, amendments to standards and interpretations on the respective effective dates:

- Presentation of Items of Other Comprehensive Income (Amendments to PAS 1, Presentation of Financial Statements). The amendments: (a) require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and (c) change the title of the consolidated statement of comprehensive income to consolidated statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRS continue to apply in this regard. The adoption of the amendments is required for annual periods beginning on or after July 1, 2013.

- Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7). These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are: (a) offset in the consolidated statements of financial position; or (b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the consolidated statements of financial position. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PFRS 10, Consolidated Financial Statements, introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between power and returns. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008), Consolidated and Separate Financial Statements and Philippine Interpretation Standards Interpretation Committee (SIC) - 12, Consolidation - Special Purpose Entities. The adoption of the new standard may result to changes in consolidation conclusion in respect of the company's investees which may lead to changes in the current accounting for these investees. The adoption of the new standard is required for annual periods beginning on or after January 1, 2014.

- PFRS 11, Joint Arrangements, focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). The new standard: (a) distinguishes joint arrangements between joint operations and joint ventures; and (b) eliminates the option of using the equity method or proportionate consolidation as it always requires the use of equity method for jointly controlled entities that are now called joint ventures. PFRS 11 supersedes PAS 31, Interests in Joint Ventures and Philippine Interpretation SIC 13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The adoption of the new standard is required for annual periods beginning on or after January 1, 2014.

- PFRS 12, Disclosure of Interests in Other Entities, contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The new standard provides information that enables users to evaluate: (a) the nature of, and risks associated with, an entity's interests in other entities; and (b) the effects of those interests on the entity's financial position, financial performance and cash flows. The company is currently assessing the disclosure requirements for interests in subsidiaries, joint arrangements and associates in comparison with the existing disclosure. The adoption of the new standard is required for annual periods beginning on or after January 1, 2014.

- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12). The amendments: (a) simplify the process of adopting PFRS 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities; (b) simplify the transition and provide additional relief from the disclosures that could have been onerous depending on the extent of comparative information provided in the consolidated financial statements; and (c) limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- PFRS 13, Fair Value Measurement, replaces the fair value measurement guidance contained in individual PFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRS. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The company is currently reviewing its methodologies in determining fair values. The adoption of the new standard is required for annual periods beginning on or after January 1, 2014.

- PAS 19, Employee Benefits (Amended 2011), includes the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and (b) expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 27, Separate Financial Statements (2011), supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- PAS 28, Investments in Associates and Joint Ventures (2011), supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations, applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not re-measure the retained interest. The adoption of the amendments is not expected to have an effect on the consolidated financial statements since the company continues to account for its investments in associates at equity method. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- Improvements to PFRS 2009-2011 contain amendments to 5 standards with consequential amendments to other standards and interpretations, of which only the following are applicable to the company:

- Comparative Information beyond Minimum Requirements (Amendments to PAS 1). These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements) are not required. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- Presentation of the Opening Statement of Financial Position and Related Notes (Amendments to PAS 1). The amendments clarify that: (a) the opening consolidated statement of financial position is required only if there is: (i) a change in accounting policy; (ii) a retrospective restatement; or (iii) a reclassification has a material effect upon the information in that consolidated statement of financial position; (b) except for the disclosures required under PAS 8, Accounting Policies, Change in Accounting Estimates and Errors, notes related to the opening consolidated statement of financial position are no longer required; and (c) the appropriate date for the opening consolidated statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements. The amendment explains that the requirements for the presentation of notes related to additional comparative information and those related to the opening consolidated statement of financial position are different, because the underlying objectives are different. Consequential amendments have been made to PAS 34, Interim Financial Reporting. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- Classification of Servicing Equipment (Amendments to PAS 16, Property, Plant and Equipment). The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in PAS 16 is now considered in determining whether these items should be accounted for under this standard. If these items do not meet the definition, then they are accounted for using PAS 2, Inventories. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- Income Tax Consequences of Distributions (Amendments to PAS 32, Financial Instruments Presentation). The amendments clarify that PAS 12, Income Taxes applies to the accounting for income taxes relating to: (a) distributions to holders of an equity instrument; and (b) transaction costs of an equity transaction. This amendment removes a perceived inconsistency between PAS 32 and PAS 12. Before the amendment, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2, Members' Share in Co-operative Entities and Similar Instruments. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- Segment Assets and Liabilities (Amendments to PAS 34). This is amended to align the disclosure requirements for segment assets and segment liabilities in interim consolidated financial statements with those in PFRS 8, Operating Segments. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when: (a) the amount is regularly provided to the chief operating decision maker; and (b) there has been a material change from the amount disclosed in the last annual consolidated financial statements for that reportable segment. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32). The amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is: (i) not contingent on a future event; and (ii) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement I and only if the gross settlement mechanism has features that: (i) eliminate or result in insignificant credit and liquidity risk; and (ii) process receivables and payables in a single settlement process or cycle. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- Investment Entities [Amendments to PFRS 10, PFRS 12, and PAS 27 (2011)]. The amendments provide consolidation exception for investment funds and require qualifying investment entities to recognize their investments in controlled entities, as well as investments in associates and joint ventures, in a single line item in the statement of financial position, measured at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. However, the parent of an investment entity (that is not itself an investment entity) is still required to consolidate all subsidiaries. This consolidation exception is mandatory. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- PFRS 9, Financial Instruments (2010) and (2009). PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of PFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. The adoption of the new standard is expected to have an effect on the classification and measurement of the company's financial assets. PFRS 9 (2010 and 2009) is effective for annual periods beginning on or after January 1, 2015.

Financial Assets and Financial Liabilities

Date of Recognition. The company recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs.

The company classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS financial assets, financial assets at FVPL and loans and receivables. The company classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of Fair Value. The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there is no significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

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

Financial Assets

Financial assets include Cash, Trade and Other Receivables.

Cash are stated at face value. Cash includes cash in bank and petty cash fund. Cash in bank in savings accounts earn interest at the respective bank deposit rates and these are deposits held at call with banks. Petty cash funds are intended as working funds for a small amount of expenses such as periodicals, reproduction cost, transportation, etc.

Trade receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amount. An estimate of doubtful accounts is made when collection of the full amount is no longer probable.

Financial Assets at FVPL. A financial asset is classified as at FVPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVPL if

the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's documented risk management or investment strategy. Derivative instruments (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets may be designated by management at initial recognition as at FVPL, when any of the following criteria is met:

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

Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are presented in the consolidated statements of financial position as assets when the fair value is positive and as liabilities when the fair value is negative. Gains and losses from changes in fair value of these derivatives are recognized under the caption marked-to-market gains (losses) included as part of "Other income (expenses)" in the consolidated statements of income.

The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current exchange rates for contracts with similar maturity profiles. The fair values of commodity swaps are determined based on quotes obtained from counterparty banks.

The combined carrying amounts of financial assets under this category amounted to P 781,559,534.00 and P 592,159,555.00 as of December 31, 2021 and 2020, respectively (Note 3, 5, 6 and 8).

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets as at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Interest income" in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in the consolidated statements of income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

The company's cash and cash equivalents, trade and other receivables, due from related parties and long-term receivables are included in this category.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The combined carrying amounts of financial assets under this category amounted to P 141,679,285.00 and P 47,505,627.00 as of December 31, 2021 and 2020, respectively (Note 3 & 5).

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the company's management has the positive intention and ability to hold to maturity. Where the company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. Any interest earned on the HTM investments shall be recognized as part of "Interest income" in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in the consolidated statements of income. Gains or losses are recognized in profit or loss when the HTM investments are derecognized or impaired, as well as through the amortization process.

The company has no investments accounted for under this category during the year.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. The effective yield component of AFS debt securities is reported as part of "Interest income" in the consolidated statements of income. Dividends earned on holding AFS equity securities are recognized as "Dividend income" when the right to receive payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any

The company's investments in equity and debt securities included under "Available-for-sale financial assets" account are classified under this category (Note 8).

The carrying amounts of financial assets under this category are nil during the year.

<u>Financial Liabilities</u>
Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The company carries financial liabilities at FVPL using their fair values and reports fair value changes in profit or loss.

The company's derivative liabilities are classified under this category.
The carrying amounts of financial liabilities under this category are nil during the year

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

The company's liabilities arising from its short term loans, trade and other payables, long-term debt, cash bonds and other noncurrent liabilities are included under this category.

The combined carrying amounts of financial liabilities under this category amounted to P 3,254,102,795.00 and P 2,991,128,343.00 as of December 31, 2021 and 2020, respectively.

Debt Issue Costs

Debt issue costs are considered as directly attributable transaction cost upon initial measurement of the related debt and subsequently in the calculation of amortized cost using the effective interest method.

Derivative Financial Instruments and Hedging

Freestanding Derivatives

For the purpose of hedge accounting, hedges are classified as either: a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk); b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or c) hedges of a net investment in foreign operations.

At the inception of a hedge relationship, the company formally designates and documents the hedge relationship to which the company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair Value Hedge. Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in profit or loss. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that re-measurement is also recognized in profit or loss.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.

The company discontinues fair value hedge accounting if the hedging instrument expired, sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the company revokes the designation.

The company has no outstanding derivatives accounted for as fair value hedges during the year
Cash Flow Hedge. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in other comprehensive income and presented under the "Hedging reserve" account in the consolidated statements of changes in equity. The ineffective portion is immediately recognized in profit or loss.

If the hedged cash flow results in the recognition of an asset or a liability, all gains or losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying amount of the asset or liability. Otherwise, for all other cash flow hedges, gains or losses initially recognized in equity are transferred from equity to profit or loss in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affects profit or loss.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been reported directly in equity is retained in equity until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is recognized in profit or loss.

The company has no outstanding derivatives accounted for as a cash flow hedge during the year

Net Investment Hedge. The company has no hedge of a net investment in a foreign operation during the year.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss during the year incurred.

Embedded Derivatives
The company assesses whether embedded derivatives are required to be separated from host contracts when the company becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized as at FVPL. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

De-recognition of Financial Assets and Financial Liabilities
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

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

Impairment of Financial Assets

The company assesses at the reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For assets carried at amortized cost such as loans and receivables, the company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the company includes the asset as part of a group of financial assets pooled according to their credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a company of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is

reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument, for which its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows from the asset discounted using its historical effective rate of return on the asset.

Classification of Financial Instruments Between Debt and Equity
From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

Inventories
Inventories are stated at the lower of cost and estimated selling price less costs to sell. Cost is determined using the first-in-first-out (FIFO) method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to sell; the impairment loss is recognized immediately in profit or loss.

Inventories include disclose the components/specifications that are valued at lower of cost and estimated selling price less costs to sell, using the FIFO method.

For financial reporting purposes, duties and taxes related to the acquisition of inventories are capitalized as part of inventory cost. For income tax reporting purposes, such duties and taxes are treated as deductible expenses in the year these charges are incurred.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part

of the property, plant and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO) and interest incurred during the construction period on funds borrowed to finance the construction of the projects. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as an expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the company and the cost of the items can be measured reliably.

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

For financial reporting purposes, duties and taxes related to the acquisition of property, plant and equipment are capitalized. For income tax reporting purposes, such duties and taxes are treated as deductible expenses in the year these charges are incurred.

For financial reporting purposes, depreciation and amortization, which commences when the asset is available for its intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Machinery and Equipment	5 - 10
Delivery Equipment	3 - 5
Building and Leasehold Improvements	25 - 30
Furniture and Fixtures	1 - 3
Land	no depreciation

The remaining useful lives, residual values, and depreciation and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that they are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

For income tax reporting purposes, depreciation and amortization are computed using the double-declining balance method.

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are recognized in profit or loss.

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

Investment Property

Investment property consists of properties held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and amortization and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

For financial reporting purposes, depreciation of office units is computed on a straight-line basis over the estimated useful lives of the assets of 20 years. For income tax reporting purposes, depreciation is computed using the double-declining balance method.

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

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement and disposal of investment property are recognized in profit or loss in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the company as an owner-occupied property becomes an investment property, the company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in profit or loss in the year in which the related expenditures are incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over 5 to 10 years.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.
The amount of intangible assets is included under the caption of others in the "Other noncurrent assets" in the consolidated statements of financial position.

Expenses incurred for research and development of internal projects and internally developed patents and copyrights are expensed as incurred and are part of "Selling and administrative expenses" account in the consolidated statements of income.

Impairment of Nonfinancial Assets
The carrying values of property, plant and equipment, investment property and intangible assets with finite lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Provisions
Provisions are recognized when: (a) the company has a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The company recognizes provisions arising from legal and/or constructive obligations associated with cost of dismantling and removing an item of property, plant and equipment and restoring the site where it is located, the obligation for which the company incurs either when the asset is acquired or as a consequence of using the asset during a particular year for purposes other than to produce inventories during the year.

Capital Stock

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects and any excess of the proceeds over the par value of shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the amount of the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue from sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally upon delivery and the amount of revenue can be measured reliably.

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

Dividend. Revenue is recognized when the company's right as a shareholder to receive the payment is established.

Rent. Revenue from investment property is recognized on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease. Rent income is included as part of other income.

Cost and Expense Recognition

Costs and expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred.

Expenses are also recognized in the consolidated statements of income when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized in the consolidated statements of income on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an 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 as an asset.

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 a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the 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 the 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 specific asset; or

(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 gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b), above.

Operating Lease

Company as Lessee. Leases which do not transfer to the company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Company as Lessor. Leases where the company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Employee Benefits

The company does not have a tax qualified and fully funded defined benefit pension plan covering all permanent, regular, full-time employees administered by trustee banks. Retirement benefits cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement benefits cost includes current service cost, interest cost, expected return on plan assets, amortization of unrecognized actuarial gains and losses and past service costs, effect of asset limit and effect of any curtailments or settlements. Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to the plan, past service cost is recognized immediately as an expense. Actuarial gains and losses are recognized as

income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceed the greater of 10% of the present value of the defined benefit obligation or the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.
The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service costs not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the resulting asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of reductions in the future contributions to the plan, net actuarial losses of the current period and past service costs of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service costs of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service costs of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service costs of the current period are recognized immediately.

The company has a corporate performance incentive program that aims to provide financial incentives for the employees, contingent on the achievement of the company's annual business goals and objectives. The company recognizes achievement of its business goals through key performance indicators (KPIs) which are used to evaluate performance of the organization. The company recognizes the related expense when the KPIs are met, that is when the company is contractually obliged to pay the benefits.

(a) Retirement Benefit Obligations – PAS 19 provides that the Company shall recognize as an expense the undiscounted amount of short-term employees benefits when an employee has rendered service in exchange for those benefits. It also provides that the Company shall recognize in its balance sheet as defined benefit liability an amount equal to the excess of the present value of the defined benefit obligation over the fair value of the plan assets. If any, plus any unrecognized actuarial gains (less any actuarial losses) and minus any unrecognized past service cost. If the resulting amount is a negative (an asset), an entity shall recognize such amount as an asset subject to the limits prescribed by the Standard.

(b) Retirement Benefits – The corporation does not have a funded employee's retirement benefit plan. It has not recognized liability for past service and service and annual costs of earned retirement benefits due to its employees required under SFAS 24 / PAS 19. The expense is recognized only when an employee retires and is paid the retirement benefits accruing to him.

The Company is in the process on evaluation whether to do actuarial valuation in coordination with trusted insurance company or setting up a trust fund for the employees future retirement benefits through depositing with the client's main depository bank. It has not yet engaged the services of an Actuary to determine the present value of the defined benefit obligation using the projected unit credit method for the purpose of accruing retirement benefit obligation.

income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceed the greater of 10% of the present value of the defined benefit obligation or the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.
The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service costs not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the resulting asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of reductions in the future contributions to the plan.

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<u>Taxes</u>

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

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

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

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

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

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

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

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

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

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

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

In determining the amount of current and deferred tax, the company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

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

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

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

<u>Assets Held for Sale</u>
Noncurrent assets, or disposals comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are re-measured in accordance with the company's accounting policies. Thereafter, the assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on disposal is allocated first to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment properties or biological assets, which continue to be measured in accordance with the company's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment losses.

Intangible assets, investment property, and property, plant and equipment once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

When an asset no longer meets the criteria to be classified as held for sale or distribution, the company shall cease to classify such as held for sale. Transfers from assets held for sale or distribution are measured at the lower of its carrying amount before the asset was classified as held for sale or distribution, adjusted for any depreciation that would have been recognized had the asset not been classified as held for sale or distribution, and its recoverable amount at the date of the subsequent decision not to sell.

<u>Related Parties</u>
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating

decisions. Parties are also considered to be related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Basic and Diluted Earnings Per Common Share (EPS)
Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Operating Segments
The company's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Chief Executive Officer (the "chief operating decision maker") reviews management reports on a regular basis.

The measurement policies the company used for segment reporting under PFRS 8, are the same as those used in its consolidated financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Reclassification
Certain accounts in the prior year financial statements and supporting note disclosures have been reclassified to conform to the current period presentation. Such reclassification did not affect the statement of cash flows nor did it impact previously reported loss or retained earnings.

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

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

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

Judgments

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

Operating Lease Commitments - Company as Lessor/Lessee. The Company has entered into commercial property leases on its investment property portfolio. The Company has determined that it retains all the significant risks and rewards of ownership of the properties leased out on operating leases while the significant risks and rewards for properties leased from third parties are retained by the lessors.

Determining Fair Values of Financial Instruments. Where the fair values of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The Company uses judgments to select from variety of valuation models and make assumptions regarding considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Distinction between Property, Plant and Equipment and Investment Property. The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Company accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

Taxes. Significant judgment is required in determining current and deferred income tax expense. 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 current income tax and deferred tax expenses in the year in which such determination is made.

Beginning July 2008, in the determination of the Company's current taxable income, the Company has an option to either apply the optional standard deduction (OSD) or continue to claim itemized standard deduction. The Company, at each taxable year from the affectivity of the law, may decide which option to apply; once an option to use OSD is made, it shall be irrevocable for that particular taxable year.

Estimations and Assumptions

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

Allowance for Impairment of Trade and Other Receivables. Allowance for impairment is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on past collection experience and other factors that may affect collectability. An evaluation of receivables, designed to identify potential changes to allowance, is performed regularly throughout the year. Specifically, in coordination with the Marketing Division, the Finance Division ascertains customers who are unable to meet their financial obligations. In these cases, the Company's Management uses sound judgment based on the best available facts and circumstances, included but not limited to, the length of relationship with the customers and their payment track record. The amount of impairment loss differ for each year based on available objective evidence for which the Company may consider that it will not be able to collect some of its accounts. Impaired accounts receivable are written off when identified to be worthless after exhausting all collection efforts. An increase in allowance for impairment of trade and other receivables would increase the Company's recorded selling and administrative expenses and decrease current assets.

Allowance for Inventory Obsolescence. The allowance for inventory obsolescence consists of collective and specific valuation allowance. A collective valuation allowance is established as a certain percentage based on the age and movement of stocks. In case there is write-off or disposal of slow-moving items during the year, a reduction in the allowance for inventory obsolescence is made. Review of allowance is done every quarter, while a revised set-up or booking is posted at the end of the year based on evaluations or recommendations of the proponents. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

Useful Lives. The useful life of each of the Company's item of property, plant and equipment and investment properties is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property, plant and equipment and investment properties would increase the recorded cost of goods sold, selling and administrative expenses, and decrease non-current assets.

There is no change in estimated useful lives of property, plant and equipment, and investment properties based on management reviews at the statement of financial position date.

Fair Value of Investment Properties. The fair value of investment property presented for disclosure purposes is based on market values, being the estimated amount for which the property can be exchanged between a willing buyer and seller in an arm's length transaction, or based on a most recent sale transaction of a similar property within the same vicinity where the investment property is located. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate estimated future cash flows expected to be received from leasing out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Impairment of Non-financial Assets. The Company assesses impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

• Significant underperformance relative to expected historical or projected future operating results;

• Significant changes in the manner of use of the acquired assets or the strategy for overall business; and,

• Significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable value. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Determining the recoverable value of assets requires the estimation of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

Fair Value of Financial Instruments. Management uses valuation techniques in measuring fair value of financial instruments, where active market quotes are not available. In applying the valuation techniques, management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about assumptions that market participants would make. These estimates may vary from actual prices that would be achieved in an arm's length transaction at statement of financial position date.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments and when it is practicable to estimate such value:

• *Financial Assets at FVPL and AFS Investments.* Market values have been used to determine the fair values of traded government securities and equity shares. Market value is determined mainly by reference to the stock exchange quoted market bid prices at the close of business on the statement of financial position date.

• *Derivative Assets and Liabilities.* The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Mark-to-market valuation of commodity hedges is based on forecasted prices.

5. CASH AND CASH EQUIVALENTS

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

	2021	2020
Cash on Hand & in Bank	141,579,285.00	47,405,627.00
Petty Cash Fund	100,000.00	100,000.00
	141,679,285.00	47,505,627.00

6. RECEIVABLES

	2021	2020
Accounts Receivable	594,317,728.00	516,114,279.00

7. INVENTORIES
At cost:

	2021	2020
Raw Materials	2,046,158,663.00	2,128,451,465.00
Work in Process	14,662,223.00	64,414,820.00
Finished Goods	23,955,031.00	115,276,091.00
	2,084,775,917.00	2,308,142,376.00

8. OTHER CURRENT ASSETS

	2021	2020
VAT Input	5,670,071.00	575,087.00
Creditable Withholding Tax - excess	26,425,548.00	17,850,672.00
Input tax amortization	13,466,902.00	10,113,890.00
	45,562,521.00	28,539,649.00

9. INVESTMENTS

	2021	2020
Calumpang Packing Corporation	300,000.00	-
Qbitprint Inc.	300,000.00	-
Qbits Resource Corporation	300,000.00	-
Steniel Mindanao Corporation	80,775,000.00	-
	81,675,000.00	-

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include all tangible assets with an estimated useful life beyond one year, are used in the conduct of the business, and are not intended for sale in the ordinary course of business. Assets of this nature include: property ordinarily not subject to depreciation or depletion and property subject to depreciation. This account consists of:

	Factory, Machine & Equipt.	Transpo. & Delivery Equipt.	Office Equipt.	Furniture & Fixtures	Building	Construction in Progress	Land	Total
Jan. 01, 2020								
Acquisition Cost	320,957,148.00	41,221,078.00	3,013,111.00	578,039.00	169,841,374.00	21,162,697.00	121,465,021.00	678,238,468.00
Depreciation	97,946,103.00	23,093,790.00	1,577,605.00	427,618.00	23,304,935.00	21,162,697.00	-	167,512,748.00
Net Carrying Value 12/31/20	223,011,045.00	18,127,288.00	1,435,506.00	150,421.00	146,536,439.00	0.00	121,465,021.00	510,725,720.00
Jan. 01, 2021								
Book Value	223,011,045.00	18,127,289.00	1,435,506.00	150,421.00	146,536,439.00	-	121,465,021.00	510,725,720.00
Addition	81,863,308.00	14,147,647.00	291,518.00	13,661.00	121,125,279.00	85,362,683.00	9,095,000.00	311,899,096.00
Depreciation	29,302,433.00	8,342,643.00	174,922.00	36,609.00	12,030,110.00	-	-	49,886,717.00
Net Carrying Value 12/31/21	275,571,920.00	23,932,293.00	1,552,102.00	127,473.00	255,631,608.00	85,362,683.00	130,560,021.00	772,738,099.00

11. ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

The details of Current Liabilities are shown below:

	2021	2020
Accounts Payable - Trade	2,850,228,551.00	2,848,138,771.00
SSS/PHIC Prem. Payable	345,181.00	383,599.00
HDMF Premium Payable	35,400.00	37,000.00
SSS Loan	71,232.00	54,119.00
HDMF Loan	82,771.00	73,505.00
	2,850,763,135.00	2,848,686,994.00

12. INCOME TAX

	2021	2020
Operating Income (Loss) before Tax	74,241,329.00	62,036,833.00
Add: Non Deductible Expense	-	-
	74,241,329.00	62,036,833.00
Tax rate	25%	30%
Tax Due	18,560,332.00	18,611,050.00
Less: quarterly payments	-	-
Income Tax Payable	18,560,332.00	18,611,050.00

To validate the correct tax liability, a computation of the Minimum Corporate Income Tax (MCIT) was made as follows:

	2021	2020
Revenues	2,987,764,023.00	2,481,487,310.00
Less: Cost of Goods	2,797,235,159.00	2,336,399,466.00
Gross Profit	190,528,864.00	145,087,844.00
Tax rate	1%	2%
Tax Due	1,905,289.00	2,901,757.00

13. OTHER CURRENT LIABILITIES

	2021	2020
Tax Withheld - Compensation	224,792.00	53,587.00
Tax Withheld - Dividend	600,000.00	200,000.00
Tax Withheld - Expanded	1,104,856.00	1,745,133.00
	1,929,648.00	1,998,720.00

14. LOANS PAYABLE

This represents interest bearing short term borrowing obtained from local banks renewable within 180-360 days at 3 % interest per annum. These are fully secured with real estate mortgage of several land titles, building and other real properties with no restrictions on titled properties and equipments pledge as collaterals. There was also a continuing surety agreement executed by some stockholders.

	2021	2020
Loans Payable	382,849,680.00	121,831,579.00

15. STOCKHOLDERS' EQUITY

a. Capital Stock

	2021	2020
Authorized 30,000,000 – 1.00 par value	150,000,000	150,000,000.00
Issued and Outstanding - 1.00 par value	150,000,000	150,000,000.00

b. Retained Earnings

i. Declaration of Cash Dividends

There was a cash dividend declared in the amount of P 9,000,000.00 during the year 2021.

ii. Appropriation of Capital Project

There was a total of appropriation in the amount of P 185,000,000.00 as of December 31, 2020 which was appropriated in the previous year intended for the future project expansion of the company.

16. SALES

	2021	2020
Sales - VAT	1,914,532,283.00	1,623,190,340.00
Sales Zero Rated	1,073,231,739.00	858,296,970.00
Net Sales	2,987,764,022.00	2,481,487,310.00

17. COST OF GOODS SOLD

	2021	2020
Direct Materials:		
Raw Materials, Beg.	2,128,451,465.00	1,669,306,330.00
Add: Purchases - Direct Material	1,980,316,060.00	2,180,751,116.00
Total Materials Available for Sale	4,108,767,525.00	3,850,057,446.00
Less: Raw Materials, End	2,046,158,663.00	2,128,451,465.00
Total Raw Materials Used	2,062,608,862.00	1,721,605,981.00
Direct Labor:	34,616,116.00	33,321,088.00
Factory Overhead:		
Factory Supplies & Printing	47,862,590.00	41,595,575.00
Depreciation Factory	49,598,685.00	37,236,333.00
Light & Water	143,304,973.00	132,064,838.00
Repair & Maintenance	114,921,187.00	68,403,182.00
Freight & Trucking	116,946,654.00	123,266,679.00
Gas & Oil	17,999,295.00	17,933,584.00
Indirect Labor	80,897,592.00	87,935,892.00
13th Month Pay	1,866,664.00	2,170,907.00
Rental Factory	1,782,554.00	6,674,399.00
SSS & Others	1,755,627.00	1,458,718.00
Total Factory Overhead	576,935,821.00	518,740,107.00
Total Manufacturing Cost	2,674,160,799.00	2,273,667,176.00
Add: Work in Process, Beg.	64,414,820.00	90,088,192.00
Total Cost Place in Process	2,738,575,619.00	2,363,755,368.00
Less: Work in Process, End	14,662,223.00	64,414,820.00
Total Cost of Goods Manufactured	2,723,913,396.00	2,299,340,548.00
Add: Finished Goods, Beg	115,276,091.00	152,335,009.00
Total Goods Available for Sale	2,839,189,487.00	2,451,675,557.00
Less: Finished Goods, End	23,955,031.00	115,276,091.00
TOTAL COST OF GOODS SOLD	2,815,234,456.00	2,336,399,466.00

17. OPERATING EXPENSES

	2021	2020
Salaries, Wages & 13th Month	13,060,554.00	12,381,861.00
Separation pay	665,340.00	870,980.00
Freight and Trucking Expense	10,436,537.00	-
Office Supplies Expense	3,510,025.00	3,645,123.00
Security Expense	10,197,911.00	10,968,592.00
Fuel and Oil Expense	1,351,651.00	1,122,097.00
SSS and Other Taxes	990,464.00	747,161.00
Depreciation Expense - Admin	288,032.00	288,032.00
Taxes and Licenses	8,305,483.00	7,637,741.00
Communication Expense	480,886.00	349,813.00
Commission Expense	2,538,074.00	2,221,710.00
Insurance Expense	7,331,887.00	7,673,625.00
Representation Expense	381,730.00	1,476,338.00
Transportation/Meal and Travel Expense	-	150,132.00
Light and Water Expense	7,178,841.00	3,190,628.00
Medical Expense	406,420.00	234,463.00
Repair and Maintenance Expense	17,272,592.00	12,178,962.00
Professional Fees	385,214.00	507,778.00
Bank Charges	4,582,636.00	2,979,518.00
Seminars and Training Expense	138,725.00	297,988.00
Interest Expense	8,785,239.00	14,128,469.00
	98,288,241.00	83,051,011.00

18. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

Risk Management Structure

Board of Directors

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Company. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Company's approach to risk issues in order to make relevant decisions.

Financial Risk Management Objectives and Policies

The Company's principal financial instrument comprises of cash and cash equivalents. The main purpose of this financial instrument is to raise finance for the Company's operations. The Company has various other financial instruments such as loans receivables, trade payables and accrued expenses which arise directly from its operations.

The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarized below. The Company also monitors the market price risk arising from all financial instruments.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company grants advances to stockholders after the BOD reassessed the Company's strategies for managing credits and view that they remain appropriate for the Company's circumstances. With respect to credit risk from other financial assets of the Company, which mainly comprise of cash and cash equivalents, amounts owed by and receivables from related parties, the exposure of the Company to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

Liquidity risk is the potential of not meeting obligations as they come due because of inability to liquidate assets or obtain adequate funding.

The Company maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay dividend declarations. The Company, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments.

Market Risks

The Company has no significant exposure to market risk during the year.

Capital Risk Management

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

19. OTHER MATTERS

The company has less than ten (10) stockholders and the shares are not traded in any stock exchange or over the counter market.

20. SUPPLEMENTARY INFORMATION REQUIRED BY BUREAU OF INTERNAL REVENUE'S RR NO. 15-2010

The Bureau of Internal Revenue issued Revenue Regulations (RR) No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying tax returns. Under the said RR, companies are required to disclose, in addition to the disclosure be adopted, in the Notes to financial statements, information on taxes, duties and license fee paid or accrued during the taxable year.

The following are information to which the company is required to disclose under RR No. 15-2010 for the year.

		Sales Amount	Output VAT
a.	Sales and Output VAT		
	VATable Sales	1,914,532,283.00	229,743,873.96
	Zero Rated Sales	1,073,231,739.00	-
		2,987,764,022.00	229,743,873.96

		Purchase Amount	Input VAT
b.	VAT Payable		
	Input Taxes on goods	1,679,329,997.00	201,519,599.64
	Input Taxes on services	240,194,237.00	28,823,308.44
	Previous Year Excess Input		575,087.00
	Quarterly VAT payments (jan to nov)		2,962,663.00
	Creditable VAT		1,533,287.00
	Total		235,413,945.08
	VAT Payable for the year		(5,670,071.12)

		Amount
c.	Withholding Taxes	
	Withholding Tax - Expanded	1,104,856.00
	Withholding Tax - Dividends	600,000.00
	Withholding Tax - Compensation	224,792.00
		1,929,648.00

		Amount
d.	Taxes and Licenses	
	Business Tax	4,793,577.69
	Property Tax	2,428,627.60
	Documentary Stamps Tax	605,812.50
	Permits and Licenses	211,374.24
	LTO renewals	265,590.77
	Annual Registration Fee	500.00
		8,305,482.80

GERTRUDES TAN MATA
CERTIFIED PUBLIC ACCOUNTANT
Sto Niño Compound Pangandian St., Cebu City
Tel. No. 423-9405/364-3385

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Board of Directors and Stockholders
CORBOX CORPORATION
Tayud, Liloan, Cebu

I have examined the AMENDED financial statements of CORBOX CORPORATION for the year ended December 31, 2021, on which I have rendered the attached report dated May 12, 2022.

In compliance with SRC Rule 68, I am stating that the said company has a total number of six (6) stockholders owning one hundred (100) or more shares each.

[redacted]

GERTRUDES TAN MATA, CPA
TIN No. 118-928-672
PRC Board Cert. No. 47310
BIR Accreditation No.
AN: 13-740218-003-2022 until Mar. 01, 2025
PRC/BOA Registration No.0939 until Nov. 23, 2022
PTR No. 3455735 dated, 01/06/2022 Cebu City

DATE: May 12, 2022

Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph

To: corbox_acctg@yahoo.com

Cc: cuervoedzelon@yahoo.com

Date: Wednesday, April 26, 2023 at 10:04 AM GMT+8

Hi CORBOX CORPORATION,

Valid files

- **EAFS221721131ITRTY122022.pdf**
- **EAFS221721131AFSTY122022.pdf**

Invalid file

- <None>

Transaction Code: **AFS-0-B6KAB9KL09J5D9H7ENS4SZ4TV0NVZVTQSM**
Submission Date/Time: **Apr 26, 2023 09:44 AM**
Company TIN: **221-721-131**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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CORBOX CORPORATION AUDITED FINANCIAL STATEMENT 2022

CORBOX CORPORATION
Tayud, Liloan, Cebu

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

PHILIPPINE CURRENCY

GERTRUDES TAN MATA
CERTIFIED PUBLIC ACCOUNTANT
Sto. Niño Compound Panganiban St., Cebu City
TEL. No. 423-9405 / 564-3385

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C 2 0 0 2 0 1 4 3 7

Company Name

CORBOX CORPORATION

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

TAYUD LILOAN, CEBU

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
corbox_acctg@yahoo.com	0 3 2 4 2 4 9 1 8 5	09338794075

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
6	1st Saturday of May	December-2022

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
Jeffrey L. Yu	corbox_acctg@yahoo.com	424-9181 to 85	

Contact Person's Address

Note: In case of death, resignation 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.

CORBOX Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of **CORBOX 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 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 **CORBOX 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 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 requirements of Revenue Regulations No.8 -2007 and other relevant issuances;
c) the CORBOX 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]

JEFFREY B. YU	NIXON Y. LIM	[illegible] C. KU
Chief Executive Officer	President	Treasurer

Address: Toyud, Lilo-an, Cebu Philippines
Sales Dept.: Tel. No.: (032) 424 9181 to 84
Telefax No. (032) 424 8433
Sun Cel. # 0922 8156156

E-mail Address: corbox_corporation@yahoo.com
Acctg. Dept.: Tel. No.: (032) 424 9185 to 86
Telefax No. (032) 424 8434
Globe Cel. # 0917 3295307

CORBOX Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **CORBOX CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year(s) ended December 31, 2022, 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 but to do so.

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

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

Gertrudes Tan Mata, CPA, the independent auditors appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signatu[redacted]
Printed Name of the CEO
JEFFREY L. YU

Signature[redacted]
Printed Name of the President
NIXON Y. LIM

Signatur[redacted]
Printed Name of Treasurer
ESTEBAN C. KU

Signed this 3rd day of April, 2023

Address: Tayud, Lilo-an, Cebu Philippines
Sales Dept.: Tel. No.: (032) 424 9181 to 84
Telefax No. (032) 424 8433
Sun Cel. # 0922 8166156
E-mail Address: corbox_corporation@yahoo.com
Acctg. Dept.: Tel. No.: (032) 424 9185 to 86
Telefax No. (032) 424 8434
Globe Cel. # 0917 3295307

GERTRUDES TAN MATA
CERTIFIED PUBLIC ACCOUNTANT
Sto Niño Compound Pangasiban St., Cebu City
Tel. No. 423-9405/564-3383

STATEMENT OF REPRESENTATION

TO THE SECURITIES AND EXCHANGE COMMISSION:

In connection with my examination of the financial statements of the **CORBOX CORPORATION** which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the accounting profession and duly registered with the Board of Accountancy (BOA);
2. That said financial statements are presented in conformity with Philippine Financial Reporting Standards in all cases where I shall express an unqualified opinion; except that is case of any departure from such principles, I shall indicate the nature of the departure, the effects thereof, and the reasons why compliance with the principles would result in a misleading statement, if such is a fact;
3. That I shall fully meet the requirements of the independence as provided for in Section 14 of the Code of Professional Ethics for CPAs;
4. That in conduct of the audit, I shall comply with Philippine Standards in Auditing. In case of my departure from such standards or any limitation in the scope of my examination, I shall indicate the nature of departure and the extent of the limitation, the reasons therefore and the effects thereof on the expression of my opinion or which may necessitate the negation of the expression of an opinion;
5. That I shall comply with the applicable rules and regulations of the Securities and Exchange Commission in the preparation and submission of financial statements; and
6. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under the Code of Professional Ethics for CPAs.

As a CPA engaged in public practice, I make these representations in my individual capacity.

[redacted]

GERTRUDES TAN MATA, CPA
TIN No. 118-928-672
PRC Board Cert. No. 47310
BIR Accreditation No.
AN: 13-740218-003-2022 until Mar. 01, 2025
PRC/BOA Registration No.0939 until Nov. 30, 2025
PTR No. 2373920 dated, 02/21/2023 Cebu City

GERTRUDES TAN MATA
CERTIFIED PUBLIC ACCOUNTANT
Sto Niño Compound Panganiban St., Cebu City
Tel. No. 423-9405/564-3385

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
CORBOX CORPORATION
Tayud, Liloan, Cebu

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of CORBOX CORPORATION., which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive 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 my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company 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 (PFRSs).

Basis for Opinion

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

My objectives is 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 my 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, I exercises professional judgment and maintain professional skepticism throughout the audit. I 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 my 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.

GERTRUDES TAN MATA
CERTIFIED PUBLIC ACCOUNTANT
Sto Niño Compound Pangasiban St., Cebu City
Tel. No. 423-9405/564-3385

- 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

I will 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 I had identified during my audit.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees to the financial statements is presented for Bureau of Internal Revenue purposes and is not a required part of the basic financial statements. Such information is the responsibility of the management. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

[redacted]

GERTRUDES TAN MATA, CPA
TIN No. 118-928-672
PRC Board Cert. No. 47310
BIR Accreditation No.
AN: 13-740218-003-2022 until Mar. 01, 2025
PRC/BOA Registration No.0939 until Nov. 30, 2025
PTR No. 2373920 dated, 02/21/2023 Cebu City

April 08, 2023

GERTRUDES TAN MATA
CERTIFIED PUBLIC ACCOUNTANT
Sto Niño Compound Panganiban St., Cebu City
Tel. No. 423-9405/564-3385

Report of Independent Public Accountant
To accompany the Financial Statements for Filing with the Bureau of Internal Revenue

The Board of Directors and Stockholders
CORBOX CORPORATION
Tayud, Liloan, Cebu

We have audited the accompanying financial statements of **CORBOX CORPORATION** as at and for the calendar years ended December 31, 2022 and 2021, on which we have rendered my report dated April 08, 2023.

In compliance with Revenue Regulation V-20, we are stating the following:

1. That taxes paid or accrued, if any by the above Company for the year ended December 31, 2022 as shown in the supplementary notes to financial statements;

2. That we are related by affinity or consanguinity to the President, manager or any member of the Board of Directors of the Company. That we do not have any financial interest in the Company.

[redacted]

GERTRUDES TAN MATA, CPA
TIN No. 118-928-672
PRC Board Cert. No. 47310
BIR Accreditation No.
AN: 13-740218-003-2022 until Mar. 01, 2025
PRC/BOA Registration No.0939 until Nov. 30, 2025
PTR No. 2373920 dated, 02/21/2023 Cebu City

April 08, 2023
Cebu City, Philippines

CORBOX CORPORATION
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 & 2021

	Note(s)	2022	2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3 & 5	19,418,486	141,679,285
Accounts Receivable	3 & 6	763,678,359	594,317,728
Inventories	3 & 7	1,567,259,846	2,084,775,917
Other Current Assets	8	50,598,651	45,562,521
Total Current Assets		2,400,955,342	2,866,335,451
NONCURRENT ASSETS			
Investments	9	81,675,000	81,675,000
Property, plant and equipment - net	3 & 10	780,271,459	772,738,099
Security Deposits		349,416	349,416
Total Noncurrent Assets		862,295,875	854,762,515
TOTAL ASSETS		3,263,251,217	3,721,097,966
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	11	1,612,401,280	2,850,763,135
Income Tax Payable	12	29,112,114	18,560,331
Other current liabilities	13	2,427,863	1,929,648
Loans Payable	14	1,069,937,560	382,849,680
Total Current Liabilities		2,713,878,817	3,254,102,794
TOTAL LIABILITIES		2,713,878,817	3,254,102,794
STOCKHOLDERS' EQUITY			
Capital stock	15	150,000,000	150,000,000
Retained Earnings		399,372,399	316,995,171
Total Stockholders' Equity		549,372,399	466,995,171
		3,263,251,217	3,721,097,966

See accompanying Notes to Financial Statements

CORBOX CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 & 2021

	Note(s)	2022	2021
SALES - NET	2 & 16	3,937,349,151	2,987,764,022
COST OF GOODS SOLD	17	3,637,346,143	2,815,234,456
GROSS PROFIT		300,003,008	172,529,566
OPERATING EXPENSES	18	183,554,553	98,288,241
INCOME (LOSS) BEFORE TAX		116,448,455	74,241,325
PROVISION FOR INCOME TAX	12	29,112,114	18,560,331
NET INCOME AFTER TAX		87,336,341	55,680,994
OTHER INCOME			
Interest Income		37,318	65,454
NET INCOME (LOSS)		87,373,659	55,746,448

See accompanying Notes to Financial Statements

CORBOX CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 & 2021

	Capital Stock	Retained Earnings		Total
		Appropriated	Unappropriated	
BALANCE AT JANUARY 01, 2021	150,000,000	185,000,000	85,248,723	420,248,723
Net income (loss) for the year			55,746,448	55,746,448
Cash Dividends			(9,000,000)	(9,000,000)
BALANCE AT DECEMBER 31, 2021	150,000,000	185,000,000	131,995,171	466,995,171
BALANCE AT JANUARY 01, 2022	150,000,000	185,000,000	131,995,171	466,995,171
Net income (loss) for the year	-		87,373,659	87,373,659
Prior Year Adjustments (Deficiency Tax)			(4,996,431)	(4,996,431)
BALANCE AT DECEMBER 31, 2022	150,000,000	185,000,000	214,372,399	549,372,399

See accompanying Notes to Financial Statements

CORBOX CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 & 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before Income tax	116,448,455	74,241,325
Adjustment for:		
Depreciation	77,272,906	49,886,717
Other Income	37,318	65,454
Prior Year Adjustments (Deficiency Tax)	(4,996,431)	-
OPERATING INCOME BEFORE WORKING CAPITAL CHARGES	188,762,248	124,193,496
Decrease (increase) in:		
Accounts Receivable	(169,360,631)	(78,203,449)
Inventories and supplies	517,516,071	223,366,459
Other Current Assets	(5,036,130)	(17,022,872)
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,238,361,855)	2,076,141
Income Tax Paid	(18,560,331)	(18,611,050)
Other current liabilities	498,215	(69,072)
Net cash provided by operating activities	(724,542,413)	235,729,653
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to Property and Equipment	(84,806,266)	(311,899,096)
Investments	-	(81,675,000)
Net cash used in investing activities	(84,806,266)	(393,574,096)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) from Loans Payable	687,087,880	261,018,101
Cash Dividends Paid	-	(9,000,000)
Net cash provided by (used in) financing activities	687,087,880	252,018,101
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(122,260,799)	94,173,658
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	141,679,285	47,505,627
CASH AND CASH EQUIVALENTS AT END OF YEAR	19,418,486	141,679,285

See accompanying Notes to Financial Statements

CORBOX CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Corbox Corporation is a domestic stock corporation incorporated under the laws of the Republic of the Philippines. It was registered with the Securities and Exchange Commission on December 18, 2002 under Reg. No. C200201437 and with the Bureau of Internal Revenue under Reg. No. 2RC0000073496 dated January 06, 2003 with TIN 221-721-131-000. The primary purpose is to engage in business as a general merchant, specializing in but not limited to the sales, manufacturing of containers, boxes of papers and paperboard, trading, importing, exporting and service of packaging. The company operates within the Philippines.

The registered office address of Corbox Corporation is located at Tayud, Liloan, Cebu.

The financial statements as of December 31, 2022 and 2021 were authorized and approved for issue by the Board of Directors on April 03, 2023.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

Basis of Preparation
The accompanying financial statements of the Company have been prepared on the historical cost basis, except for the derivative financial instruments, investments held for trading and available-for-sale (AFS) investments, which have all been measured at fair value. The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are not rounded to the nearest peso (P 0.00), except when otherwise indicated.

The accompanying financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with PFRS. PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council (FRSC).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous year presented in the consolidated financial statements, except for the changes in accounting policies as explained below. The adoption of the amended standards and interpretations did not have any impact on the financial statements.

Adoption of Amendment to Standards and Interpretations
The FRSC approved the adoption of a number of amendments to standards and interpretations as part of PFRS. The Company has adopted the following amendments to PFRS 7 and interpretation starting January 1, 2013 and accordingly, changed its accounting policies.

- Amendments to PFRS 7, Disclosures - Transfers of Financial Assets, which requires additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of the consolidated financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in the derecognized financial assets.

- PIC Q&A No. 2011-03, Accounting for Inter-company Loans, provides guidance on how should an interest free or below market rate loan between companies be accounted for in the separate or stand-alone financial statements of the lender and the borrower (i) on the initial recognition of the loan; and (ii) during the periods to repayment.

The adoption of the above amendments to PFRS 7 and interpretation did not have a material effect on the consolidated financial statements. Additional disclosures required by the amendments to PFRS 7 and interpretation were included in the consolidated financial statements, where applicable.

New and Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new and revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing the consolidated financial statements. Those which may be relevant to the company are set out below. Except as otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements of the company. The company does not plan to adopt these standards early.

The company will adopt the following new and revised standards, amendments to standards and interpretations on the respective effective dates:

- Presentation of Items of Other Comprehensive Income (Amendments to PAS 1, Presentation of Financial Statements). The amendments: (a) require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and (c) change the title of the consolidated statement of comprehensive income to consolidated statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRS continue to apply in this regard. The adoption of the amendments is required for annual periods beginning on or after July 1, 2013.

- Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7). These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are: (a) offset in the consolidated statements of financial position; or (b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the consolidated statements of financial position. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PFRS 10, Consolidated Financial Statements, introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between power and returns. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008), Consolidated and Separate Financial Statements and Philippine Interpretation Standards Interpretation Committee (SIC) - 12, Consolidation - Special Purpose Entities. The adoption of the new standard may result to changes in consolidation conclusion in respect of the company's investees which may lead to changes in the current accounting for these investees. The adoption of the new standard is required for annual periods beginning on or after January 1, 2014.

- PFRS 11, Joint Arrangements, focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). The new standard: (a) distinguishes joint arrangements between joint operations and joint ventures; and (b) eliminates the option of using the equity method or proportionate consolidation as it always requires the use of equity method for jointly controlled entities that are now called joint ventures. PFRS 11 supersedes PAS 31, Interests in Joint Ventures and Philippine Interpretation SIC 13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The adoption of the new standard is required for annual periods beginning on or after January 1, 2014.

- PFRS 12, Disclosure of Interests in Other Entities, contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The new standard provides information that enables users to evaluate: (a) the nature of, and risks associated with, an entity's interests in other entities; and (b) the effects of those interests on the entity's financial position, financial performance and cash flows. The company is currently assessing the disclosure requirements for interests in subsidiaries, joint arrangements and associates in comparison with the existing disclosure. The adoption of the new standard is required for annual periods beginning on or after January 1, 2014.

- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12). The amendments: (a) simplify the process of adopting PFRS 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities; (b) simplify the transition and provide additional relief from the disclosures that could have been onerous depending on the extent of comparative information provided in the consolidated financial statements; and (c) limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- PFRS 13, Fair Value Measurement, replaces the fair value measurement guidance contained in individual PFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRS. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The company is currently reviewing its methodologies in determining fair values. The adoption of the new standard is required for annual periods beginning on or after January 1, 2014.

- PAS 19, Employee Benefits (Amended 2011), includes the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and (b) expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 27, Separate Financial Statements (2011), supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- PAS 28, Investments in Associates and Joint Ventures (2011), supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations, applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not re-measure the retained interest. The adoption of the amendments is not expected to have an effect on the consolidated financial statements since the company continues to account for its investments in associates at equity method. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- Improvements to PFRS 2009-2011 contain amendments to 5 standards with consequential amendments to other standards and interpretations, of which only the following are applicable to the company:

- Comparative Information beyond Minimum Requirements (Amendments to PAS 1). These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements) are not required. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- Presentation of the Opening Statement of Financial Position and Related Notes (Amendments to PAS 1). The amendments clarify that: (a) the opening consolidated statement of financial position is required only if there is: (i) a change in accounting policy; (ii) a retrospective restatement; or (iii) a reclassification has a material effect upon the information in that consolidated statement of financial position; (b) except for the disclosures required under PAS 8, Accounting Policies, Change in Accounting Estimates and Errors, notes related to the opening consolidated statement of financial position are no longer required; and (c) the appropriate date for the opening consolidated statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements. The amendment explains that the requirements for the presentation of notes related to additional comparative information and those related to the opening consolidated statement of financial position are different, because the underlying objectives are different. Consequential amendments have been made to PAS 34, Interim Financial Reporting. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- Classification of Servicing Equipment (Amendments to PAS 16, Property, Plant and Equipment). The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in PAS 16 is now considered in determining whether these items should be accounted for under this standard. If these items do not meet the definition, then they are accounted for using PAS 2, Inventories. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- Income Tax Consequences of Distributions (Amendments to PAS 32, Financial Instruments Presentation). The amendments clarify that PAS 12, Income Taxes applies to the accounting for income taxes relating to: (a) distributions to holders of an equity instrument; and (b) transaction costs of an equity transaction. This amendment removes a perceived inconsistency between PAS 32 and PAS 12. Before the amendment, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2, Members' Share in Co-operative Entities and Similar Instruments. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- Segment Assets and Liabilities (Amendments to PAS 34). This is amended to align the disclosure requirements for segment assets and segment liabilities in interim consolidated financial statements with those in PFRS 8, Operating Segments. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when: (a) the amount is regularly provided to the chief operating decision maker; and (b) there has been a material change from the amount disclosed in the last annual consolidated financial statements for that reportable segment. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32). The amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is: (i) not contingent on a future event; and (ii) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement I and only if the gross settlement mechanism has features that: (i) eliminate or result in insignificant credit and liquidity risk; and (ii) process receivables and payables in a single settlement process or cycle. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- Investment Entities [Amendments to PFRS 10, PFRS 12, and PAS 27 (2011)]. The amendments provide consolidation exception for investment funds and require qualifying investment entities to recognize their investments in controlled entities, as well as investments in associates and joint ventures, in a single line item in the statement of financial position, measured at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. However, the parent of an investment entity (that is not itself an investment entity) is still required to consolidate all subsidiaries. This consolidation exception is mandatory. The adoption of the amendments is required for annual periods beginning on or after January 1, 2014.

- PFRS 9, Financial Instruments (2010) and (2009). PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of PFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. The adoption of the new standard is expected to have an effect on the classification and measurement of the company's financial assets. PFRS 9 (2010 and 2009) is effective for annual periods beginning on or after January 1, 2015.

Financial Assets and Financial Liabilities

Date of Recognition. The company recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs.

The company classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS financial assets, financial assets at FVPL and loans and receivables. The company classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of Fair Value. The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there is no significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

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

Financial Assets

Financial assets include Cash, Trade and Other Receivables.

Cash are stated at face value. Cash includes cash in bank and petty cash fund. Cash in bank in savings accounts earn interest at the respective bank deposit rates and these are deposits held at call with banks. Petty cash funds are intended as working funds for a small amount of expenses such as periodicals, reproduction cost, transportation, etc.

Trade receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amount. An estimate of doubtful accounts is made when collection of the full amount is no longer probable.

Financial Assets at FVPL. A financial asset is classified as at FVPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVPL if

the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's documented risk management or investment strategy. Derivative instruments (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets may be designated by management at initial recognition as at FVPL, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis;

- the assets are part of a company of financial assets which are managed and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are presented in the consolidated statements of financial position as assets when the fair value is positive and as liabilities when the fair value is negative. Gains and losses from changes in fair value of these derivatives are recognized under the caption marked-to-market gains (losses) included as part of "Other income (expenses)" in the consolidated statements of income.

The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current exchange rates for contracts with similar maturity profiles. The fair values of commodity swaps are determined based on quotes obtained from counterparty banks.

The combined carrying amounts of financial assets under this category amounted to P 833,695,496.00 and P 781,559,534.00 as of December 31, 2022 and 2021, respectively (Note 3, 5, 6 and 8).

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets as at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Interest income" in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in the consolidated statements of income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

The company's cash and cash equivalents, trade and other receivables, due from related parties and long-term receivables are included in this category.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The combined carrying amounts of financial assets under this category amounted to P 19,418,486.00 and P 141,679,285.00 as of December 31, 2022 and 2021, respectively (Note 3 & 5).

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the company's management has the positive intention and ability to hold to maturity. Where the company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. Any interest earned on the HTM investments shall be recognized as part of "Interest income" in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in the consolidated statements of income. Gains or losses are recognized in profit or loss when the HTM investments are derecognized or impaired, as well as through the amortization process.

The company has no investments accounted for under this category during the year.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. The effective yield component of AFS debt securities is reported as part of "Interest income" in the consolidated statements of income. Dividends earned on holding AFS equity securities are recognized as "Dividend income" when the right to receive payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any

The company's investments in equity and debt securities included under "Available-for-sale financial assets" account are classified under this category (Note 8).

The carrying amounts of financial assets under this category are nil during the year.

<u>Financial Liabilities</u>
Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The company carries financial liabilities at FVPL using their fair values and reports fair value changes in profit or loss.

The company's derivative liabilities are classified under this category.
The carrying amounts of financial liabilities under this category are nil during the year

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

The company's liabilities arising from its short term loans, trade and other payables, long-term debt, cash bonds and other noncurrent liabilities are included under this category.

The combined carrying amounts of financial liabilities under this category amounted to P 2,713,878,817.00 and P 3,254,102,794.00 as of December 31, 2022 and 2021, respectively.

Debt Issue Costs
Debt issue costs are considered as directly attributable transaction cost upon initial measurement of the related debt and subsequently in the calculation of amortized cost using the effective interest method.

Derivative Financial Instruments and Hedging

Freestanding Derivatives
For the purpose of hedge accounting, hedges are classified as either: a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk); b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or c) hedges of a net investment in foreign operations.

At the inception of a hedge relationship, the company formally designates and documents the hedge relationship to which the company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair Value Hedge. Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in profit or loss. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that re-measurement is also recognized in profit or loss.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.

The company discontinues fair value hedge accounting if the hedging instrument expired, sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the company revokes the designation.

The company has no outstanding derivatives accounted for as fair value hedges during the year
Cash Flow Hedge. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in other comprehensive income and presented under the "Hedging reserve" account in the consolidated statements of changes in equity. The ineffective portion is immediately recognized in profit or loss.

If the hedged cash flow results in the recognition of an asset or a liability, all gains or losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying amount of the asset or liability. Otherwise, for all other cash flow hedges, gains or losses initially recognized in equity are transferred from equity to profit or loss in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affects profit or loss.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been reported directly in equity is retained in equity until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is recognized in profit or loss.

The company has no outstanding derivatives accounted for as a cash flow hedge during the year

Net Investment Hedge. The company has no hedge of a net investment in a foreign operation during the year.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss during the year incurred.

<u>Embedded Derivatives</u>
The company assesses whether embedded derivatives are required to be separated from host contracts when the company becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized as at FVPL. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

<u>De-recognition of Financial Assets and Financial Liabilities</u>
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is derecognized when:

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

When the company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

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

Impairment of Financial Assets

The company assesses at the reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For assets carried at amortized cost such as loans and receivables, the company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the company includes the asset as part of a group of financial assets pooled according to their credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a company of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is

reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument, for which its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows from the asset discounted using its historical effective rate of return on the asset.

Classification of Financial Instruments Between Debt and Equity

From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Offsetting Financial Instruments

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

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell. Cost is determined using the first-in-first-out (FIFO) method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to sell; the impairment loss is recognized immediately in profit or loss.

Inventories include disclose the components/specifications that are valued at lower of cost and estimated selling price less costs to sell, using the FIFO method.

For financial reporting purposes, duties and taxes related to the acquisition of inventories are capitalized as part of inventory cost. For income tax reporting purposes, such duties and taxes are treated as deductible expenses in the year these charges are incurred.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part

of the property, plant and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.
The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO) and interest incurred during the construction period on funds borrowed to finance the construction of the projects. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as an expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the company and the cost of the items can be measured reliably.

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

For financial reporting purposes, duties and taxes related to the acquisition of property, plant and equipment are capitalized. For income tax reporting purposes, such duties and taxes are treated as deductible expenses in the year these charges are incurred.

For financial reporting purposes, depreciation and amortization, which commences when the asset is available for its intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Machinery and Equipment	5 - 10
Delivery Equipment	3 - 5
Building and Leasehold Improvements	25 - 30
Furniture and Fixtures	1 - 3
Land	no depreciation

The remaining useful lives, residual values, and depreciation and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that they are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

For income tax reporting purposes, depreciation and amortization are computed using the double-declining balance method.

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are recognized in profit or loss.

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

Investment Property

Investment property consists of properties held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and amortization and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

For financial reporting purposes, depreciation of office units is computed on a straight-line basis over the estimated useful lives of the assets of 20 years. For income tax reporting purposes, depreciation is computed using the double-declining balance method.

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

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement and disposal of investment property are recognized in profit or loss in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the company as an owner-occupied property becomes an investment property, the company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in profit or loss in the year in which the related expenditures are incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over 5 to 10 years.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.
The amount of intangible assets is included under the caption of others in the "Other noncurrent assets" in the consolidated statements of financial position.

Expenses incurred for research and development of internal projects and internally developed patents and copyrights are expensed as incurred and are part of "Selling and administrative expenses" account in the consolidated statements of income.

Impairment of Nonfinancial Assets
The carrying values of property, plant and equipment, investment property and intangible assets with finite lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Provisions
Provisions are recognized when: (a) the company has a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The company recognizes provisions arising from legal and/or constructive obligations associated with cost of dismantling and removing an item of property, plant and equipment and restoring the site where it is located, the obligation for which the company incurs either when the asset is acquired or as a consequence of using the asset during a particular year for purposes other than to produce inventories during the year.

<u>Capital Stock</u>

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects and any excess of the proceeds over the par value of shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

<u>Retained Earnings</u>

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

<u>Revenue Recognition</u>

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the amount of the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue from sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally upon delivery and the amount of revenue can be measured reliably.

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

Dividend. Revenue is recognized when the company's right as a shareholder to receive the payment is established.

Rent. Revenue from investment property is recognized on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease. Rent income is included as part of other income.

<u>Cost and Expense Recognition</u>

Costs and expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred.

Expenses are also recognized in the consolidated statements of income when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized in the consolidated statements of income on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an 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 as an asset.

<u>Leases</u>

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 a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the 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 the 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 specific asset; or

(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 gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b), above.

Operating Lease

Company as Lessee. Leases which do not transfer to the company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Company as Lessor. Leases where the company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

<u>Borrowing Costs</u>

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

<u>Research and Development Costs</u>

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

<u>Employee Benefits</u>

The company does not have a tax qualified and fully funded defined benefit pension plan covering all permanent, regular, full-time employees administered by trustee banks. Retirement benefits cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement benefits cost includes current service cost, interest cost, expected return on plan assets, amortization of unrecognized actuarial gains and losses and past service costs, effect of asset limit and effect of any curtailments or settlements. Past service cost is recognized as an

expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to the plan, past service cost is recognized immediately as an expense. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceed the greater of 10% of the present value of the defined benefit obligation or the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.
The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service costs not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the resulting asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of reductions in the future contributions to the plan, net actuarial losses of the current period and past service costs of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service costs of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service costs of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service costs of the current period are recognized immediately.

The company has a corporate performance incentive program that aims to provide financial incentives for the employees, contingent on the achievement of the company's annual business goals and objectives. The company recognizes achievement of its business goals through key performance indicators (KPIs) which are used to evaluate performance of the organization. The company recognizes the related expense when the KPIs are met, that is when the company is contractually obliged to pay the benefits.

(a) Retirement Benefit Obligations – PAS 19 provides that the Company shall recognize as an expense the undiscounted amount of short-term employees benefits when an employee has rendered service in exchange for those benefits. It also provides that the Company shall recognize in its balance sheet as defined benefit liability an amount equal to the excess of the present value of the defined benefit obligation over the fair value of the plan assets. If any, plus any unrecognized actuarial gains (less any actuarial losses) and minus any unrecognized past service cost. If the resulting amount is a negative (an asset), an entity shall recognize such amount as an asset subject to the limits prescribed by the Standard.

(b) Retirement Benefits – The Corporation does not have a funded employee's retirement benefit plan. It has not recognized liability for past service and service and annual costs of earned retirement benefits due to its employees required under SFAS 24 / PAS 19. The expense is recognized only when an employee retires and is paid the retirement benefits accruing to him.

The Company is in the process on evaluation whether to do actuarial valuation in coordination with trusted insurance company or setting up a trust fund for the employees future retirement benefits through depositing with the client's main depository bank. It has not yet engaged the services of an

Actuary to determine the present value of the defined benefit obligation using the projected unit credit method for the purpose of accruing retirement benefit obligation.

Taxes

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

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

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

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

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

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

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

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

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

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

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

In determining the amount of current and deferred tax, the company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.
Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

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

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

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

<u>Assets Held for Sale</u>
Noncurrent assets, or disposals comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are re-measured in accordance with the company's accounting policies. Thereafter, the assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on disposal is allocated first to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment properties or biological assets, which continue to be measured in accordance with the company's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment losses.

Intangible assets, investment property, and property, plant and equipment once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

When an asset no longer meets the criteria to be classified as held for sale or distribution, the company shall cease to classify such as held for sale. Transfers from assets held for sale or distribution are measured at the lower of its carrying amount before the asset was classified as held for sale or distribution, adjusted for any depreciation that would have been recognized had the asset not been classified as held for sale or distribution, and its recoverable amount at the date of the subsequent decision not to sell.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Basic and Diluted Earnings Per Common Share (EPS)
Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Operating Segments
The company's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Chief Executive Officer (the "chief operating decision maker") reviews management reports on a regular basis.

The measurement policies the company used for segment reporting under PFRS 8, are the same as those used in its consolidated financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Reclassification
Certain accounts in the prior year financial statements and supporting note disclosures have been reclassified to conform to the current period presentation. Such reclassification did not affect the statement of cash flows nor did it impact previously reported loss or retained earnings.

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

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

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

<u>Judgments</u>
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Operating Lease Commitments - Company as Lessor/Lessee. The Company has entered into commercial property leases on its investment property portfolio. The Company has determined that it retains all the significant risks and rewards of ownership of the properties leased out on operating leases while the significant risks and rewards for properties leased from third parties are retained by the lessors.

Determining Fair Values of Financial Instruments. Where the fair values of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The Company uses judgments to select from variety of valuation models and make assumptions regarding considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Distinction between Property, Plant and Equipment and Investment Property. The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Company accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

Taxes. Significant judgment is required in determining current and deferred income tax expense. 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 current income tax and deferred tax expenses in the year in which such determination is made.

Beginning July 2008, in the determination of the Company's current taxable income, the Company has an option to either apply the optional standard deduction (OSD) or continue to claim itemized standard deduction. The Company, at each taxable year from the affectivity of the law, may decide which option to apply; once an option to use OSD is made, it shall be irrevocable for that particular taxable year.

Estimations and Assumptions

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

Allowance for Impairment of Trade and Other Receivables. Allowance for impairment is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on past collection experience and other factors that may affect collectability. An evaluation of receivables, designed to identify potential changes to allowance, is performed regularly throughout the year. Specifically, in coordination with the Marketing Division, the Finance Division ascertains customers who are unable to meet their financial obligations. In these cases, the Company's Management uses sound judgment based on the best available facts and circumstances, included but not limited to, the length of relationship with the customers and their payment track record. The amount of impairment loss differ for each year based on available objective evidence for which the Company may consider that it will not be able to collect some of its accounts. Impaired accounts receivable are written off when identified to be worthless after exhausting all collection efforts. An increase in allowance for impairment of trade and other receivables would increase the Company's recorded selling and administrative expenses and decrease current assets.

Allowance for Inventory Obsolescence. The allowance for inventory obsolescence consists of collective and specific valuation allowance. A collective valuation allowance is established as a certain percentage based on the age and movement of stocks. In case there is write-off or disposal of slow-moving items during the year, a reduction in the allowance for inventory obsolescence is made. Review of allowance is done every quarter, while a revised set-up or booking is posted at the end of the year based on evaluations or recommendations of the proponents. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

Useful Lives. The useful life of each of the Company's item of property, plant and equipment and investment properties is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property, plant and equipment and investment properties would increase the recorded cost of goods sold, selling and administrative expenses, and decrease non-current assets.

There is no change in estimated useful lives of property, plant and equipment, and investment properties based on management reviews at the statement of financial position date.

Fair Value of Investment Properties. The fair value of investment property presented for disclosure purposes is based on market values, being the estimated amount for which the property can be exchanged between a willing buyer and seller in an arm's length transaction, or based on a most recent sale transaction of a similar property within the same vicinity where the investment property is located. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate estimated future cash flows expected to be received from leasing out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Impairment of Non-financial Assets. The Company assesses impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

• Significant underperformance relative to expected historical or projected future operating results;

• Significant changes in the manner of use of the acquired assets or the strategy for overall business; and,

• Significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable value. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Determining the recoverable value of assets requires the estimation of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

Fair Value of Financial Instruments. Management uses valuation techniques in measuring fair value of financial instruments, where active market quotes are not available. In applying the valuation techniques, management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about assumptions that market participants would make. These estimates may vary from actual prices that would be achieved in an arm's length transaction at statement of financial position date.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments and when it is practicable to estimate such value:

• *Financial Assets at FVPL and AFS Investments.* Market values have been used to determine the fair values of traded government securities and equity shares. Market value is determined mainly by reference to the stock exchange quoted market bid prices at the close of business on the statement of financial position date.

• *Derivative Assets and Liabilities.* The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Mark-to-market valuation of commodity hedges is based on forecasted prices.

5. CASH AND CASH EQUIVALENTS

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

	2022	2021
Cash on Hand & in Bank	19,318,486	141,579,285
Petty Cash Fund	100,000	100,000
	19,418,486	141,679,285

6. RECEIVABLES

	2022	2021
Accounts Receivable	763,678,359	594,317,728

7. INVENTORIES

At cost:

	2022	2021
Raw Materials	1,532,164,483	2,046,158,663
Work in Process	13,961,222	14,662,223
Finished Goods	21,134,141	23,955,031
	1,567,259,846	2,084,775,917

8. OTHER CURRENT ASSETS

	2022	2021
VAT Input	3,103	5,670,071
Prepaid Tax	153,269	-
Creditable Withholding Tax - excess	41,453,189	26,425,548
Input tax amortization	8,989,090	13,466,902
	50,598,651	45,562,521

9. INVESTMENTS

	2022	2021
Calumpang Packing Corporation	300,000	300,000
Qbitprint Inc.	300,000	300,000
Qbits Resource Corporation	300,000	300,000
Steniel Mindanao Corporation	80,775,000	80,775,000
	81,675,000	81,675,000

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include all tangible assets with an estimated useful life beyond one year, are used in the conduct of the business, and are not intended for sale in the ordinary course of business. Assets of this nature include: property ordinarily not subject to depreciation or depletion and property subject to depreciation. This account consists of:

	01/01/21 At Cost	Depreciation	Net Value 12/31/2021	01/01/22 Book Value	Addition	Depreciation	Net Value 12/31/2022
Fac. Mach. & Equip.	402,820,456	127,248,536	275,571,920	275,571,920	41,371,542	44,723,304	272,220,158
Transpo. & Delivery	55,368,726	31,436,433	23,932,293	23,932,293	51,339	8,056,333	15,927,299
Office Equip.	3,304,629	1,752,527	1,552,102	1,552,102	429,481	313,719	1,667,864
Furniture & Fixtures	591,700	464,227	127,473	127,473	128,404	36,912	218,965
Building	290,966,652	35,335,045	255,631,607	255,631,607	86,413,183	24,142,638	317,902,152
Construction in Prog.	85,362,683	-	85,362,683	85,362,683	(85,362,683)	-	-
Land	130,560,021	-	130,560,021	130,560,021	41,775,000	-	172,335,021
Total	968,974,867	196,236,768	772,738,099	772,738,099	84,806,266	77,272,906	780,271,459

11. ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

The details of Current Liabilities are shown below:

	2022	2021
Accounts Payable - Trade	1,611,824,769	2,850,228,551
SSS/PHIC Prem. Payable	368,776	345,181
HDMF Premium Payable	34,200	35,400
SSS Loan	137,839	71,232
HDMF Loan	35,696	82,771
	1,612,401,280	2,850,763,135

12. INCOME TAX

	2022	2021
Operating Income (Loss) before Tax	116,448,455.00	74,241,325.00
Add: Non-deductable	-	-
Total	116,448,455.00	74,241,325.00
Tax rate	25%	25%
Tax Due	29,112,113.75	18,560,331.25
Less: quarterly payments	-	-
Income Tax Payable	29,112,113.75	18,560,331.25

To validate the correct tax liability, a computation of the Minimum Corporate Income Tax (MCIT) was made as follows:

	2022	2021
Revenues	3,937,349,151.00	2,987,764,022.00
Less: Cost of Services	3,637,346,143.00	2,815,234,456.00
Gross Profit	300,003,008.00	172,529,566.00
Tax rate	1%	1%
Tax Due	3,000,030.08	1,725,295.66

13. OTHER CURRENT LIABILITIES

	2022	2021
Withheld Tax - Compensation	201,212	224,792
Withheld Tax - Dividends	-	600,000
Withheld Tax - Expanded	2,226,651	1,104,856
	2,427,863	1,929,648

14. LOANS PAYABLE

This represents interest bearing short term borrowing obtained from local banks renewable within 180-360 days at 3 % interest per annum. These are fully secured with real estate mortgage of several land titles, building and other real properties with no restrictions on titled properties and equipments pledge as collaterals. There was also a continuing surety agreement executed by some stockholders.

	2022	2021
Loans Payable	1,069,937,560	382,849,680

15. STOCKHOLDERS' EQUITY

a. Capital Stock

	2022	2021
Authorized 30,000,000 – 1.00 par value	150,000,000	150,000,000
Issued and Outstanding - 1.00 par value	150,000,000	150,000,000

b. Retained Earnings

i. Declaration of Cash Dividends

There was a no cash dividend declared in the during the year 2022.

ii. Appropriation of Capital Project

There was a total of appropriation in the amount of P 185,000,000.00 as of December 31, 2022 which was appropriated in the previous year intended for the future project expansion of the company.

16. SALES

	2022	2021
Sales - VAT	2,421,870,495	1,914,532,283
Sales Zero Rated	1,515,478,656	1,073,231,739
Net Sales	3,937,349,151	2,987,764,022

17. COST OF GOODS SOLD

	2022	2021
Direct Materilas:		
Raw Materials, Beg.	2,046,158,663	2,128,451,465
Add: Purchases - Direct Material	2,332,631,753	1,980,316,060
Total Materials Available for Sale	4,378,790,416	4,108,767,525
Less: Raw Materials, End	1,532,164,483	2,046,158,663
Total Raw Materials Used	2,846,625,933	2,062,608,862
Direct Labor:	36,476,041	34,616,116
Factory Overhead:		
Factory Supplies & Printing	61,747,955	47,862,590
Depreciation Factory	76,984,874	49,598,685
Light & Water	166,334,936	143,304,973
Repair & Maintenance - TDF	234,026,904	114,921,187
Freight & Trucking	67,300,301	116,946,654
Gas & Oil	49,858,505	17,999,295
Indirect Labor	87,361,715	80,897,592
13th Month Pay	2,090,368	1,866,664
Rental Factory	3,032,504	1,782,554
SSS & Others	1,984,216	1,755,627
Total Factory Overhead	750,722,278	576,935,821
Total Manufacturing Cost	3,633,824,252	2,674,160,799
Add: Work in Process, Beg.	14,662,223	64,414,820
Total Cost Place in Process	3,648,486,475	2,738,575,619
Less: Work in Process, End	13,961,222	14,662,223
Total Cost of Goods Manufactured	3,634,525,253	2,723,913,396
Add: Finished Goods, Beg	23,955,031	115,276,091
Total Goods Available for Sale	3,658,480,284	2,839,189,487
Less: Finished Goods, End	21,134,141	23,955,031
TOTAL COST OF GOODS SOLD	3,637,346,143	2,815,234,456

18. OPERATING EXPENSES

	2022	2021
Salaries, Wages & 13th Month	14,394,508	13,060,554
Separation pay	-	665,340
Freight and Trucking Expense	16,345,631	10,436,537
Office Supplies Expense	3,270,643	3,510,025
Security Expense	10,002,531	10,197,911
Fuel and Oil Expense	2,302,483	1,351,651
SSS and Other Taxes	1,107,477	990,464
Depreciation Expense - Admin	288,032	288,032
Taxes and Licenses	9,566,104	8,305,483
Communication Expense	432,795	480,886
Commission Expense	2,960,500	2,538,074
Insurance Expense	7,410,520	7,331,887
Representation Expense	1,564,254	381,730
Transportation/Meal and Travel Expense	108,809	-
Light and Water Expense	12,480,558	7,178,841
Medical Expense	48,254	406,420
Repair and Maintenance Expense	75,960,329	17,272,592
Professional Fees	329,444	385,214
Bank Charges	4,229,302	4,582,636
Seminars and Training Expense	248,343	138,725
Interest Expense	20,504,036	8,785,239
	183,554,553	98,288,241

19. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

Risk Management Structure

Board of Directors

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Company. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Company's approach to risk issues in order to make relevant decisions.

Financial Risk Management Objectives and Policies

The Company's principal financial instrument comprises of cash and cash equivalents. The main purpose of this financial instrument is to raise finance for the Company's operations. The Company has various other financial instruments such as loans receivables, trade payables and accrued expenses which arise directly from its operations.

The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarized below. The Company also monitors the market price risk arising from all financial instruments.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company grants advances to stockholders after the BOD reassessed the Company's strategies for managing credits and view that they remain appropriate for the Company's circumstances. With respect to credit risk from other financial assets of the Company, which mainly comprise of cash and cash equivalents, amounts owed by and receivables from related parties, the exposure of the Company to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

Liquidity risk is the potential of not meeting obligations as they come due because of inability to liquidate assets or obtain adequate funding.

The Company maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay dividend declarations. The Company, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments.

Market Risks

The Company has no significant exposure to market risk during the year.

Capital Risk Management

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

19. OTHER MATTERS

The company has less than ten (10) stockholders and the shares are not traded in any stock exchange or over the counter market.

20. SUPPLEMENTARY INFORMATION REQUIRED BY BUREAU OF INTERNAL REVENUE'S RR NO. 15-2010

The Bureau of Internal Revenue issued Revenue Regulations (RR) No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying tax returns. Under the said RR, companies are required to disclose, in addition to the disclosure be adopted, in the Notes to financial statements, information on taxes, duties and license fee paid or accrued during the taxable year.

The following are information to which the company is required to disclose under RR No. 15-2010 for the year.

		Sales Amount	Output VAT
a.	Sales and Output VAT		
	VATable Sales	2,421,870,495	290,624,459
	Zero Rated Sales	1,515,478,656	-
		3,937,349,151	290,624,459

		Purchase Amount	Input VAT
b.	VAT Payable		
	Input Taxes on goods	2,042,768,201	245,132,184
	Input Taxes on services	295,962,912	35,515,549
	Previous Year Excess Input		5,670,071
	Quarterly VAT payments (jan to nov)		2,511,593
	Creditable VAT		1,798,165
			290,627,563
	VAT Payable for the year		(3,103)

		Amount
c.	Withholding Taxes	
	Withholding Tax - Expanded	2,226,651
	Withholding Tax - Compensation	201,212
		2,427,863

		Amount
d.	Taxes and Licenses	
	Business Tax	5,585,488
	Property Tax	2,915,167
	Documentary Stamps Tax	320
	Permits and Licenses	765,453
	LTO renewals	299,176
	Annual Registration Fee	500
		9,566,104

GERTRUDES TAN MATA
CERTIFIED PUBLIC ACCOUNTANT
Sto Niño Compound Pangamban St., Cebu City
Tel. No. 423-0485/564-3385

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Board of Directors and Stockholders
CORBOX CORPORATION
Tayud, Liloan, Cebu

I have examined the financial statements of **CORBOX CORPORATION** for the year ended December 31, 2022 and 2021, on which I have rendered the attached report dated April 08, 2023.

In compliance with SRC Rule 68, I am stating that the said company has a total number of six (6) stockholders owning one hundred (100) or more shares each.

[redacted]
GERTRUDES TAN MATA, CPA
TIN No. 118-928-672
PRC Board Cert. No. 47310
BIR Accreditation No.
AN: 13-740218-003-2022 until Mar. 01, 2025
PRC/BOA Registration No.0939 until Nov. 30, 2025
PTR No. 2373920 dated, 02/21/2023 Cebu City

April 08, 2023