

COVER SHEET

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S.E.C. Registration Number

COMPANY NAME

P	L	A	N	T	E	R	S		P	R	O	D	U	C	T	S		I	N	C													

(Business Address: No. Street City / Town / Province)

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

P	P	I		B	L	D	G	.	,		1	0	9		E	S	T	E	B	A	N		S	T	.	,							
L	E	G	A	S	P	I		V	I	L	L	A	G	E		M	A	K	A	T	I		C	I	T	Y							

Form Type

1	7	-	Q
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

kdhaloc@plantersproducts.com

Company's Telephone Number/s

8818-2332

Mobile Number

(0917) 120 1268

No. of Stockholders

812,476

Annual Meeting (Month / Day)

3rd Tuesday of October

Fiscal Year (Month / Day)

April 30

CONTACT PERSON INFORMATION

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

Name of Contact Person

Carlwin Thomson U. Ong

Email Address

ctong@plantersproducts.com

Telephone Number/s

8818-2332

Mobile Number

(0917) 863 2984

CONTACT PERSON'S ADDRESS

PPI BUILDING, 109 ESTEBAN STREET, LEGASPI VILLAGE , MAKATI CITY

NOTE 1 : 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 within information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

- 1. For the quarterly period ended July 31, 2024
- 2. Commission identification number 21357
- 3. BIR Tax Identification No 000-137-080-000
- 4. Exact name of issuer as specified in its charter PLANTERS PRODUCTS, INC.
- 5. Philippines
Province, country or other jurisdiction of incorporation or organization
- 6. Industry Classification Code: SEC Use Only)

- 7. 109 Esteban St. Legaspi Village, Makati City 1229
Address of issuer's principal office Postal Code

- 8. 818-23-32 loc 138 or 126
Issuer's telephone number, including area code
- 9. Former name, former address and former fiscal year, if changed since last report N/A
- 10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
..... <u>Common</u> <u>300,000,000</u>
.....

- 11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No [X]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

- 12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [X] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes No

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Refer to attached Balance Sheets as of July 31, 2024 and April 30, 2024; Statement of Income (Loss) for the three-month period ended July 31, 2024 and July 31, 2023; Statement of Comprehensive Income (Loss) for the three-month period ended July 31, 2024 and July 31, 2023; Statement of Cash Flows for the three-month period ended July 31, 2024 and July 31, 2023; Statement of changes in Stockholders Equity for the three-month period ended July 31, 2024 and July 31, 2023, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Refer to attached Analysis of Operations, Financial Condition and 5 key performance indicators

PART II – OTHER INFORMATION

Not applicable

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: PLANTERS PRODUCTS, INC.

Name	:	 <u>LORELA M. JAVIER</u>
Title	:	Accounting Manager
Signature	:	
Date	:	<u>September 9, 2024</u>

Corporate Information

Planters Products, Inc. was organized under the laws of the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) per Registration No. 21357 on September 10, 1962 to engage in trading, manufacturing (reformulation), importation and distribution of goods such as agricultural chemicals, fertilizers and other farm inputs on wholesale or retail basis. The Company started its commercial operations in 1962.

The extension of the corporate term by another 50 years was approved by SEC on July 22, 2011.

The registered address of the Company is located at Planters Products Building, 109 Esteban St., Legaspi Village, Makati City.

In a special stockholder's meeting on May 19, 2011, with an affirmative vote of the stockholders owning or representing at least two-thirds of the outstanding stock, the Company's Articles of Incorporation was amended by extending the corporate term by another 50 years.

The Company's principal stockholder is Planters Foundation, Inc. (PFI), who is also a trustee for the 237,705,822 shares, equivalent to 79.24% of the total shares of the Company for issuance to farmers/stockholders.

By virtue of Letter of Instructions (LOI) No. 178 dated March 28, 1974 by then President Marcos, PFI was created to hold in trust and distribute to Filipino farmers the shares of stocks of the Company.

For the past four years, the Company has not experienced bankruptcy, receivership or similar proceedings.

Plant in Carmelray Industrial Park, Canlubang Laguna

On April 29, 2008, Carmelray Plant was inspected by the Fertilizers & Pesticides Authority and license to operate was released on June 6, 2008 and was consistently renewed every year thereafter.

Results of Operations

For the first quarter ended July 31, 2024 vs. July 31, 2023 Results

For the first quarter ending July 31, 2024, the company sales totaled to P141.4M. A 90% increase from last year's P74.5M. Despite the challenge due to frequent rains brought by Habagat season and typhoons, the sales team was able to improve this year's sales performance.

The cost of sales for the 1st quarter of 2024 was registered at P77.3M or 55% of the total sales as compared to P49.5M or 66% of the total sales for the same period last year. The decreased in cost was due to decrease in the price of raw materials mostly used.

With the increase in sales and decrease in cost, gross margin for the 1st quarter ending July 31, 2024 increased by 156% from P25.1M last year to P64.1M this year.

Other income, net for the 1st quarter ending July 31, 2024 decreased to P6.4M or 29% this year as compared to the same period last year. The decrease was due to compromise payment from a previous customer which already ended, rental from aircraft utilization and increase foreign exchange loss for various payments on importation.

General and administrative expenses for the 1st quarter ending July 31, 2024 amounted to P38.4M from P42.6M of the same period last year. The decreased by 10% was mainly due to decrease in advertising expenses which could be a timing difference and no awarded incentive yet for the sales team performance.

Interest cost for the 1st quarter ending July 31, 2024 decreased by 21% from P4.1M last year to P3.2M this year. The average interest cost last year was 9.864% while 9.733% this year. The company also pays off P40.0M in principal of its loans to a bank.

As a result of the foregoing, the company registered a net income of P28.9M this quarter as compared to net loss before tax of P12.5M for the same period last year.

Financial Position

Total assets for the first quarter ending July 31, 2024 attained P830.4M while P825.6M as of April 30, 2024.

Trade and other receivables decreased to P84.8M from P106.7M as of April 30, 2024. This was due to collections made from sales which are already due and/or nearing its due date.

Inventories amounted to P109.7M at the end of the 1st quarter, a 22% increase from P90.2M as of April 30, 2024. Production is continuously producing stocks based on the approved sales revenue forecast.

Prepayment and other current assets increased by 351% or P35.4M for the first quarter ending July 31, 2024 as compared to P10.1M as of April 30, 2024. The increase pertains mainly to advance payment to foreign suppliers for importations of technical materials amounting to P30.2M.

Movement for Investment properties and Property, Plant and Equipment pertains to the normal wear and tear of assets charged to depreciation.

Trade and other payables as of July 31, 2024 amounted to P98.8M from P82.4M as of April 30, 2024. The increase was due to trade payables needed for the production, Output Tax and the deferred income for the order of Plantation. Term of payment for Plantation account is cash before manufactured.

Loans payable as of July 31, 2024 decreased by P41.3M from P145.3M to P104.0M. The company made principal payments attributed to two promissory notes from a bank and an installment payment due to other entity.

Other non-current liabilities increased to P10.0M or by 8% as of July 31, 2024. The increase was related to adjustments in the advance rental and deposit from building tenants due to contract renewal.

Stockholders Equity stood at P575.4M as of July 31, 2024 with a deficit amounting to P550.8M and P521.9M as of April 30, 2024 and July 31, 2024 respectively.

Key Performance Indicators

Management assessed the Company's performance based on the following key performance indicators:

Indicators	May - Jul 2024	May - Jul 2023
1. Current Ratio	3.53	4.13
2. Debt-to-equity ratio	0.44	0.51
3. Asset-to-equity ratio	1.44	1.51
4. Interest rate coverage ratio	9.99	-2.08
5. Net income margin ratio	0.20	-0.17

The interest rate coverage ratio and net income margin ratio are for the 1st quarter of the current and previous year while the current ratio, debt to equity ratio and asset to equity ratio are based on year-to-date balances for the current year and the audited year-end balance for the previous year.

PLANTERS PRODUCTS, INC.
FINANCIAL SOUNDNESS INDICATORS
As of July 31, 2024 and 2023

	JUL 2024	JUL 2023
A. OPERATING PERFORMANCE RATIOS		
1 GROSS PROFIT RATIO	0.45	0.34
<u>Gross Profit</u>	<u>64,079,306</u>	<u>25,058,099</u>
Net Sales	141,376,648	74,546,773
2 OPERATING INCOME TO SALES	0.50	0.46
<u>Income from Operations</u>	<u>70,524,864</u>	<u>34,155,146</u>
Net Sales	141,376,648	74,546,773
3 PRETAX INCOME TO SALES	0.20	(0.17)
<u>Pretax Income</u>	<u>28,928,877</u>	<u>(12,515,730)</u>
Net Sales	141,376,648	74,546,773
4 NET INCOME TO SALES	0.20	(0.17)
<u>Net Income</u>	<u>28,928,877</u>	<u>(12,515,730)</u>
Net Sales	141,376,648	74,546,773

PLANTERS PRODUCTS, INC.
FINANCIAL SOUNDNESS INDICATORS
As of July 31, 2024 and April 30, 2024

	July	April
B. SHORT-TERM LIQUIDITY RATIO		
5 CURRENT RATIO	3.53	4.13
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{357,897,113}{101,417,655}$	$\frac{350,967,734}{85,028,015}$
6 ACID TEST RATIO	2.00	2.95
$\frac{\text{Quick Assets}}{\text{Current Liabilities}}$	$\frac{202,700,566}{101,417,655}$	$\frac{250,703,184}{85,028,015}$
7 WORKING CAPITAL TO ASSETS	0.31	0.32
$\frac{(\text{Current Assets} - \text{Current Liabilities})}{\text{Total Assets}}$	$\frac{256,479,459}{830,399,029}$	$\frac{265,939,719}{825,599,156}$
C. LONG-TERM SOLVENCY		
8 DEBT TO EQUITY	0.44	0.51
$\frac{\text{Total Liabilities}}{\text{Shareholders' Equity}}$	$\frac{254,966,720}{575,432,309}$	$\frac{279,095,725}{546,503,432}$
9 LONG-TERM DEBT TO EQUITY	0.27	0.36
$\frac{\text{Long-Term Debt}}{\text{Shareholders' Equity}}$	$\frac{153,549,065}{575,432,309}$	$\frac{194,067,710}{546,503,432}$
10 FIXED ASSETS TO EQUITY	0.76	0.80
$\frac{(\text{Fixed Assets} - \text{Accumulated Depreciation})}{\text{Shareholders' Equity}}$	$\frac{434,932,851}{575,432,309}$	$\frac{437,062,358}{546,503,432}$
11 ASSET TO EQUITY	1.44	1.51
$\frac{\text{Total Assets}}{\text{Shareholder's Equity}}$	$\frac{830,399,029}{575,432,309}$	$\frac{825,599,156}{546,503,432}$
12 TIMES INTEREST EARNED	9.99	(2.08)
$\frac{\text{Earnings before interest and taxes}}{\text{Interest Expense}}$	$\frac{32,145,224}{3,216,347}$	$\frac{(8,450,226)}{4,065,504}$

Other Disclosures

1. There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.
2. There has been no significant element of income or loss that did not arise from the registrant's continuing operations.
3. There were no material off-balance sheet transactions, arrangements obligations (including contingent obligations), and other relationship of the company with unconsolidated entities or other persons created during the reporting period.
4. There were no events that will trigger a direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
5. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
6. There were no known material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such commitments.
7. There were no known seasonal aspects that had a material effect on the financial condition or results of operations.

There are no other disclosures not made under SEC Form 17-Q. When in case of occurrence of an event that may affect the company's financial position and results of its operation, proper disclosure will be made separately and reported on SEC Form 17-A.

PLANTERS PRODUCTS INC.
INTERIM STATEMENTS OF FINANCIAL POSITION
JULY 31, 2024 AND APRIL 30, 2024

	JULY 31, 2024	APRIL 30, 2024
ASSETS		
Current asset		
Cash and cash equivalents	P117,900,818	P144,012,238
Trade and other receivables, net	84,799,748	106,690,946
Inventories, net	109,685,734	90,173,348
Prepayment and other currents	45,510,814	10,091,201
Total current assets	<u>357,897,113</u>	<u>350,967,734</u>
Non-current assets:		
Available-for-sale investments	15,000,000	15,000,000
Property and equipment, net	53,444,272	55,166,659
Investment properties, net	381,488,579	381,895,699
Investment in subsidiaries	-	-
Net deferred tax assets	16,332,568	16,332,568
Other noncurrent assets, net	6,236,496	6,236,496
Total non-current assets:	<u>472,501,916</u>	<u>474,631,422</u>
Total assets	<u><u>P830,399,029</u></u>	<u><u>P825,599,156</u></u>
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	P98,787,007	P82,397,367
Loans Payable	2,500,000	2,500,000
Income Tax Payable	130,648	130,648
Total current liabilities	<u>101,417,655</u>	<u>85,028,015</u>
Noncurrent Liabilities		
Loans payable - net of current portion	104,000,000	145,250,000
Lease liabilities - net of current portion	17,936,027	17,936,027
Retirement benefit obligation	21,608,636	21,608,636
Other Non-current Liabilities	10,004,402	9,273,047
Total noncurrent Liabilities	<u>153,549,065</u>	<u>194,067,710</u>
Total liabilities	<u>254,966,720</u>	<u>279,095,725</u>
Equity		
Share Capital	300,000,000	300,000,000
Treasury share, at cost	(553,172)	(553,172)
Share Premium	794,417,076	794,417,076
Remeasurements – net	(10,015,310)	(10,015,310)
Fair Value Gain on Financial Assets at Fair Value through OCI – net	13,457,804	13,457,804
Deficit	(521,874,089)	(550,802,966)
Total equity	<u>575,432,309</u>	<u>546,503,432</u>
Total liabilities and equity	<u><u>P830,399,029</u></u>	<u><u>P825,599,157</u></u>

PLANTERS PRODUCTS INC.
INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTERS ENDED JULY 31, 2024 AND 2023

	2024	2023
Net sales	P141,376,648	P74,546,773
Cost of sales	<u>(77,297,343)</u>	<u>(49,488,674)</u>
Gross profit	64,079,306	25,058,099
Other income, net	6,445,558	9,097,047
General and administrative expenses	<u>(38,379,640)</u>	<u>(42,605,373)</u>
Income (loss) from operations	32,145,224	(8,450,226)
Finance costs	<u>(3,216,347)</u>	<u>(4,065,504)</u>
Income (loss) before income tax	28,928,877	(12,515,730)
Income tax expense/benefit	<u>(7,232,219)</u>	<u>-</u>
Net Income (loss)	<u><u>P21,696,658</u></u>	<u><u>(P12,515,730)</u></u>
Other Comprehensive income		
Remeasurement gain (loss) on retirement benefit obligation	-	-
Valuation gain (loss) on AFS investments	-	-
Total comprehensive income (loss)	<u><u>P21,696,658</u></u>	<u><u>(P12,515,730)</u></u>
Weighted ave number of shares	299,446,828	299,446,828
Basic Earnings Per Share	0.072	-0.042

PLANTERS PRODUCTS, INC.
INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JULY 31, 2024 AND JULY 31, 2023

	2024	2023
	May-Jul	May-Jul
Cash flows from operating activities		
Income (loss) before income tax	28,928,877	(12,515,730)
Adjustments for :		
Depreciation and amortization	3,204,288	3,267,612
Gain on sale of property and equipment	-	(452,766)
Operating income (loss) before working capital changes	32,133,165	(9,700,884)
Decrease (increase) in:		
Trade and other receivables	21,891,198	42,550,418
Inventories	(19,512,385)	(26,082,216)
Prepayment and other current assets	(35,419,612)	(21,749,998)
Other non-current assets	-	(332,429)
Increase (decrease) in:		
Trade and other payables	16,389,640	24,739,344
Other non-current liabilities	731,355	327,889
Cash provided (used) in operating activities	16,213,360	9,752,124
Contributions to plan asset	-	(3,000,000)
Net cash provided by (used) in operating activities	16,213,360	6,752,124
Cash flows from investing activities		
Acquisitions of investment properties		(86,850)
Acquisitions of property plant and equipment	(1,074,782)	(8,505,568)
Proceeds from disposal of investment properties		1,629,668
Proceeds from disposal of property and equipment	-	-
Proceeds from disposal of available for sale investments		-
Decrease (increase) in other non-current assets		
Net cash used in investing activities	(1,074,782)	(6,962,750)
Cash flows from financing activities		
Proceeds from borrowings	-	-
Payments of borrowings	(41,250,000)	(1,250,000)
Net cash provided by (used in) financing activities	(41,250,000)	(1,250,000)
Net increase (decrease) in cash and cash equivalents	(26,111,421)	(1,460,626)
Cash and cash equivalents, beginning	144,012,238	52,675,896
Cash and cash equivalents, end	117,900,817	51,215,271

PLANTERS PRODUCTS, INC.
STATEMENTS OF CHANGES IN EQUITY
COMPARATIVE 1ST QUARTER OF FISCAL YEARS

	Share Capital	Share Premium	Remeasurement gain (loss) on retirement benefit obligation	Unrealized loss on change in fair value of AFS	Deficit	Treasury shares	Total
Balance at April 30, 2024	300,000,000	794,417,076	-10,015,310	13,457,804	-550,802,966	-553,172	546,503,432
Net income (loss) - May - Jul 2024					28,928,877		28,928,877
Balance at July 31, 2024	300,000,000	794,417,076	-10,015,310	13,457,804	-521,874,089	-553,172	575,432,309

	Share Capital	Share Premium	Remeasurement gain (loss) on retirement benefit obligation	Unrealized loss on change in fair value of AFS	Deficit	Treasury shares	Total
Balance at April 30, 2023	300,000,000	794,417,076	-14,126,025	5,768,791	-469,117,942	-553,172	616,388,728
Net income (loss) - May - Jul 2023					-12,515,730		-12,515,730
Balance at July 31, 2023	300,000,000	794,417,076	-14,126,025	5,768,791	-481,633,672	-553,172	603,872,998

PLANTERS PRODUCTS INC.
NOTES TO UNAUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED JULY 31, 2024

Summary of Significant Accounting Policies

Basis of preparation

The accompanying unaudited financial statements have been prepared in accordance with the Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim financial statements do not include all of the information and footnotes required in the annual financial statements and should be read in conjunction with the Company's audited annual financial statements as of and for the fiscal year ended April 30, 2024.

Basis of measurement

The accompanying unaudited financial statements have been prepared on a historical cost basis except for financial assets at fair value through other comprehensive income (FVOCI) which are measured at fair value

Functional and presentation currency

The unaudited financial statements are presented in Philippine Peso and all values are rounded to the nearest thousand (P'000) except when otherwise indicated.

Adoption of Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of Amendments to PAS 1, Presentation of Financial Statements, and PFRS Practice Statement 2, Making Materiality Judgments - Disclosure Initiative - Accounting Policies which the Company adopted effective May 1, 2023. The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify:

- That accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- That accounting policy information is material if users of an entity's separate financial statements would need it to understand other material information in the separate financial statements; and
- If an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information.

In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. Disclosures of the accounting policies in the separate financial statements were updated in accordance with the definition of "material information" in the Amendments to PAS 1 and PFRS Practice Statement 2.

Amendments to PFRS in Issue But Not Yet Effective or Adopted

There are no amendments to PFRS issued which are not effective as at April 30, 2024 that will have an impact on the Company's separate financial statements.

Financial Instruments

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

Date of Recognition. The Company recognizes a financial asset or a financial liability in the separate statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Financial Assets

Initial Recognition and Measurement. Financial assets are recognized initially at fair value which is the fair value of the consideration given. The initial measurement of financial assets, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

Financial Assets at Amortized Cost. Financial assets are measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized, impaired and through amortization process.

Financial Assets at FVOCI. Financial assets at FVOCI pertain to equity instruments. For equity instruments that are not held for trading, the Company may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity under PAS 32, Financial Instruments: Presentation.

Dividends from financial assets at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. All other gains or losses from equity instruments are recognized in other comprehensive income (OCI) and presented in the equity section of the separate statement of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods, instead, these are transferred directly to retained earnings.

Impairment of Financial Assets at Amortized Cost. The Company recognizes an allowance for expected credit loss (ECL) based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation to the asset's original effective interest rate. The expected cashflows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Company has applied the simplified approach and calculated ECL based on the lifetime ECL. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to its customers and the economic environment.

For other debt instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. The Company also considers reasonable and supportable information, that is available without undue cost or effort, which is indicative of significant increases in credit risk since initial

recognition.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the counterparty does not have assets or source of income that could generate sufficient cash flows to repay the amount of financial asset for write-off. This assessment is carried out at the individual financial asset level.

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

- The right to receive cash flows from the asset has expired;
- The Company retains the right to receive cash flows from the financial 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 right to receive cash flows from the financial 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 right to receive cash flows from a financial asset or has entered a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities at Amortized Cost

Initial Recognition and Measurement. Financial liabilities at amortized cost are recognized initially at fair value, which is the fair value of the consideration received, net of any directly attributable transaction costs.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by considering any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

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

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs of raw materials, and operating supplies comprise all purchase price and other costs incurred in bringing the inventories to its present location and condition. Cost of finished goods comprises raw materials, direct labor and

Costs of raw materials and operating supplies are calculated using first-in and first-out (FIFO) method while cost of finished goods is calculated using standard costing method. Standard cost is subsequently adjusted to reflect actual cost which is determined using the FIFO method.

NRV of raw materials and finished goods are the estimated selling price in the ordinary course of business, less the estimated costs of completion and of marketing and distribution while NRV of operating supplies are their current replacement costs.

When NRV of the inventories is lower than its cost, the Company provides an allowance for inventory obsolescence and recognizes the write-down as an expense in profit or loss. Any amount of reversal for write-down of inventories, arising from an increase in NRV, is recognized in profit or loss in the period in which the reversal occurs.

Investments in Subsidiaries

The Company's investments in subsidiaries are carried at cost, less any impairment loss.

Subsidiaries are entities controlled by the Company. The Company controls a subsidiary if it is exposed or has the rights to variable returns from its involvement with the subsidiary and the ability to affect those returns through its power over the subsidiary. In assessing control, the Company takes into consideration potential voting rights that are currently exercisable.

Under the cost method, dividend income from the investment is recognized in profit or loss when the Company's right to receive the dividend is established. Distributions received in excess of investment's profit are regarded as a recovery of investment and recognized as a reduction of the cost of investment.

When shares in a subsidiary are sold or otherwise disposed of, the cost of the shares is removed from the account and any gain or loss arising from the transaction is recognized in profit or loss.

Property, Plant and Equipment

Property, plant and equipment, except right-of-use (ROU) assets, are stated at cost less accumulated depreciation and amortization, and any impairment losses. Initial cost of property, plant and equipment comprises its purchase price (after deducting trade discounts and rebates) including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment. The cost of replacing a component of an item of property, plant and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of property, plant and equipment have different useful lives, these are accounted for as separate items, as major components, of property, plant and equipment.

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	Number of Years
Transportation equipment	3 to 20
Machineries and equipment	3 to 20
Aircraft and vehicles held for leasing	3 to 20
Furniture, fixture and office equipment	2 to 10
Building and improvements	2 to 40

The estimated useful lives and depreciation and amortization methods are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment losses are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Investment Properties

Investment properties pertain to land, building and improvements, condominium units, and construction in progress held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties are accounted for using cost model. Under the cost model, investment properties, except land and construction in progress, are measured at cost less accumulated depreciation and amortization and any impairment loss. Land is measured at cost while construction in progress is measured at cost less any impairment loss.

Depreciation and amortization of investment properties begins when it is in the location and condition necessary for it to be utilized in the manner intended by the management. Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the investment properties:

	Number of Years
Building and improvements	5 to 40
Condominium units	5 to 40

The estimated useful lives and depreciation and amortization methods are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of investment properties.

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

Transfers are made to or from investment property only when there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If 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.

Construction in Progress. Construction in progress, includes costs of construction and other direct costs which are not depreciated until such time that the relevant assets are completed and ready for operational use.

Intangible Assets

Intangible assets pertain to computer software.

Computer software is stated at cost, which includes purchase price and other direct costs, less accumulated amortization and any impairment in value.

The useful life of intangible asset arises from the contractual rights and should not exceed the period of those rights but may be shorter depending on the period over which the intangible asset is expected to be used by the Company. These are reviewed at each reporting date to ensure that these are consistent with the expected pattern of economic benefits for the intangible asset. Changes in the expected useful life or the expected pattern or consumption of future economic benefits embodied in the intangible assets with finite useful life are recognized in profit or loss.

Depreciation and amortization of intangible asset is calculated on a straight-line basis over five (5) years.

Impairment of Nonfinancial Assets

The carrying amounts of property, plant and equipment and other nonfinancial assets 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 when the carrying amounts exceed the estimated

recoverable amounts, the assets or cash-generating units (CGU) are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction. 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 CGU to which the asset belongs. Impairment losses are recognized in profit or loss.

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. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, 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 reversal, the depreciation and amortization charges are adjusted in future years to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Other Nonfinancial Assets

Other nonfinancial assets include advances to officers and employees, advances to suppliers, prepayments and excess tax credits.

Advances to Officers and Employees. Advances to officers and employees pertain to cash advances and carried at face amount.

Advances to Suppliers. Advances to suppliers are carried at cost less any impairment loss in the statement of financial position and are reclassified to appropriate asset or expense account when the services or materials for which the advances were made are received and delivered.

Prepayments. Prepayments are expenses paid in advance and are recorded as assets before these are amortized. These are recorded at costs and are apportioned over the period covered by the payment and included in profit or loss when incurred.

Excess Tax Credits. Excess tax credits pertain to creditable withholding tax (CWT) and prepaid income tax. CWT pertains to tax on the Company's income withheld and remitted to the Bureau of Internal Revenue (BIR) by customers and deducted from income tax payable on the same year the income was recognized. Prepaid income tax pertains to excess income tax payments of the Company over the amount due. Unapplied or excess income tax payments are carried forward and can be utilized in succeeding years.

Value-Added Tax (VAT)

VAT. VAT is a tax on consumption levied on the sale, barter, exchange or lease of goods, or properties and services, and on importation of goods in the Philippines. It is an indirect tax, which may be shifted or passed on to the buyer, transferee or lessee of goods, properties or services.

Revenue, expenses and assets, except for receivables, are generally recognized net of the amount of VAT. The net amount of VAT payable to the taxation authority is recognized as "Statutory payables" under "Trade and other payables" account in the separate statement of financial position.

Deferred Input VAT. Deferred input VAT represents the unamortized amount of input VAT on capital goods. In accordance with Revenue Regulations (RR) No. 16-2005, input VAT on purchases or imports of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ~1.0 million is claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ~1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Based on Revenue Memorandum Circular (RMC) 21-2022, effective January 1, 2022, all input tax on purchases of capital goods shall no longer be deferred but allowed to be claimed upon purchase or payment. Remaining unutilized input VAT shall be allowed to be amortized as scheduled until fully utilized.

Deposits from Lessees

Deposits from lessees consist of deposits received by the Company as security for possible damage on the leased spaces or assets. These are recorded at face amount in the separate statement of financial position and are refundable to the lessee or applied within one (1) year from end of the lease term.

Equity

Equity includes capital stock, additional paid-in capital, deficit, treasury stock and other equity reserves.

Capital Stock. Capital stock is measured at par value for all shares issued.

Additional Paid-in Capital (APIC). APIC represents the proceeds or fair value of consideration received more than the par value of the shares issued. Incremental costs directly attributable to the issuance of new common stock are recognized as a deduction from APIC, net of any tax effects.

Deficit. Deficit represents the cumulative balance of net income or losses of the Company. At each reporting date, net income or loss of the Company is transferred to this account.

Treasury Stock. Treasury stock represents issued shares repurchased by the Company. The consideration paid, including any directly attributable incremental costs, net of related taxes, is deducted from equity until the shares are cancelled, reissued or disposed of.

Other Equity Reserves. Other equity reserves comprise items of income and expense that are not recognized in profit or loss in accordance with PFRS. Other equity reserves of the Company pertain to cumulative remeasurement gains or losses on net retirement benefit liability (net of deferred tax) and cumulative unrealized gains on financial assets at FVOCI.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in its revenue arrangements.

Revenues from contracts with customers are recognized as follows:

Sale of Goods. Sale of goods are recognized at a point in time when control of goods has been transferred, when the products are delivered to the customer, and the Company has no obligation that could affect the customer's acceptance of goods.

Other Income. Income from other sources is recognized when earned during the period.

The following specific recognition criteria are outside the scope of PFRS 15, *Revenue from Contracts with Customers*:

Interest Income. Interest income is recognized as the interest accrues, net of final tax.

Rental Income. Rental income is recognized on a straight-line basis over the lease term.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Cost of Sales and Services. Cost of sales and services are recognized as expense when the related goods are delivered to and accepted by customers.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business and costs incurred to sell and market the goods. These include advertising and freight and handling, among others. These are recognized in profit or loss as incurred.

Interest Expense. Interest expense is recognized in profit or loss using the effective interest method.

Employee Benefits

Short-term Employee Benefits. The Company recognizes short-term employee benefits based on contractual arrangements with employees. Unpaid portion of the short-term employee benefits are measured on an undiscounted basis and is included as part of "Trade and other payables" account in the separate statement of financial position.

Retirement Benefits. Retirement benefits costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. The calculation of defined benefit obligations is performed annually by a qualified actuary.

When the calculation results in a potential asset for the Company, the required asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

The Company recognizes retirement benefit expense, comprising of current service cost and interest cost, in profit or loss.

The Company determines the interest cost or income by applying the discount rate to the net defined benefit liability at the beginning of the annual period, considering any changes in the net defined benefit liability during the period because of the benefit payments.

Remeasurements of the net retirement benefit liability, which comprise actuarial gains and losses, are recognized immediately in OCI. Remeasurements are not reclassified to profit or loss in subsequent periods. Cumulative remeasurement gains or losses are presented in the equity section of the separate statement of financial position.

The net retirement benefit liability recognized by the Company is the aggregate of the present value of the defined benefit obligation reduced by the fair value of plan assets out of which the obligations are to be settled directly. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related net retirement benefit liability.

Leases

The Company assesses whether the contracts are, or contain, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period, the Company assesses whether, throughout the period of use, it has both of the following:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term. The Company also assesses whether a contract contains a lease for each potential separate lease component.

Company as Lessor. Leases where the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease, if any, are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rent income.

Company as a Lessee. At the commencement date, the Company recognizes right-of-use (ROU) asset and lease liability for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated are recognized as an expense on a straight-line basis.

ROU Assets. ROU assets, presented under "Property, plant and equipment" account, are measured at cost, less any accumulated depreciation and amortization, and impairment losses, and adjusted for any remeasurement of the related lease liabilities. The cost of ROU assets include:

- The amount of the initial measurement of lease liabilities;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- An estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

After the commencement date, ROU assets are carried at cost less any accumulated amortization and any accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over their related lease terms ranging from one (1) to ten (10) years, or the remaining useful lives of the underlying assets at the commencement date, whichever is shorter.

Lease Liabilities. At commencement date, the Company measures lease liabilities at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Company uses its incremental borrowing rate (IBR).

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

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Lease liabilities are subsequently measured at amortized cost. Interest on the lease liabilities and any variable lease payments not included in the measurement of lease liabilities are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liabilities are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liabilities are remeasured using a revised discount rate considering the revised lease payments based on the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liabilities are also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. Differences arising on settlement or translation of monetary assets and liabilities are recognized in profit or loss.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible 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 assets 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 assets to be recovered.

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

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized to equity or in OCI.

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

Related Party Transactions

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged. These are accounted for at arm's-length prices or on terms similar to those offered to non-related parties in an economically comparable market.

Related party relationships exist when one party can control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between entities which are under common control with the reporting enterprise, or between the Company and its key management personnel, directors, or its stockholders.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting year and adjusted to reflect the

current best estimate.

Contingencies

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

Events After the Reporting Date

Post year-end events that provide additional information about the Company's financial position at reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to separate financial statements when material.

Judgments, Accounting Estimates and Assumptions

The preparation of the separate financial statements in compliance with PFRS requires management to exercise judgments and make accounting estimates and assumptions that affect the amounts reported in the separate financial statements and related notes. The judgment, accounting estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

Judgments, accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The following are the material judgments, accounting estimates and assumptions made by the Company:

Judgments

Determining Operating Lease - Company as Lessor. The Company, as a lessor, has entered into various lease arrangements for use of its land and building, classified under "Investment properties" account, and, aircraft and vehicles, classified under "Property, plant and equipment" account.

The Company has determined that it retains all the significant risks and rewards of ownership of these properties. Accordingly, the lease arrangements are accounted for as operating leases.

Determining Lease Term of Contracts with Renewal and Termination Options - Company as Lessee. The Company determines the lease term as the noncancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease arrangements that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether to exercise the option to renew or terminate the lease, considering all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The management assessed that the option to extend or terminate the lease is not reasonably certain to be exercised. Accordingly, lease term does not include the period covered by the extension or termination option.

Classifying Financial Assets. Classification and measurement of financial assets depends on the results of the contractual cash flow and the business model tests. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets, and how these risks are managed.

Investments in equity securities, at initial recognition, were irrevocably designated as financial assets at FVOCI because the Company considers these investments to be strategic in nature. While bonds receivable and other financial assets are classified as financial assets at amortized cost since the Company's primary business model in relation to these assets is to hold the financial assets to collect contractual cash flows solely for principal and interest.

Measuring Financial Assets at FVOCI. The fair values of securities that are actively traded in organized financial markets are determined by reference to unadjusted quoted market prices at the close of business on the reporting date.

Classifying Investment Properties. The Company determines whether a land or building qualifies as an investment property or an item of property, plant and equipment. In making its judgment, the Company considers whether the property is held primarily to earn rentals or capital appreciation or used for operations and administrative purposes by the Company.

The Company classifies land, building and improvements, and construction in progress, held to earn rentals and for capital appreciation, as investment properties.

Accounting Estimates and Assumptions

Assessing ECL on Trade Receivables. The Company, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due.

The Company then adjusts the historical credit loss experience with forward-looking information based on current observable data to reflect the effects of current and forecasted economic conditions. The Company adjusts historical default rates if forecasted economic conditions such as gross domestic product is expected to deteriorate. The Company regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a material accounting estimate. Accordingly, the provision for impairment loss on trade receivables is sensitive to changes in assumptions about forecasted economic conditions.

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

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

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

The Company also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

For cash in banks and cash equivalents, bonds receivable, interest receivable and security deposits, the Company has assessed that ECL is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults.

Determining NRV of Inventories. The Company writes down its inventories to NRV whenever the selling price less costs to complete and sell inventories becomes lower than cost due to usability in the production, damage, physical deterioration, obsolescence, changes in price levels or other causes. However, when the circumstances that previously caused inventories to be written down below cost.

no longer exist or when there is clear evidence of an increase in NRV because of changed economic circumstances, the amount of the write-down is reversed. These are being reviewed by the Company on a regular basis.

Estimating Useful Lives of Property, Plant and Equipment, Investment Properties (Except Land and Construction in Progress) and Intangible Assets. The Company estimates the useful lives of property, plant and equipment, investment properties and intangible assets based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The estimated useful lives and depreciation and amortization methods are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from individual items.

Assessing Other Nonfinancial Assets for Impairment. The Company assesses impairment on other nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The relevant factors that the Company considers in deciding whether to perform an asset impairment review include, among others, the following:

- Significant under performance of a business in relation to expectations;
- Significant negative industry or economic trends; and
- Significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

Recoverable amount of the asset is the greater of the fair value less cost of disposal or value in use. The fair value less cost to sell is the amount obtainable from sale of an asset in an arm's-length transaction. 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.

Estimating /BR on Lease liabilities. The Company determines lease payments, lease term and discount rate at the commencement date of a lease. The lease term comprises noncancellable period of a lease contract. The Company uses its IBR as basis for the discount rate which is the rate that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU assets in a similar economic environment. The Company estimates the IBR using available observable inputs (such as the prevailing Bloomberg Valuation interest rates) adjusted for entity-specific estimates, to reflect the terms and conditions of the lease.

Estimating Retirement Benefits. Estimation of the obligation and cost of retirement benefits are dependent on the assumptions used by the actuary in calculating such amounts. These assumptions include discount rates and salary increase rates. Where actual results differ from the Company's assumptions, these are recognized in OCI and are generally affect the recorded obligation in such future periods.

Recognizing Deferred Tax Assets. The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces the deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

2. Seasonality or cyclical nature of interim operations

The interim operations of the company are not subject to any material seasonal or cyclical factors.

3. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that is unusual because of their nature, size and incidence.

No unusual items or transactions had affected the company's assets, liabilities, equity, net income or its cash flows.

4. Nature and amount of changes in estimates

The preparation of unaudited financial statements in conformity with PFRS requires the Company's management to make estimates, assumptions and judgments that affect the amount reported in the financial statements.

The estimates and associated assumptions are based on historical experiences and other various factors that are believed to be reasonable under circumstances including expectations of related future events, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual result may differ from these estimates.

5. Issuances, repurchases, and repayments of debt and equity securities

None

6. Dividends paid separately for ordinary shares and other shares

The company historically has not paid cash dividends on the Shares. Any payment of cash dividends on the Shares in the future will depend upon the Company's earnings, cash flow, financial condition, capital investment requirements and other factors.

7. Segment revenue and segment results for business segments or geographical segments, whichever is the enterprise's primary basis of segment reporting.

Not applicable

8. Material events subsequent to the interim period that have not been reflected in the FS for the interim period.

There have been no material events that happened subsequent to the interim period that needs disclosure herein.

9. Effects of changes in the composition of the enterprise during the interim period, including business combination, acquisition and disposal of subsidiaries and long term investment, restructurings, and discontinued operations.

None

10. Changes in contingent liabilities or contingent assets since that last annual balance sheet date.

Since the balance sheet date, there are no changes that occurred which resulted to a contingent liability and/or contingent assets.

Financial Risk Management Objectives and Policies

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables (except advances to officers and employees), bonds receivable, security deposits, financial assets at FVOCI, trade and other payables (excluding nonfinancial liabilities), loans payable, lease liabilities and deposits from lessees.

The main financial risks arising from the Company's financial instruments are market risk, credit risk, and liquidity risk. The BOD regularly reviews and approves the appropriate policies for managing these financial risks, as summarized below.

Market Risk

The Company is exposed to market risk, primarily relating to foreign currency risk, equity price risk and interest rate risk. Management actively monitors and manages these exposures, as discussed below.

Foreign Currency Risk. Foreign currency risk is the risk that the fair value of future cash flows of financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's foreign currency risk results primarily from movements of the Philippine Peso against the US Dollar (USD) with respect to foreign currency-denominated financial assets and liabilities. It

Credit Risk

The Company's exposure to credit risk arises from the failure on the part of its counterparty in fulfilling its financial commitments to the Company under the prevailing contractual terms. Financial instruments that potentially subject the Company to credit risk consist primarily of trade receivables and other financial assets at amortized cost.

The carrying amounts of financial assets at amortized cost represent its maximum credit exposure.

Trade Receivables. The Company limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. In monitoring customer credit risk, the Company classifies its receivables as major term customers, related parties, and other regular term customers.

The Company uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments analyzed by customer type, credit terms, and offsetting arrangements. The Company adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed.

Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising adequate funds to meet its financial commitments at reasonable cost. The Company's objectives in effectively managing its liquidity are: (a) to ensure that adequate funds are available to meet expiring obligations; (b) to meet the commitments as they arise without incurring unnecessary costs; and (c) to be able to access additional funding when needed at the least possible cost.

Capital Management Policy

The primary objective of the Company's capital management is to secure ongoing financial needs of the Company to continue as a going concern as well as to maintain a strong credit rating and healthy capital ratios in order to support the business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it whenever there are changes in economic conditions, its business activities, expansion programs and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust its borrowings or raise capital.