

## COVER SHEET

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S.E.C. Registration Number

C R O W N A S I A C H E M I C A L S

C O R P O R A T I O N

(Company's Full Name)

K M 3 3 M C A R T H U R H I G H W A Y

B O T U K T U K A N G U I G U I N T O B U L A C A N

TITA P. VILLANUEVA

Contact Person

3 4 1 3 8 0 3 2

Company Telephone Number

1 2 3 1

Month Day

Fiscal Year

A F S

FORM TYPE

0 5 1 1

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

6 6

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes



# **CROWN ASIA CHEMICALS CORPORATION**

Km 33 Mc Arthur Highway, Tuktukan, Guiguinto, Bulacan

## **STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The management of **CROWN ASIA CHEMICALS CORPORATION** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the year 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 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.

Punongbayan & Araullo, the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

  
**WALTER H. VILLANUEVA**

Chairman of the Board and President

  
**TITA P. VILLANUEVA**

SVP/Chief Financial Officer

Signed this 21 day of MAR 2023



SUBSCRIBED AND SWORN to before me this 21 MAR 2023 day of \_\_\_\_\_  
2023 affiant (s) exhibiting to me their Community Tax Certificates , as follows:

NAMES	CTC NO.	DATE/PLACE OF ISSUE
Walter H. Villanueva	28529963	01/10/2023 Valenzuela City
Tita P. Villanueva	28529964	01/10/2022 Valenzuela City

NOTARY PUBLIC

ATTY JASON C. DE BELEN

Roll No 36259

Adm. No. NP-070 Notary Public

Notary Public for Quezon City

My Commission expires on December 31, 2023

No. 7M Sgt. Borromeo St. cor. Panay Ave., Q.C.

IBP No. 259495; Q.C.; 1-3-2023

PTR No. 4007196; Q.C.; 1-3-2023

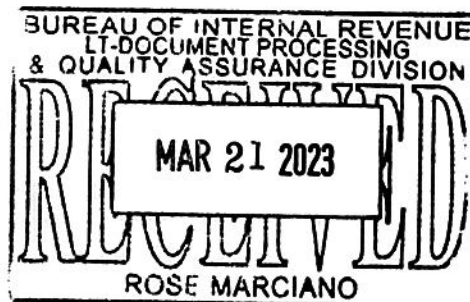
MCLE VII-0019570; 5-30-22

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Book No. 327

Series of 2023.



**Punongbayan & Araullo**  
20th Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

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## Report of Independent Auditors

**The Board of Directors and the Stockholders**  
**Crown Asia Chemicals Corporation**  
Km. 33, McArthur Highway  
Bo. Tuktukan, Guiguinto  
Bulacan

### Report on the Audit of the Financial Statements

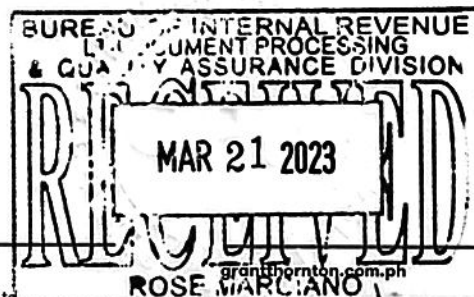
#### Opinion

We have audited the financial statements of Crown Asia Chemicals Corporation (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the three years in the period ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS).

#### Basis for Opinion

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



**Certified Public Accountants**

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

Offices in Cavite, Cebu, Davao  
BOA/PRC Cert of Reg. No. 0002  
SEC Accreditation No. 0002

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

#### **(a) Revenue Recognition**

##### *Description of the Matter*

Revenue is one of the key performance measures used to assess the Company's business performance. Relative to this, there is a significant risk that the amount of revenue reported in the financial statements is higher than what has been actually generated by the Company. Revenue is recognized when the control over the goods has been transferred at a point in time to the customer, i.e., generally when the customer has acknowledged delivery of goods. Revenue from local and export sales is generated through direct sales to contractors and developers, manufacturers and traders, and wholesalers and retailers. For the year ended December 31, 2022, the Company's total revenues amounted to P1,760.8 million.

In our view, revenue recognition is significant to our audit because of the inherent risk of material misstatement involved and the materiality of the amount of recorded revenues which impact the Company's profitability.

The Company's disclosures about its revenue recognition policy and breakdown are included in Notes 2 and 4.

##### *How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of material misstatement relating to revenue recognition, which was considered to be a significant risk, included:

- obtaining an understanding of the Company's different types of revenue streams by reviewing revenue contracts and revenue transaction processes;
- evaluating appropriateness of the Company's revenue recognition policy in accordance with PFRS 15, *Revenue from Contracts with Customers*;
- testing of design and operating effectiveness of internal controls related to the Company's revenue processes, which include inquiry and observation, and test, on a sampling basis, revenue transactions during the year;
- performing test of transactions, on a sample basis, for revenue transactions to ascertain the satisfaction of the performance obligations through delivery of the goods, including but not limited to, reviewing of sales invoices, including proof of deliveries, as evidence that control is transferred to the customers;
- performing sales cut-off test, including, among others, examining sales transactions near period end, and analysing and reviewing sales returns, credit memos and other receivable adjustments subsequent to period end to determine whether revenues are appropriately recognized in the proper period;



- confirming receivables, on sample basis, using positive confirmations, performing alternative procedures for non-responding customers, reporting unresolved difference to appropriate client personnel and projecting errors to the population, to ascertain the testing precision achieved, which further validates the accuracy of revenue recognized by the Company; and,
- performing detailed analysis of revenue segments and related key ratios such as, but not limited to, current year's components of revenues (e.g., by customer and by division) as a percentage of total revenues, receivable turnover and average collection period.

**(b) Application of Expected Credit Loss Methodology and Recoverability of Receivables**

*Description of the Matter*

As of December 31, 2022, the Company's receivables, net of allowance for credit losses, amounting to P294.4 million represent 21% and 14% of total current assets and total assets, respectively. The determination of allowance for credit losses of receivables is considered to be a matter of significance as it requires the application of critical management judgment and use of subjective estimates in determining when the receivables are impaired and how much impairment losses need to be recognized in accordance with the expected credit loss (ECL) methodology under PFRS 9, *Financial Instruments*. These judgment and estimates which are described in the Company's significant accounting policies, judgments and estimates in Notes 2, 3 and 21 to the financial statements, include the application of the ECL methodology based on the lifetime ECL assessment wherein the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL using a simplified approach through provision matrix. The key elements used in the calculation of the ECL include the probability of default, loss given default and exposure at default.

The Company's disclosures about its receivables and the reconciliation of allowance for credit losses are included in Note 6 while the related disclosures on credit risk are presented in Note 21.

*How the Matter was Addressed in the Audit*

Our audit procedures to determine the appropriateness of ECL methodology applied and the adequacy of the allowance for credit losses on those receivables included, among others, the following:

- obtaining an understanding of the Company's policy and procedures over granting of credits to customers and assessing impairment of receivables;
- evaluating appropriateness of ECL methodology adopted based on the requirements of PFRS 9 and the reasonableness of underlying assumptions, and the sufficiency, reliability and relevance of historical data and forward looking information used by Company's management;
- checking the mathematical accuracy of the provision matrix applicable to the ECL methodology, including the applicable aging of receivables and the related aging classification of selected customers' accounts;
- identifying any customers with financial difficulty and/or breach of arrangement resulting in default on payments through discussion with management, inspecting their payment history, and as applicable, performing an independent evaluation of their ability to pay as qualitative assessment for the ECL, in addition to quantitative assessment using provision matrix;





- verifying, on a sample basis, the reasonableness of the results of management's credit and impairment review for customers with long-outstanding accounts by inspecting corroborating information and underlying documents; and,
- evaluating appropriateness of the impairment adjustments made by the Company during 2022, as applicable, in accordance with the requirements of PFRS 9.

**(c) Existence and Valuation of Inventories**

*Description of the Matter*

The total inventories of P705.7 million as of December 31, 2022 represents 51% and 34% of total current assets and total assets of the Company, respectively. Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Recognition of inventory cost, particularly related to finished goods, involves management judgment and estimates in appropriately allocating the manufacturing costs, including overhead, based on actual units produced. In addition, management uses estimates in assessing whether inventories are valued at the lower of cost and net realizable value. Moreover, the Company's inventories are considered voluminous and majority of these are kept in the Company's warehouses and some are held by third parties. Relative to these, we determined that existence and valuation of inventories is a key audit matter of our audit.

The Company's disclosures about inventories and the related inventory valuation policies are included in Notes 7 and 2, respectively.

*How the Matter was Addressed in the Audit*

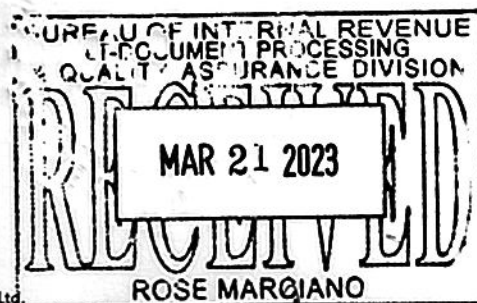
Our audit procedures to address the risk of material misstatement relating to inventory existence and valuation, which was considered to be a significant risk included, among others, the following:

On inventory existence:

- conducting physical inventory count observation, including, among others, touring the facility before and after the inventory count observation to gain an understanding of the location and condition of inventories prior to the count and after the count is concluded, as well as the related controls of the Company in relation to the inventory count; determining that all sample inventory items were counted and no items were counted twice; obtaining relevant cut-off information and copy of count control documents; examining sample inventory items to test count against inventory records; clearing exceptions, if any, with appropriate personnel; and, projecting errors to the population;
- observing physical inventory count conducted on inventories held by third parties; and,
- performing detailed analysis of inventory-related ratios such as, but not limited to, inventory turnover, current year's components of inventories as a percentage of total inventories and current year's composition of the total product cost.

On inventory valuation:

- testing the design and operating effectiveness of processes and controls over inventory costing, reconciliation, data entry and review;





- determining the method of inventory costing and evaluating appropriateness and consistency of application of the valuation of inventories at lower of cost and net realizable value;
- performing test on inventory costing of selected inventory items by recomputing unit cost and comparing to unit cost per books, examining movements affecting the average unit cost, reporting unresolved difference, if any, to appropriate personnel; and,
- determining whether inventory is stated at lower of cost and net realizable value by obtaining latest selling price, estimating cost to sell of sample inventory items and comparing the net selling price to the unit cost per books, reporting unresolved differences, if any, to appropriate personnel.

#### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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.

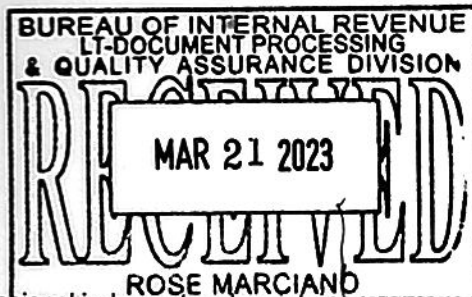
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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.

#### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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





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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2022 required by the Bureau of Internal Revenue as disclosed in Note 26 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

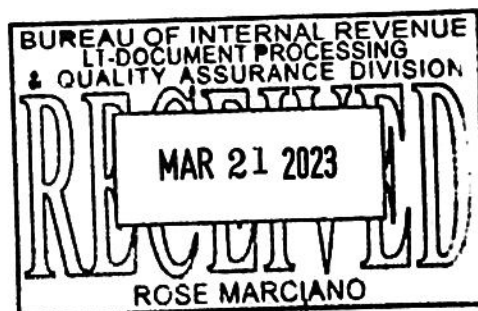
### **PUNONGBAYAN & ARAULLO**



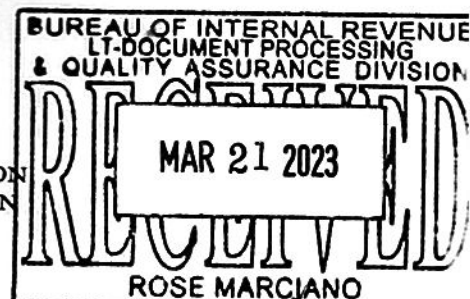
**By: John Endel S. Mata**  
Partner

CPA Reg. No. 0121347  
TIN 257-622-627  
PTR No. 9566637, January 3, 2023, Makati City  
SEC Group A Accreditation  
Partner - No. 121347-SEC (until financial period 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002551-040-2023 (until Jan. 24, 2026)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 9, 2023



**CROWN ASIA CHEMICALS CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*



	Notes	2022	2021
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	P 255,027,375	P 108,633,691
Trade and other receivables - net	6	294,422,081	339,062,457
Inventories	7	705,687,384	700,898,060
Prepayments and other current assets	8	116,582,436	137,924,436
Total Current Assets		1,371,719,276	1,286,518,644
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment - net	9	671,957,011	676,798,883
Right-of-use assets - net	12	14,762,376	16,838,522
Post-employment defined benefit asset - net	15	4,671,133	2,936,556
Other non-current assets - net	10	12,816,124	18,516,540
Total Non-current Assets		704,206,644	715,090,501
<b>TOTAL ASSETS</b>		<b>P 2,075,925,920</b>	<b>P 2,001,609,145</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	P 214,516,411	P 311,802,136
Mortgage and loan payables	11	1,984,626	2,246,361
Lease liabilities	12	4,332,370	3,571,012
Income tax payable		9,207,090	5,075,816
Total Current Liabilities		230,040,497	322,695,325
<b>NON-CURRENT LIABILITIES</b>			
Mortgage payables	11	333,679	2,316,587
Lease liabilities	12	13,088,724	15,666,756
Deferred tax liabilities - net	16	72,105,374	72,049,746
Total Non-current Liabilities		85,527,777	90,033,089
Total Liabilities		315,568,274	412,728,414
<b>EQUITY</b>			
Capital stock	18	630,800,000	630,800,000
Treasury shares, at cost		( 41,096,031 )	( 41,096,031 )
Additional paid-in capital		52,309,224	52,309,224
Revaluation reserves		234,782,852	231,142,347
Retained earnings		883,561,601	715,725,191
Total Equity		1,760,357,646	1,588,880,731
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 2,075,925,920</b>	<b>P 2,001,609,145</b>

*See Notes to Financial Statements.*

**CROWN ASIA CHEMICALS CORPORATION**  
**STATEMENTS OF PROFIT OR LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	Notes	2022	2021	2020
REVENUES	4, 17	P 1,760,815,265	P 1,740,847,346	P 1,117,688,552
COST OF GOODS SOLD	13	<u>1,218,783,523</u>	<u>1,262,277,223</u>	<u>772,150,288</u>
GROSS PROFIT		<u>542,031,742</u>	<u>478,570,123</u>	<u>345,538,264</u>
OTHER OPERATING EXPENSES	14	<u>241,044,053</u>	<u>190,097,813</u>	<u>171,670,539</u>
OTHER INCOME (CHARGES)				
Foreign currency gains - net	21	4,843,031	7,221,166	1,281,674
Finance costs - net	11, 12, 15	( 1,912,959 )	( 2,016,237 )	( 4,765,295 )
Finance income	5, 8	135,264	163,550	357,614
Other income	9, 12	<u>2,263,395</u>	<u>1,744,216</u>	<u>2,550,327</u>
		<u>5,328,731</u>	<u>7,112,695</u>	<u>( 575,680 )</u>
PROFIT BEFORE TAX		306,316,420	295,585,005	173,292,045
TAX EXPENSE	16	<u>77,416,110</u>	<u>71,278,846</u>	<u>52,042,956</u>
NET PROFIT		<u>P 228,900,310</u>	<u>P 224,306,159</u>	<u>P 121,249,089</u>
BASIC AND DILUTED EARNINGS PER SHARE	19	<u>P 0.37</u>	<u>P 0.37</u>	<u>P 0.20</u>

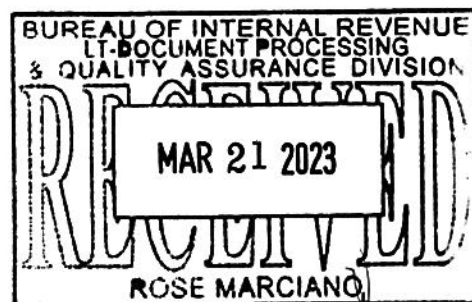
*See Notes to Financial Statements.*



**CROWN ASIA CHEMICALS CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	Notes	2022	2021	2020
<b>NET PROFIT</b>		<b>P 228,900,310</b>	<b>P 224,306,159</b>	<b>P 121,249,089</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will not be reclassified subsequently to profit or loss	18			
Remeasurements of post-employment defined benefit plan	15	4,854,007	1,245,010	9,188,253
Revaluation increment on land	9	-	119,102,900	-
Tax expense	16	( 1,213,502 )	( 20,694,884 )	( 2,756,476 )
		<b>3,640,505</b>	<b>99,653,026</b>	<b>6,431,777</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P 232,540,815</b>	<b>P 323,959,185</b>	<b>P 127,680,866</b>

*See Notes to Financial Statements.*

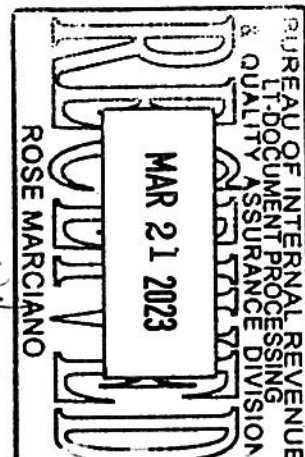




**CROWN ASIA CHEMICALS CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	Note	Capital Stock	Treasury Shares	Additional Paid-in Capital	Retained Earnings	Revaluation Reserves	Total Equity
Balance at January 1, 2022		P 630,800,000	( P 41,096,031 )	P 52,309,224	P 715,725,191	P 231,142,347	P 1,588,880,731
Cash dividends	18	-	-	-	( 61,063,900 )	-	( 61,063,900 )
Total comprehensive income for the year		-	-	-	228,900,310	3,640,505	232,540,815
Balance as at December 31, 2022		<u>P 630,800,000</u>	<u>( P 41,096,031 )</u>	<u>P 52,309,224</u>	<u>P 883,561,601</u>	<u>P 234,782,852</u>	<u>P 1,760,357,646</u>
Balance at January 1, 2021		P 630,800,000	( P 41,096,031 )	P 52,309,224	P 505,158,410	P 131,489,321	P 1,278,660,924
Cash dividends	18	-	-	-	( 13,739,378 )	-	( 13,739,378 )
Total comprehensive income for the year		-	-	-	224,306,159	99,653,026	323,959,185
Balance as at December 31, 2021		<u>P 630,800,000</u>	<u>( P 41,096,031 )</u>	<u>P 52,309,224</u>	<u>P 715,725,191</u>	<u>P 231,142,347</u>	<u>P 1,588,880,731</u>
Balance at January 1, 2020		P 630,800,000	( P 37,462,971 )	P 52,309,224	P 408,352,960	P 125,057,544	P 1,179,056,757
Acquisition of shares during the year	18	-	( 3,633,060 )	-	-	-	( 3,633,060 )
Cash dividends	18	-	-	-	( 24,443,639 )	-	( 24,443,639 )
Total comprehensive income for the year		-	-	-	121,249,089	6,431,777	127,680,866
Balance as at December 31, 2020		<u>P 630,800,000</u>	<u>( P 41,096,031 )</u>	<u>P 52,309,224</u>	<u>P 505,158,410</u>	<u>P 131,489,321</u>	<u>P 1,278,660,924</u>

See Notes to Financial Statements.



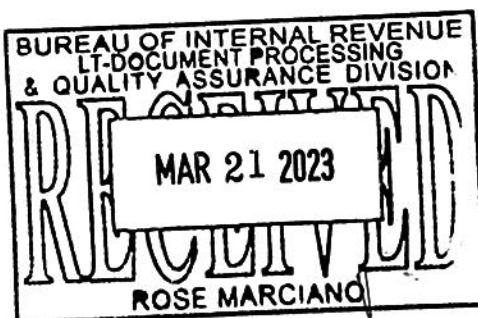
**CROWN ASIA CHEMICALS CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	Notes	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		P 306,316,420	P 295,585,005	P 173,292,045
Adjustments for:				
Depreciation and amortization	9, 10, 12	43,812,306	42,157,189	42,261,701
Interest expense	11, 12, 15	1,912,959	2,016,237	4,765,295
Unrealized foreign currency gains - net	21	( 1,376,390 )	( 3,897,358 )	( 2,901,855 )
Gain on sale of equipment	9, 17	( 846,280 )	( 794,491 )	( 515,000 )
Finance income	5, 8	( 135,264 )	( 163,550 )	( 357,614 )
Gain on derecognition of a financial liability	17	-	( 46,057 )	-
Gain on modification and pre-termination of leases	12	-	-	( 1,070,444 )
Operating profit before working capital changes		349,683,751	334,856,975	215,474,128
Decrease (increase) in trade and other receivables		43,060,793	( 61,020,429 )	( 20,393,446 )
Decrease (increase) in inventories	(	4,789,324 )	( 231,664,064 )	26,756,479
Decrease (increase) in prepayments and other current assets		12,548,059	( 39,754,865 )	3,309,920
Decrease (increase) in post-employment defined benefit asset		3,264,202	( 2,936,556 )	-
Decrease (increase) in other non-current assets		5,634,823	( 8,948,697 )	2,253,968
Increase (decrease) in trade and other payables	(	97,280,260 )	46,969,928	7,339,010
Increase in post-employment defined benefit obligation		-	1,190,356	1,863,931
Cash generated from operations		312,122,044	38,692,648	236,603,990
Cash paid for income taxes	(	61,544,118 )	( 72,294,515 )	( 27,323,177 )
Interest received		135,264	163,550	289,584
Net Cash From (Used in) Operating Activities		250,713,190	( 33,438,317 )	209,570,397
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of property, plant and equipment	9	( 34,209,600 )	( 29,905,362 )	( 38,387,853 )
Investment in short-term placement	8	( 4,104,651 )	-	-
Proceeds from disposal of equipment	9	1,684,105	516,900	1,573,501
Net Cash Used in Investing Activities		( 36,630,146 )	( 29,388,462 )	( 36,814,352 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments of loans and mortgage payables	11	( 72,239,172 )	( 2,477,127 )	( 38,075,046 )
Proceeds from loans	11	70,000,000	-	35,000,000
Dividends paid	18	( 61,063,900 )	( 13,739,378 )	( 24,443,639 )
Repayments of lease liabilities	12	( 5,384,929 )	( 5,004,435 )	( 6,708,341 )
Interest paid for loans and mortgage payables	11	( 677,954 )	( 474,923 )	( 1,321,392 )
Acquisition of treasury shares	18	-	-	( 3,633,060 )
Net Cash Used in Financing Activities		( 69,365,955 )	( 21,695,863 )	( 39,181,478 )
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		1,676,595	4,959,675	( 1,834,288 )
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		146,393,684	( 79,562,967 )	131,740,279
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		108,633,691	188,196,658	56,456,379
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 255,027,375	P 108,633,691	P 188,196,658

**Supplemental Information on Non-cash Investing and Financing Activities:**

- (i) In 2022, the Company recognized additional right-of-use assets and lease liabilities amounting to P2.2 million. In 2020, certain lease arrangements were modified and pre-terminated resulting in the adjustments in right-of-use assets and lease liabilities totaling to P16.6 million and P17.7 million, respectively (see Note 12).
- (ii) In 2022, the Company received a parcel of land from a certain customer as equivalent to the payment of its outstanding debt amounting to P1.3 million. The land received is presented as part of Property, Plant and Equipment in the 2022 statement of financial position (see Notes 6 and 9).
- (iii) In 2021, the Company's land was revalued resulting in an increase in the value of such property amounting to P119.1 million (see Note 9).
- (iv) In 2021, the Company purchased certain machinery and equipment amounting to P20.1 million, which was directly paid to the supplier by a related party in favor of the Company. The same machinery and equipment were subsequently disposed of and sold directly to the same related party for P20.7 million, recognizing a gain of P0.6 million (see Notes 9 and 17). The outstanding advances from a related party amounting to P20.1 million were applied against the Company's receivable from the sale of such asset. The outstanding receivable which amounts to P3.1 million is presented as part of Other receivables under Trade and Other Receivables in the 2021 statement of financial position (see Notes 6 and 17). The related receivable was collected in 2022.
- (v) The unpaid portion relating to the purchase of land as of December 31, 2019 amounting to P21.6 million was fully settled in 2020.

See Notes to Financial Statements.

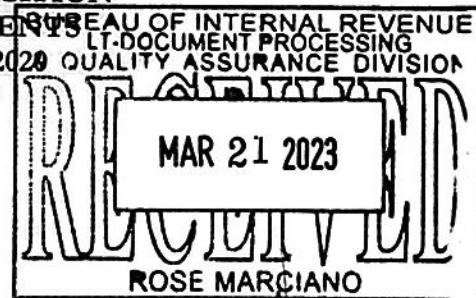


**CROWN ASIA CHEMICALS CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2022, 2021 AND 2020**

*(Amounts in Philippine Pesos)*



**1. GENERAL INFORMATION**

***1.1 Corporate Information***

Crown Asia Chemicals Corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 10, 1989 primarily to engage in, operate, conduct and maintain the business of manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale and retail such goods as plastic and/or synthetic resins and compounds and other allied or related products of similar nature.

The Company's shares were listed in the Philippine Stock Exchange (PSE) on April 27, 2015 (see Note 18.1).

The Company's registered office, which is also its principal place of business, is located at Km. 33, McArthur Highway, Bo. Tuktukan, Guiguinto, Bulacan. The Company's administrative office is located at Units 506 and 508 President's Tower, No. 81 Timog Ave., South Triangle, Quezon City.

***1.2 Approval of Financial Statements***

The financial statements of the Company as of and for the year ended December 31, 2022 (including the comparative financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Company's Board of Directors (BOD) on March 9, 2023.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all periods presented, unless otherwise stated.

***2.1 Basis of Preparation of Financial Statements***

***(a) Statement of Compliance with Philippine Financial Reporting Standards***

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.



(b) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents the statement of comprehensive income separate from the statement of profit or loss.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

**2.2 Adoption of Amended PFRS**

(a) *Effective in 2022 that are Relevant to the Company*

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below and in the succeeding page are the relevant information about these pronouncements.

- (i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

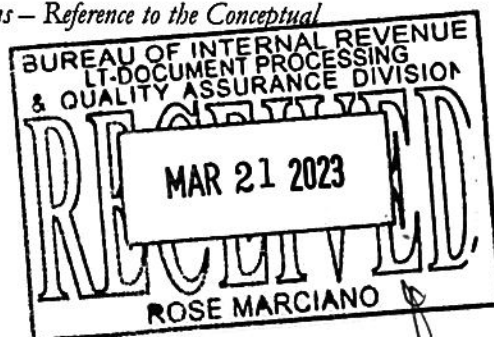
The application of these amendments had no significant impact on the Company's financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

- (ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Company's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Company's financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.
- (iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Company's financial statements:
- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
  - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) *Effective in 2022 that are not Relevant to the Company*

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Company's financial statements:

- (i) PFRS 3 (Amendments), *Business Combinations – Reference to the Conceptual Framework*





- (ii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are not relevant to the Company:
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*
  - PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) *Effective Subsequent to 2022 but not Adopted Early*

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

### **2.3 Current versus Non-current Classification**

The Company presents assets and liabilities in the statement of financial position based on current or non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

## ***2.4 Segment Reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's strategic steering committee, its chief operating decision-maker. The strategic steering committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Company's products as disclosed in Note 4, which represent the main products provided by the Company.

Each of these operating segments is managed separately as each of these product lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Company uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements. However, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to any segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

## ***2.5 Financial Instruments***

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the financial instrument.

### ***(a) Financial Assets***

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

#### ***(i) Classification and Measurement of Financial Assets***

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets at amortized cost is the only classification applicable to the Company. The classification and measurement of the Company's relevant financial assets are described in the succeeding page.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL).

The Company's financial assets at amortized cost are presented as Cash and Cash Equivalents, Trade and Other Receivables (except Advances and Other receivables), Short-term placement (presented under Prepayments and Other Current Assets) and Security deposits (presented under Other Non-current Assets) in the statement of financial position. Cash and cash equivalents include cash on hand and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash.

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of profit or loss as part of Finance income under Other Income (Charges).

(ii) *Impairment of Financial Assets*

At the end of the reporting period, the Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The Company considers a broader range of information in assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix.

The Company also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due [see Note 21.2(b)].

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The amount of ECL required to be recognized during the year, if any, is presented as Impairment loss on trade receivables under the Other Operating Expenses. Reversal of loss allowance, if applicable, is recognized in the statement of profit or loss as part of Other income under Other Income (Charges).

(iii) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(b) *Financial Liabilities*

Financial liabilities, which include Trade and Other Payables (except Advances from customers and tax-related payables), Mortgage Payables and Lease Liabilities, are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liabilities are recognized as an expense under the caption Finance costs - net in the statement of profit or loss.

Trade and other payables and mortgage payables are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for those with maturities beyond one year, less settlement payments.

Dividend distributions to stockholders are recognized as financial liabilities upon declaration by the Company's BOD.

Interest-bearing loans normally arise from the funding of certain construction projects and working capital loans raised for support of short-term funding of operations and are recognized initially at the transaction price (i.e., the present value of cash payable to the bank, including transaction costs). Finance costs are charged to profit or loss on an accrual basis (except for capitalizable borrowing costs which are added as part of the cost of qualifying asset) using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

The measurement of lease liabilities is discussed in Note 2.12.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

*(c) Offsetting Financial Instruments*

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entities and all counterparties to the financial instruments.

**2.6 Inventories**

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Finished goods include the cost of raw materials, direct labor and a proportion of manufacturing overhead based on actual units produced. The cost of raw materials includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value of raw materials, supplies and packaging materials is the current replacement cost.



## ***2.7 Prepayments and Other Assets***

Prepayments and other assets, which are non-financial assets, pertain to other resources controlled by the Company as a result of past events. They are recognized at cost in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably. These are subsequently charged to profit or loss as utilized or reclassified to another asset account if capitalizable.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

Advances to suppliers that will be applied as payment for future purchase of inventories are classified and presented under the Trade and Other Receivables account in the statement of financial position. On the other hand, advances to suppliers that will be applied as payment for future acquisition or construction of property, plant and equipment are classified and presented under the Other Non-current Assets account. The classification and presentation is based on the eventual realization of the asset to which it was advanced for.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.14).

## ***2.8 Property, Plant and Equipment***

Property, plant and equipment, except land, are initially recognized at cost and subsequently carried at cost less accumulated depreciation, amortization and any impairment in value. As no finite useful life for land can be determined, the related carrying amount is not depreciated.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Following initial recognition at cost, land is carried at revalued amount which is the fair value at the date of the revaluation as determined by independent appraisers. Revalued amount is the fair market value determined based on appraisal by external professional valuer once every two years or more frequently if market factors indicate a material change in fair value (see Note 23.3).

Any revaluation surplus is recognized in other comprehensive income and credited to the Revaluation Reserves account in the statement of changes in equity. Any revaluation deficit directly offsetting a previous surplus in the same asset is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in profit or loss. Upon disposal of revalued assets, amounts included in Revaluation Reserves relating to the assets are transferred to Retained Earnings, net of tax.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	3-25 years
Transportation equipment	3-15 years
Land improvements	2-15 years
Machineries, factory, and other equipment	2-15 years
Furniture, fixtures and office equipment	2-15 years

Leasehold improvements, presented as part of Building and improvements, are amortized over the asset's estimated useful lives ranging from three to five years or applicable lease terms, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs (see Notes 2.16 and 9) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.14).

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

The residual values, estimated useful lives and method of depreciation and amortization of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

## ***2.9 Intangible Assets***

Intangible assets include registered trademarks which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful life of 10 years as the lives of these intangible assets are considered finite. Intangible assets are subject to impairment testing as described in Note 2.14. The carrying amounts of the intangible assets are presented as Trademarks under Other Non-current Assets account in the statement of financial position (see Note 10).

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds received and the carrying amount of the asset and is recognized in profit or loss.

## ***2.10 Provisions and Contingencies***

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

## ***2.11 Revenue and Expense Recognition***

Revenue comprises sale of goods measured by reference to the fair value of consideration received or receivable by the Company for goods sold, excluding value-added tax (VAT).

To determine whether to recognize revenue, the Company follows a five-step process:

- (1) identifying the contract with a customer;
- (2) identifying the performance obligation;
- (3) determining the transaction price;
- (4) allocating the transaction price to the performance obligations; and,
- (5) recognizing revenue when/as performance obligations are satisfied.

The Company determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

- (i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;
- (iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- (i) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- (ii) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- (iii) the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

The Company often enters into transactions involving the sale of goods representing compounds, pipes and roofing products. The transaction price allocated to the performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. As a matter of accounting policy when applicable, if the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

Specifically, revenue from sale of goods is recognized when the control over the goods has been transferred at a point in time to the customer, i.e., generally when the customer has acknowledged delivery of goods. Invoices for goods transferred are due upon receipt by the customer. The significant judgments in determining the timing of satisfaction of the performance obligation is disclosed in Note 3.1(b).

The Company also assesses its revenue agreements in order to determine if it is acting as principal or agent. Both the legal form and the substance of the agreement are considered to determine each party's respective roles in the agreement. Revenue is recorded at gross when acting as a principal while only net revenues are considered if only an agency service exists.

As applicable, if the Company is required to refund the related purchase price for returned goods, it recognizes a refund liability for the expected refunds by adjusting the amount of revenues recognized during the period. Also, if applicable, the Company recognizes a right of return asset on the goods to be recovered from the customers with a corresponding adjustment to Cost of Goods Sold account. However, there were no contracts that contained significant right of return arrangements that remain outstanding during the reporting periods [see Note 3.1(c)].

In obtaining customer contracts, the Company incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Company uses the practical expedient in PFRS 15 and recognizes as outright expenses such costs as incurred. The Company also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Company accounts for those costs in accordance with accounting policies related to those financial reporting standards.

Costs and expenses are recognized in profit or loss upon utilization of the goods and/or services or at the date they are incurred. All finance costs except for the capitalized borrowing costs, if any, are reported in profit or loss on an accrual basis.

## ***2.12 Leases – Company as Lessee***

For any new contracts entered into, the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset ranging from two to 10 years or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.14).

On the other hand, the Company measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from property, plant and equipment and other liabilities, respectively.

### ***2.13 Foreign Currency Transactions and Translation***

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

### ***2.14 Impairment of Non-financial Assets***

The Company's property, plant and equipment, right-of-use assets, intangible assets (presented under the Other Non-current Assets account) and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

### ***2.15 Employee Benefits***

The Company provides short-term and post-employment benefits to employees through defined benefit and defined contribution plans, and other employee benefits which are recognized as follows:

#### ***(a) Short-term Employee Benefits***

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the annual reporting period during which employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under Trade and Other Payables account in the statement of financial position.

(b) *Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's defined benefit post-employment plan covers all regular full-time employees. The pension plan is partially funded, tax-qualified, noncontributory and administered by a trustee.

The asset recognized in the statement of financial position for a defined benefit plan is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest), are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance costs - net in the statement of profit or loss.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(c) *Post-employment Defined Contribution Plan*

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.



(d) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(e) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in the Trade and Other Payables account in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

**2.16 Borrowing Costs**

Borrowing costs, which consists of interest and other costs that the Company incurs in connection with borrowing of funds, are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

**2.17 Income Taxes**

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or current tax liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from 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. For purposes of measuring deferred tax liabilities for land that is measured using the fair value model (see Note 2.8), the land's carrying amount is presumed to be recovered entirely through sale as an ordinary asset.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax effect is also recognized in other comprehensive income or directly in equity, respectively.

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

### ***2.18 Related Party Transactions and Relationships***

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual; and, (d) the Company's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Based on the requirements of SEC Memorandum Circular No. 10, Series of 2019, *Rules on Material Related Party Transactions for Publicly-Listed Companies*, transactions amounting to 10% or more of the total assets based on the latest audited financial statements that were entered into with the related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-third of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Company's total assets based on the latest audited financial statements, the same BOD approval would be required for the transactions that meet and exceed the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in the discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

### ***2.19 Equity***

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves include the fair value gains and losses due to the revaluation of land and remeasurements of post-employment defined benefit plan [see Note 2.8 and 2.15(b)].

Retained earnings, the appropriated portion of which, if any, is not available for dividend distribution, represent all current and prior period results of operations as reported in the statement of profit or loss, reduced by the amounts of dividends declared.

### ***2.20 Earnings per Share***

Basic earnings per share (EPS) is computed by dividing net profit by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of any dilutive potential shares.

### ***2.21 Events After the End of the Reporting Period***

Any post year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements (see Note 25).

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. 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. Actual results may ultimately differ from these estimates.

#### ***3.1 Critical Management Judgment in Applying Accounting Policies***

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

##### *(a) Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and such provision of the contract is not subject to mutual agreement of both parties.

The factors that are normally the most relevant are (a) if there are significant penalties should the Company pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Company is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Company did not include the renewal period as part of the lease term for leases of some of its office space and warehouse due to the provision in its contracts that requires mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract.

The lease term is reassessed if an option is actually exercised or not exercised or the Company becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.

##### *(b) Determination of Timing of Satisfaction of Performance Obligations*

The Company determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer has acknowledged delivery of the goods.

(c) *Determination of Transaction Price*

The transaction price, which excludes any amounts collected on behalf of third parties (e.g., VAT), is considered receivable to the extent of products sold with consideration on the right of return, if applicable (see Note 2.11). Also, the Company uses the practical expedient in PFRS 15, with respect to non-adjustment of the promised amount of consideration for the effects of any financing component [i.e., the Company receives advances from certain customers which can be applied to their future purchases (see Note 11.1)] as the Company expects, at contract inception, that the period between when the Company transfers promised goods or services to the customer and payment due date is one year or less.

(d) *Determination of ECL on Trade and Other Receivables*

The Company uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments to the extent applicable that have similar loss patterns (i.e., by geography, product type, or customer type and rating).

The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Company's trade and other receivables are disclosed in Note 21.2(b).

(e) *Determination of Cost of Inventories*

In inventory costing, management uses estimates and judgment in properly allocating the labor and overhead between the cost of inventories on hand and cost of goods sold. Currently, the Company allocates manufacturing overhead on the basis of actual units produced. However, the amount of costs charged to finished goods inventories would differ if the Company utilized a different allocation base. Changes in allocated cost would affect the carrying cost of inventories and could potentially affect the valuation based on lower of cost and net realizable value.

(f) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.10 and disclosures on relevant provisions and contingencies are presented in Note 20.

### **3.2 Key Sources of Estimation Uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate.

In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 21.2(b).

(c) *Determination of Net Realizable Value of Inventories*

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the dates the estimates are made. Even though the Company's core business is not continuously subject to rapid technological changes which may cause inventory obsolescence, future realization of the carrying amounts of inventories as presented in Note 7 is still affected by price changes. Such aspect is considered a key source of estimation uncertainty and may cause significant adjustments to the Company's inventories within the next financial reporting period.

There was no inventory write-down to recognize the inventories at their net realizable value in 2022, 2021 and 2020 based on management's assessment.

(d) *Estimation of Useful Lives of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets*

The Company estimates the useful lives of property, plant and equipment, right-of-use assets and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use assets and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property, plant and equipment, right-of-use assets and intangible assets (Trademarks under Other Non-current Assets account) are presented in Notes 9, 12.1 and 10, respectively. Based on management's assessment as at December 31, 2022 and 2021, there is no change in estimated useful lives of property, plant and equipment, right-of-use assets and intangible assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in the factors mentioned above.

(e) *Measurement of Fair Value of Land*

The Company's land is carried at revalued amount at the end of the reporting period. In determining its fair value, the Company engages the services of professional and independent appraisers applying the relevant valuation methodology (see Note 23.3).

When the appraisal is conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in these elements may affect prices and the value of the assets. The amount of revaluation increment recognized is disclosed in Note 9.

(f) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2022 and 2021 will be fully utilized in the coming years. The carrying values of deferred tax assets netted against deferred tax liabilities as of those reporting periods are disclosed in Note 16.

(g) *Impairment of Non-financial Assets*

The Company's policy on estimating the impairment of property, plant and equipment, right-of-use assets, intangible assets and other non-financial assets is discussed in Note 2.14. Though management believes that the assumptions used in the estimation of fair values 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 effect on the results of operations.

There was no impairment loss recognized on non-financial assets in 2022, 2021 and 2020.

(h) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment defined benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 15.2.



## 4. SEGMENT REPORTING

### 4.1 *Business Segments*

The Company is organized into business units based on its products for purposes of management assessment of each unit. For management purposes, the Company is organized into four major business segments, namely: compounds, pipes, Polypropylene Random (PPR)/High-density Polyethylene (HDPE) and roofing. These are also the basis of the Company in reporting to its chief operating decision-maker for its strategic decision-making activities.

The products under the compounds segment are the following:

- Polyvinyl Chloride (PVC) compounds for wires and cable; and,
- PVC for bottles, integrated circuit tubes packaging, films and footwear.

The products under the pipes segment are only the PVC pipes and fittings.

The products under the PPR/HDPE segment are the following:

- PPR Copolymer Type 3 pipes and fittings; and,
- HDPE pipes and fittings.

The product under the roofing segment is only the unplasticized PVC roofing material, which started sales to the public in 2018.

The Company's products are located in Guiguinto, Bulacan; Davao branch; Cebu branch; and Valenzuela branch.

Prior to 2021, the Company is presenting three major business segments in the financial statements, namely: compounds, pipes and roofing. In 2021, the Company's management decided to further breakdown the pipes segment into pipes and PPR/HDPE, thereby creating a new business segment. The Company's management also updated the 2020 presentation of segment reporting to conform with the new presentation.

### 4.2 *Segment Assets and Liabilities*

Segment assets are allocated based on their use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of property, plant and equipment, trade and other receivables and inventories, net of allowances and provisions. Segment assets do not include deferred taxes. Segment liabilities, however, were not presented as this measure is not regularly being provided to the chief operating decision-maker (see Note 4.5).

### 4.3 *Intersegment Transactions*

Segment revenues, expenses and performance do not include sales and purchases between business segments.

#### 4.4 Analysis of Segment Information

Segment information can be analysed as follows:

	<u>Compounds</u>	<u>Pipes</u>	<u>PPR/HDPE</u>	<u>Roofing</u>	<u>Total</u>
<b>For the year ended</b>					
<b><u>December 31, 2022</u></b>					
<b>Statement of Profit or Loss</b>					
Revenues	P 621,549,209	P 915,342,738	P 191,145,487	P 32,777,831	P 1,760,815,265
Costs and Other Operating Expenses					
Cost of goods sold (excluding depreciation and amortization)	508,844,709	580,792,047	90,955,992	12,589,928	1,193,182,676
Depreciation and amortization	7,526,062	17,443,239	9,537,958	5,207,731	39,714,990
Other operating expenses (excluding depreciation and amortization)	17,264,319	96,681,483	21,656,675	7,519,213	143,121,690
	<u>533,635,090</u>	<u>694,916,769</u>	<u>122,150,625</u>	<u>25,316,872</u>	<u>1,376,019,356</u>
Other Charges (Income) – net	( 9,427,945 )	4,022,781	279,637	369,384	( 4,756,143 )
Segment Operating Profit	<b><u>P 97,342,064</u></b>	<b><u>P 216,403,188</u></b>	<b><u>P 68,715,225</u></b>	<b><u>P 7,091,575</u></b>	<b><u>P 389,552,052</u></b>
<b><u>December 31, 2022</u></b>					
<b>Statement of Financial Position</b>					
Segment assets	<b><u>P 409,262,586</u></b>	<b><u>P 752,748,267</u></b>	<b><u>P 343,218,596</u></b>	<b><u>P 165,834,260</u></b>	<b><u>P 1,671,063,709</u></b>
<b>For the year ended</b>					
<b><u>December 31, 2021</u></b>					
<b>Statement of Profit or Loss</b>					
Revenues	P 732,089,982	P 831,949,781	P 155,936,385	P 20,871,198	P 1,740,847,346
Costs and Other Operating Expenses					
Cost of goods sold (excluding depreciation and amortization)	607,628,654	545,905,616	76,244,374	7,878,337	1,237,656,981
Depreciation and amortization	7,265,715	15,477,021	9,642,642	5,281,021	37,666,399
Other operating expenses (excluding depreciation and amortization)	20,575,080	79,365,204	16,112,041	5,901,572	121,953,897
	<u>635,469,449</u>	<u>640,747,841</u>	<u>101,999,057</u>	<u>19,060,930</u>	<u>1,397,277,277</u>
Other Charges (Income) – net	( 2,649,943 )	( 3,737,417 )	84,928	( 437,392 )	( 6,739,831 )
Segment Operating Profit	<b><u>P 99,270,476</u></b>	<b><u>P 194,939,357</u></b>	<b><u>P 53,852,400</u></b>	<b><u>P 2,247,667</u></b>	<b><u>P 350,309,900</u></b>
<b><u>December 31, 2021</u></b>					
<b>Statement of Financial Position</b>					
Segment assets	<b><u>P 443,354,503</u></b>	<b><u>P 796,726,439</u></b>	<b><u>P 353,522,150</u></b>	<b><u>P 165,533,236</u></b>	<b><u>P 1,759,136,328</u></b>
<b>For the year ended</b>					
<b><u>December 31, 2020</u></b>					
<b>Statement of Profit or Loss</b>					
Revenues	P 570,578,751	P 432,015,553	P 102,684,324	P 12,409,924	P 1,117,688,552
Costs and Other Operating Expenses					
Cost of goods sold (excluding depreciation and amortization)	440,574,323	259,153,427	43,153,902	5,894,956	748,776,608
Depreciation and amortization	6,874,138	16,546,943	9,635,464	5,197,752	38,254,297
Other operating expenses (excluding depreciation and amortization)	34,827,684	60,024,314	17,601,250	4,309,274	116,762,522
	<u>482,276,145</u>	<u>335,724,684</u>	<u>70,390,616</u>	<u>15,401,982</u>	<u>903,793,427</u>
Other Charges (Income) – net	3,469,541	( 2,942,591 )	51,348	( 401,606 )	176,692
Segment Operating Profit (Loss)	<b><u>P 84,833,065</u></b>	<b><u>P 99,233,460</u></b>	<b><u>P 32,242,360</u></b>	<b><u>( P 2,590,452 )</u></b>	<b><u>P 213,718,433</u></b>
<b><u>December 31, 2020</u></b>					
<b>Statement of Financial Position</b>					
Segment assets	<b><u>P 309,792,057</u></b>	<b><u>P 546,580,927</u></b>	<b><u>P 335,656,064</u></b>	<b><u>P 145,697,994</u></b>	<b><u>P 1,337,727,042</u></b>

Currently, the Company's operation is concentrated within the Philippines for local sales and export sales, which are further broken down as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Domestic	<b>P 1,453,595,706</b>	P 1,248,392,845	P 750,722,480
Foreign:			
Taiwan	<b>238,676,498</b>	440,364,627	344,243,727
Others	<b><u>68,543,061</u></b>	<u>52,089,874</u>	<u>22,722,345</u>
Total	<b><u>P 1,760,815,265</u></b>	<u>P 1,740,847,346</u>	<u>P 1,117,688,552</u>

The total revenues include revenues from one major customer totalling 13.56% in 2022, 25.09% in 2021 and 30.80% in 2020.

#### **4.5 Reconciliations**

Presented below is a reconciliation of the Company's segment information to the key financial information presented in its financial statements.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Profit or Loss</b>			
Segment results	<b>P 389,552,052</b>	P 350,309,900	P 213,718,433
Other unallocated income (charges) - net	<b>572,588</b>	372,864	( 398,988)
Other unallocated expenses	<b>( 83,808,220)</b>	( 55,097,759)	( 40,027,400)
Profit before tax as reported in the statements of profit or loss	<b><u>P 306,316,420</u></b>	<u>P 295,585,005</u>	<u>P 173,292,045</u>
<b>Assets</b>			
Segment assets	<b>P 1,671,063,709</b>	P 1,759,136,328	P 1,337,727,042
Other unallocated assets	<b><u>404,862,211</u></b>	<u>242,472,817</u>	<u>298,977,230</u>
Total assets reported in the statements of financial position	<b><u>P 2,075,925,920</u></b>	<u>P 2,001,609,145</u>	<u>P 1,636,704,272</u>
<b>Liabilities</b>			
Unallocated liabilities (see Note 4.2)	<b><u>P 315,568,274</u></b>	<u>P 412,728,414</u>	<u>P 358,043,348</u>
Total liabilities reported in the statements of financial position	<b><u>P 315,568,274</u></b>	<u>P 412,728,414</u>	<u>P 358,043,348</u>

#### **4.6 Disaggregation of Revenues**

When the Company prepares its investor presentations and when the Company's Executive Committee evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Notes 4.1 and 4.4. The Company determines that the categories used in the investor presentations and financial reports used by the Company's Executive Committee can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

While all of the Company's revenues from sale of goods are recognized at point in time, a summary of additional disaggregation from the segment revenues are shown below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Sales channel:</i>			
Contractors and developers	<b>P 920,150,822</b>	P 786,635,982	P 395,969,372
Manufacturers and traders	<b>797,697,282</b>	884,354,784	654,360,302
Wholesalers and retailers	<b><u>42,967,161</u></b>	<u>69,856,580</u>	<u>67,358,878</u>
	<b><u>P1,760,815,265</u></b>	<u>P1,740,847,346</u>	<u>P1,117,688,552</u>

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	<u>2022</u>	<u>2021</u>
Cash on hand and in banks	<b>P 172,010,255</b>	P 104,564,497
Short-term placements	<b><u>83,017,120</u></b>	<u>4,069,194</u>
	<b><u>P 255,027,375</u></b>	<u>P 108,633,691</u>

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

Short-term placements have maturity of 30 to 54 days in 2022 and 30 to 90 days in 2021 and 2020, and earn effective interest rates ranging from 3.65% to 4.50% in 2022, 0.20% to 0.30% in 2021 and 0.39% to 0.59% in 2020.

The balance of short-term placements as of December 31, 2022 did not include P4.1 million, which is shown as part of the Prepayment and Other Current Assets account in the 2022 statement of financial position (see Note 8). This amount pertains to a short-term placement with maturity of more than three months but less than one year.

Interest income earned from cash and cash equivalents amounting to P0.1 million, P0.2 million and P0.4 million in 2022, 2021 and 2020, respectively, are presented as part of Finance income under Other Income (Charges) in the statements of profit or loss.

## 6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Trade receivables	17.1	<b>P 297,001,065</b>	P 334,964,406
Advances to:			
Suppliers		<b>10,832,766</b>	14,264,424
Officers and employees		<b>2,808,851</b>	2,373,067
Other receivables	17.3	<b><u>48,181</u></b>	<u>3,729,342</u>
		<b>310,690,863</b>	355,331,239
Allowance for impairment		<b>(<u>16,268,782</u>)</b>	( <u>16,268,782</u> )
		<b><u>P 294,422,081</u></b>	<u>P 339,062,457</u>

Trade receivables are due from various customers and have credit terms of 30 to 90 days. Of the total outstanding trade receivables, P45.7 million and P48.3 million as of December 31, 2022 and 2021, respectively, are guaranteed by customers' post-dated checks in the custody of the Company.

In 2022, the Company received a parcel of land from a certain customer as equivalent to the payment of its outstanding debt amounting to P1.3 million. The land received is presented as part of Property, Plant and Equipment in the 2022 statement of financial position (see Note 9). There was no similar transaction in 2021.

Advances to suppliers pertain to down payments made by the Company for the purchase of goods, included under Trade and Other Receivables, and/or machineries, included under Other Non-current Assets (see Note 10). The advance payments will be set-off as partial payments on the amounts due to the suppliers once full delivery of goods or assets is made and the subsequent billings have been made by the suppliers.

Advances to officers and employees are personal cash advances that are settled through salary deduction.

A reconciliation of the allowance for impairment at the beginning and end of 2022 and 2021 is shown below.

	Note	2022	2021
Balance at beginning of year		<b>P 16,268,782</b>	P 14,976,073
Impairment losses	14	<b>43,833</b>	1,292,709
Write-off		<b>(43,833)</b>	-
Balance at end of year		<b><u>P 16,268,782</u></b>	<b><u>P 16,268,782</u></b>

All of the Company's trade and other receivables have been reviewed for impairment. Certain trade receivables were found to be impaired using the provisional matrix as determined by management; hence, adequate amounts of allowance for impairment have been recognized [see Note 21.2(b)]. Impairment losses recognized are presented under Other Operating Expenses in the statements of profit or loss (see Note 14).

In 2022, the Company wrote-off certain receivables which are deemed uncollectible based on management's evaluation. There was no similar transaction in 2021.

## 7. INVENTORIES

Inventories are all stated at cost which is lower than their net realizable value. The details of inventories are shown below.

	2022	2021
Finished goods	<b>P 364,470,016</b>	P 336,984,581
Raw materials	<b>328,211,873</b>	351,782,791
Supplies	<b>9,172,973</b>	8,388,261
Packaging materials	<b>3,756,499</b>	3,565,697
Work-in-process	<b><u>76,023</u></b>	<u>176,730</u>
	<b><u>P 705,687,384</u></b>	<b><u>P 700,898,060</u></b>

An analysis of the cost of inventories included in cost of goods sold is presented in Note 13.

## 8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Prepaid expenses		<b>P 4,114,508</b>	P 1,895,281
Input VAT		<b>108,363,277</b>	136,029,155
Short-term placement	5	<b><u>4,104,651</u></b>	<u>-</u>
		<b><u>P 116,582,436</u></b>	<u>P 137,924,436</u>

Prepaid expenses include, among others, prepaid taxes, prepayments for insurance and freight related to the distribution of the Company's goods.

Short-term placement has a term of 98 days and earn effective interest of 3.7%. Interest income earned from short-term placement is presented as part of Finance income under Other Income (Charges) in the 2022 statement of profit or loss.

## 9. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment at the beginning and end of 2022 and 2021 are shown below.

	<u>At Revalued Amount</u>		<u>At Cost</u>						
	<u>Land</u>	<u>Land Improvements</u>	<u>Building and Improvements</u>	<u>Transportation Equipment</u>	<u>Machineries, Factory, and Other Equipment</u>	<u>Furniture, Fixtures and Office Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>	
December 31, 2022									
Cost or valuation	P447,869,913	P 4,699,884	P 153,302,706	P 54,934,297	P 496,528,805	P 69,258,752	P 5,623,278	P1,232,217,635	
Accumulated depreciation and amortization	<u>-</u>	<u>( 2,555,033)</u>	<u>( 98,994,532)</u>	<u>( 36,947,122)</u>	<u>( 382,442,132)</u>	<u>( 39,321,805)</u>	<u>-</u>	<u>( 560,260,624)</u>	
Net carrying amount	<b><u>P447,869,913</u></b>	<b><u>P 2,144,851</u></b>	<b><u>P 54,308,174</u></b>	<b><u>P 17,987,175</u></b>	<b><u>P 114,086,673</u></b>	<b><u>P 29,936,947</u></b>	<b><u>P 5,623,278</u></b>	<b><u>P 671,957,011</u></b>	
December 31, 2021									
Cost or valuation	P446,596,000	P 4,699,884	P 144,558,893	P 49,310,828	P 483,854,861	P 62,584,905	P 8,089,655	P1,199,695,026	
Accumulated depreciation and amortization	<u>-</u>	<u>( 2,218,885)</u>	<u>( 90,193,032)</u>	<u>( 35,469,278)</u>	<u>( 360,577,470)</u>	<u>( 34,437,478)</u>	<u>-</u>	<u>( 522,896,143)</u>	
Net carrying amount	<b><u>P446,596,000</u></b>	<b><u>P 2,480,999</u></b>	<b><u>P 54,365,861</u></b>	<b><u>P 13,841,550</u></b>	<b><u>P 123,277,391</u></b>	<b><u>P 28,147,427</u></b>	<b><u>P 8,089,655</u></b>	<b><u>P 676,798,883</u></b>	
January 1, 2021									
Cost or valuation	P326,566,000	P 4,699,884	P 142,584,174	P 49,888,150	P 464,417,579	P 60,064,271	P 3,533,631	P1,051,753,689	
Accumulated depreciation and amortization	<u>-</u>	<u>( 1,882,737)</u>	<u>( 81,387,046)</u>	<u>( 32,867,948)</u>	<u>( 339,787,346)</u>	<u>( 29,797,219)</u>	<u>-</u>	<u>( 485,722,296)</u>	
Net carrying amount	<b><u>P326,566,000</u></b>	<b><u>P 2,817,147</u></b>	<b><u>P 61,197,128</u></b>	<b><u>P 17,020,202</u></b>	<b><u>P 124,630,233</u></b>	<b><u>P 30,267,052</u></b>	<b><u>P 3,533,631</u></b>	<b><u>P 566,031,393</u></b>	



A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of 2022, 2021 and 2020 is shown below.

	At Revalued Amount		At Cost					
	Land	Land Improvements	Building and Improvements	Transportation Equipment	Machineries, Factory, and Other Equipment	Furniture, Fixtures and Office Equipment	Construction in Progress	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 446,596,000	P 2,480,999	P 54,365,861	P 13,841,550	P 123,277,391	P 28,147,427	P 8,089,655	P 676,798,883
Additions	1,273,913	-	8,243,437	7,635,892	13,622,425	2,570,040	2,137,806	35,483,513
Reclassification	-	-	500,376	-	-	4,103,807	( 4,604,183)	-
Disposals – net	-	-	-	-	( 837,825)	-	-	( 837,825)
Depreciation and amortization charges for the year	-	( 336,148)	( 8,801,500)	( 3,490,267)	( 21,975,318)	( 4,884,327)	-	( 39,487,560)
Balance at December 31, 2022, net of accumulated depreciation and amortization	<u>P 447,869,913</u>	<u>P 2,144,851</u>	<u>P 54,308,174</u>	<u>P 17,987,175</u>	<u>P 114,086,673</u>	<u>P 29,936,947</u>	<u>P 5,623,278</u>	<u>P 671,957,011</u>
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 326,566,000	P 2,817,147	P 61,197,128	P 17,020,202	P 124,630,233	P 30,267,052	P 3,533,631	P 566,031,393
Revaluation	119,102,900	-	-	-	-	-	-	119,102,900
Additions	927,100	-	429,999	102,679	39,946,606	2,439,634	6,181,744	50,027,762
Reclassification	-	-	1,544,720	-	-	81,000	( 1,625,720)	-
Disposals – net	-	-	-	-	( 20,451,975)	-	-	( 20,451,975)
Depreciation and amortization charges for the year	-	( 336,148)	( 8,805,986)	( 3,281,331)	( 20,847,473)	( 4,640,259)	-	( 37,911,197)
Balance at December 31, 2021, net of accumulated depreciation and amortization	<u>P 446,596,000</u>	<u>P 2,480,999</u>	<u>P 54,365,861</u>	<u>P 13,841,550</u>	<u>P 123,277,391</u>	<u>P 28,147,427</u>	<u>P 8,089,655</u>	<u>P 676,798,883</u>
Balance at January 1, 2020, net of accumulated depreciation and amortization	P 326,566,000	P 3,153,295	P 68,543,760	P 21,125,083	P 137,220,602	P 28,560,436	P 1,466,102	P 586,635,278
Additions	-	-	506,627	519,643	7,236,030	3,236,753	5,335,600	16,834,653
Reclassification	-	-	740,205	-	120,000	2,407,866	( 3,268,071)	-
Disposals – net	-	-	-	( 1,058,501)	-	-	-	( 1,058,501)
Depreciation and amortization charges for the year	-	( 336,148)	( 8,593,464)	( 3,566,023)	( 19,946,399)	( 3,938,003)	-	( 36,380,037)
Balance at December 31, 2020, net of accumulated depreciation and amortization	<u>P 326,566,000</u>	<u>P 2,817,147</u>	<u>P 61,197,128</u>	<u>P 17,020,202</u>	<u>P 124,630,233</u>	<u>P 30,267,052</u>	<u>P 3,533,631</u>	<u>P 566,031,393</u>

Land is stated at revalued amount, being the fair value at the date of revaluation in 2021. The revaluation surplus, net of applicable deferred tax expense, is presented as part of the Revaluation Reserves account in the statements of financial position (see Note 18.5).

Had the land been carried using the cost model, the carrying amount would have been P144.4 million and P143.1 million as of December 31, 2022 and 2021, respectively. The fair value of land is determined periodically on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation process was conducted by an independent appraiser in discussion with the Company's management with respect to the determination of the inputs such as the size, age, and condition of the land, and the comparable prices in the corresponding property location. Other information on the basis of fair value measurement and disclosures related to land is presented in Note 23.3.

Construction in progress as of December 31, 2022 pertains to the accumulated costs incurred for the construction of mini-plant in Davao City, staff house for Corporate Division and cistern tank for Pipes Division. Construction in progress as of December 31, 2021 pertains to the accumulated costs incurred for the construction of warehouse for Roofing Division and production buildings and extension of warehouse shed for finished goods and raw materials warehouse for Pipes Division, which was completed in 2022.

The percentage of completion of construction in progress ranges from 85% to 90% and 80% to 90% as of December 31, 2022 and 2021, respectively. The remaining ongoing projects are expected to be completed by the first quarter of 2023, except for the mini-plant in Davao City as the completion of the construction of such facility is still indefinite due to the disruptions caused by the COVID-19 pandemic. Other than the remaining capital expenditures, there are no other capital commitments relating to the ongoing projects.

There were no borrowing costs capitalized in 2022, 2021 and 2020.

The amount of depreciation and amortization (see Notes 13 and 14) is allocated and presented in the statements of profit or loss under the following line items:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cost of goods sold	<b>P25,600,847</b>	P24,611,957	P 23,373,679
Other operating expenses	<b><u>13,886,713</u></b>	<u>13,299,240</u>	<u>13,006,358</u>
	<b><u>P39,487,560</u></b>	<u>P37,911,197</u>	<u>P 36,380,037</u>

In 2022, 2021 and 2020, the Company recognized a gain on disposal of transportation equipment totalling to P0.8 million, P0.2 million and P0.5 million, respectively, which was presented as part of Other income under Other Income (Charges) in the statements of profit or loss.

In 2022, the Company sold certain machinery and equipment with a carrying value of P0.8 million to a related party for P0.9 million (see Note 17.3). Further, in 2021, the Company purchased certain machinery and equipment amounting to P20.1 million, which was directly paid to the supplier by a related party in favor of the Company. The same machinery and equipment were subsequently disposed of and sold directly to the same related party for P20.7 million (see Note 17.3). The gain on the disposals of machinery and equipment amounting to P0.01 million and P0.6 million in 2022 and 2021, respectively, were presented as part of Other income under Other Income (Charges) in the 2022 and 2021 statements of profit or loss.

Transportation equipment with a total carrying value of P5.3 million and P8.7 million as of December 31, 2022 and 2021, respectively, are used as collateral for car loans (see Note 11.2).

As of December 31, 2022 and 2021, the gross carrying amounts of the Company's fully depreciated and amortized property, plant and equipment that are still being used are P120.3 million and P115.2 million, respectively. The Company has no idle properties in any of the years presented.

# 10. OTHER NON-CURRENT ASSETS

The composition of this account is shown below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Deferred input VAT		<b>P 4,498,320</b>	P 4,719,199
Advances to suppliers	6	<b>4,200,923</b>	9,902,829
Security deposits	12, 17.4	<b>3,472,104</b>	3,317,864
Trademarks – net		<b>207,968</b>	265,559
Others		<b>436,809</b>	311,089
		<b><u>P 12,816,124</u></b>	<b><u>P 18,516,540</u></b>

Deferred input VAT pertains to the unamortized input VAT from the acquisition of capital assets made prior to January 1, 2022 as required by the BIR to be amortized and reported for VAT reporting purposes over the useful lives of the assets or 60 months, whichever is shorter.

Security deposits are payments made to utility companies and lessors of office spaces and warehouses upon execution of the service and lease contracts. These payments will be refunded in cash at the termination of the contract. As the utility services, for which the account significantly represents, are expected to be renewed indefinitely, the present value of these financial assets cannot be determined and thus, are carried at cost. As such, the carrying amount of the security deposits is a reasonable approximation of its fair value (see Note 22.1).

Trademarks pertain to the capitalized costs of application and registration with the Intellectual Property Office and Bureau of Product Standards of the Company's logo and brand emblems used as identifying markers of the Company's products. The carrying values of trademarks were presented net of accumulated amortization amounting to P0.2 million and P0.3 million as of December 31, 2022 and 2021, respectively.

The amount of amortization relating to trademarks shown as part of Depreciation and amortization (see Notes 13 and 14) is allocated and presented in the statements of profit or loss under the following line items:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cost of goods sold	<b>P -</b>	P 8,285	P -
Other operating expense	<b><u>65,593</u></b>	<u>56,205</u>	<u>64,644</u>
	<b><u>P 65,593</u></b>	<b><u>P 64,490</u></b>	<b><u>P 64,644</u></b>

## 11. LOANS AND PAYABLES

### 11.1 Trade and Other Payables

The composition of this account is shown below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Trade payables	17.2	<b>P 141,779,044</b>	P 252,040,810
Advances from customers		<b>47,717,250</b>	34,697,742
Accrued expenses	11.2	<b>8,786,696</b>	6,794,267
Others		<b><u>16,233,421</u></b>	<u>18,269,317</u>
		<b><u>P 214,516,411</u></b>	<u>P 311,802,136</u>

Advances from customers pertain to advance payments received from customers to guarantee goods placed for order to the Company. Upon delivery of goods ordered by the customer, the Company sets off these advances to the total amount of receivable from the customer.

Accrued expenses are liabilities arising from unpaid salaries, interest, utilities and other operating expenses.

Others include withholding taxes, government insurance and retention commissions payable withheld by the Company from its commission agents as security bond for any unliquidated cash advances.

### 11.2 Mortgage and Loan Payables

The composition of this account is shown below.

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Current		<b>P 1,984,626</b>	P 2,246,361
Non-current		<b><u>333,679</u></b>	<u>2,316,587</u>
	9	<b><u>P 2,318,305</u></b>	<u>P 4,562,948</u>

In 2022, the Company entered into short-term loan agreements with various local banks for working capital purposes. The short-term loans obtained, which bear fixed annual interest ranging from 3.75% to 4.00%, have been settled in the same year. There was no collateral used for any of the Company's short-term loans. There were no similar loans obtained with local banks in 2021.

In 2019 and prior years, the Company entered into car loan agreements with various local banks for the acquisition of certain transportation equipment and motor vehicles, which are then mortgaged to the banks. The carrying value of these assets amounted to P5.3 million and P8.7 million as of December 31, 2022 and 2021, respectively (see Note 9). The car loans bear fixed annual effective interest which ranges from 7.25% to 9.95% and have terms of five years, payable monthly. The related outstanding balances are presented as Mortgage and Loan Payables in the statements of financial position.

There are no loan covenants on the Company's mortgage and loan payables as of December 31, 2022 and 2021.

Interest expense related to the short-term loans and mortgage payables amounted to P0.7 million, P0.5 million and P1.3 million in 2022, 2021 and 2020, respectively, and is shown as part of Finance costs - net under Other Income (Charges) in the statements of profit or loss. There were no borrowing costs capitalized in 2022, 2021 and 2020. Accrued interest amounting to P0.03 million as of December 31, 2022 and 2021 is presented as part of Accrued expenses under Trade and Other Payables in the statements of financial position (see Note 11.1).

A reconciliation of the Company's short-term loans and mortgage payables as required by PAS 7, *Statement of Cash Flows*, is as follows:

	<u>Short-term Loans</u>	<u>Mortgage Payables</u>	<u>Total</u>
Balance as of January 1, 2022	P -	P 4,562,948	P 4,562,948
Cash flows from financing activities:			
Additional borrowings	70,000,000	-	70,000,000
Payments made	( 70,000,000)	( 2,239,172)	( 72,239,172)
Interest paid	( 383,056)	( 294,898)	( 677,954)
Non-cash financing activity –			
Interest expense	<u>383,056</u>	<u>289,427</u>	<u>672,483</u>
Balance as of December 31, 2022	<u><b>P -</b></u>	<u><b>P 2,318,305</b></u>	<u><b>P 2,318,305</b></u>
Balance as of January 1, 2021	P -	P 7,042,228	P 7,042,228
Cash flows from financing activities:			
Payments made	-	( 2,477,127)	( 2,477,127)
Interest paid	-	( 474,923)	( 474,923)
Non-cash financing activity –			
Interest expense	<u>-</u>	<u>472,770</u>	<u>472,770</u>
Balance as of December 31, 2021	<u><b>P -</b></u>	<u><b>P 4,562,948</b></u>	<u><b>P 4,562,948</b></u>
Balance as of January 1, 2020	P -	P 10,109,651	P 10,109,651
Cash flows from financing activities:			
Additional borrowings	35,000,000	-	35,000,000
Payments made	( 35,000,000)	( 3,075,046)	( 38,075,046)
Interest paid	( 788,229)	( 533,163)	( 1,321,392)
Non-cash financing activity –			
Interest expense	<u>788,229</u>	<u>540,786</u>	<u>1,329,015</u>
Balance as of December 31, 2020	<u><b>P -</b></u>	<u><b>P 7,042,228</b></u>	<u><b>P 7,042,228</b></u>

## 12. LEASES

The Company is a lessee under non-cancellable operating leases covering its warehouses and office spaces. The lease for warehouses has a term of three to 10 years, and includes annual escalation rate of 5.00% to 10.00%, while the leases for office space have terms of two to five years with annual escalation rates ranging from 5.00% to 10.00%. All leases have renewal options. Generally, termination of lease contracts shall be communicated to the lessee by the lessor 30 to 60 days prior to the termination or expiration of the lease contract. With the exception of short-term leases, each lease is reflected in the statement of financial position as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets and lease liabilities as a separate line item in the statements of financial position.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublease the asset to another party, the right-of-use asset can only be used by the Company. The Company must keep those properties in a good state of repair and return the properties in their same and good condition less ordinary wear and tear at the end of the lease. Further, the Company must insure items of property and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Refundable security deposits represent the lease deposits made for the lease of the Company's office and warehouse. Related security deposits for these leases amounted to P1.1 million and P1.0 million as at December 31, 2022 and 2021, respectively, and are presented as part of Security deposits under Other Non-current Assets in the statements of financial position (see Note 10).

### ***12.1 Right-of-use Assets***

The carrying amounts of the Company's right-of-use assets as at December 31, 2022 and 2021 and the movements during the reporting periods are shown below.

	<u>Warehouses</u>	<u>Office</u>	<u>Total</u>
Balance as of January 1, 2022	P 15,629,029	P 1,209,493	P 16,838,522
Additions	-	2,183,007	2,183,007
Depreciation	( 2,956,789)	( 1,302,364)	( 4,259,153)
Balance as of December 31, 2022	<b><u>P 12,672,240</u></b>	<b><u>P 2,090,136</u></b>	<b><u>P 14,762,376</u></b>
Balance as of January 1, 2021	P 18,585,818	P 2,434,206	P 21,020,024
Depreciation	( 2,956,789)	( 1,224,713)	( 4,181,502)
Balance as of December 31, 2021	<u>P 15,629,029</u>	<u>P 1,209,493</u>	<u>P 16,838,522</u>

In 2020, two lease contracts were pre-terminated resulting in derecognition of right-of-use assets and lease liabilities with carrying values of P1.5 million and P1.7 million, respectively, and recognition of a gain on pre-termination of leases amounting to P0.2 million. The related gain is presented as part of Other income under Other Income (Charges) in the 2020 statement of profit or loss. There was no similar transaction in 2022 and 2021.

Further, in 2020, a lease contract was modified reducing the leased space from two warehouses to only one warehouse. This resulted in derecognition of right-of-use asset and lease liability with carrying values of P15.1 million and P16.0 million, respectively, and recognition of a gain on lease modification amounting to P0.9 million. The related gain is presented as part of Other income under Other Income (Charges) in the 2020 statement of profit or loss. There was no similar transaction in 2022 and 2021.

The depreciation expense relating to right-of-use assets is presented as part of Depreciation and amortization under the Other Operating Expenses in the statements of profit or loss (see Note 14).

## 12.2 Lease Liabilities

Total outstanding balance of lease liabilities as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current	<b>P 4,332,370</b>	P 3,571,012
Non-current	<b><u>13,088,724</u></b>	<u>15,666,756</u>
	<b><u>P 17,421,094</u></b>	<u>P 19,237,768</u>

The movements in the lease liabilities recognized in the statements of financial position as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	<b>P 19,237,768</b>	P 22,704,534
Additions	<b>2,183,007</b>	-
Repayments of lease liabilities	<b>( 5,384,929)</b>	( 5,004,435)
Interest accretion	<b><u>1,385,248</u></b>	<u>1,537,669</u>
Balance at end of year	<b><u>P 17,421,094</u></b>	<u>P 19,237,768</u>

The use of termination option to certain lease contracts gives the Company added flexibility in the event it has identified more suitable premises in terms of cost and/or location. The future cash outflows to which the Company is potentially exposed to that are not reflected in the measurement of lease liabilities represent the amount of remaining utility bills until clearance from the contract, other damages to the premises, and the security deposits and advance rentals to be forfeited (if any). An option is only exercised when consistent with the Company's business strategy and the economic benefits of exercising such option exceeds the expected overall cost.

As of December 31, 2022 and 2021, the Company has no commitments for leases entered into which had not commenced.

The undiscounted maturity analysis of lease liabilities as of December 31, 2022 and 2021 is as follows:

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
<b>2022:</b>							
Lease payments	P 5,478,533	P 3,164,183	P 2,600,504	P 2,584,677	P 2,713,911	P 5,065,966	P 21,607,774
Finance charges	( 1,146,163)	( 902,894)	( 746,163)	( 606,799)	( 448,761)	( 335,900)	( 4,186,680)
Net present values	<b><u>P 4,332,370</u></b>	<b><u>P 2,261,289</u></b>	<b><u>P 1,854,341</u></b>	<b><u>P 1,977,878</u></b>	<b><u>P 2,265,150</u></b>	<b><u>P 4,730,066</u></b>	<b><u>P 17,421,094</u></b>
<b>2021:</b>							
Lease payments	P 4,860,789	P 4,535,537	P 2,344,378	P 2,461,597	P 2,584,677	P 7,779,878	P 24,566,856
Finance charges	( 1,289,777)	( 1,040,033)	( 863,430)	( 744,387)	( 606,799)	( 784,662)	( 5,329,088)
Net present values	<b><u>P 3,571,012</u></b>	<b><u>P 3,495,504</u></b>	<b><u>P 1,480,948</u></b>	<b><u>P 1,717,210</u></b>	<b><u>P 1,977,878</u></b>	<b><u>P 6,995,216</u></b>	<b><u>P 19,237,768</u></b>

## 12.3 Lease Payments Not Recognized as Liabilities

The Company has elected not to recognize lease liability for short-term leases. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to short-term leases amounted to P0.9 million, P1.2 million and P1.5 million in 2022, 2021 and 2020, respectively, and is presented as Rentals under Other Operating Expenses in the statements of profit or loss (see Note 14).

#### **12.4 Additional Profit or Loss and Cash Flow Information**

The total cash outflow in respect of leases amounted to P5.4 million, P5.0 million and P6.7 million in 2022, 2021 and 2020, respectively. Interest expense in relation to lease liabilities amounted to P1.4 million, P1.5 million and P2.9 million in 2022, 2021 and 2020, respectively, and is presented as part of Finance costs - net under Other Income (Charges) in the statements of profit or loss.

### **13. COST OF GOODS SOLD**

The details of cost of goods sold are shown below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Finished goods at beginning of year	7	<b><u>P 336,984,581</u></b>	<u>P 269,619,491</u>	<u>P 270,227,337</u>
Cost of goods manufactured:				
Raw materials at beginning of year	7	<b>351,782,791</b>	187,587,769	211,011,861
Net purchases during the year		<b>1,096,261,992</b>	1,393,521,757	664,396,952
Direct labor	15.1	<b>23,939,088</b>	23,192,067	17,072,797
Manufacturing overhead	9, 10, 15.1	<b>102,396,253</b>	76,857,033	66,480,645
Raw materials at end of year	7	<b>( 328,211,873)</b>	( 351,782,791 )	( 187,587,769 )
Work-in-process at beginning of year	7	<b>176,730</b>	443,208	611,164
Work-in-process at end of year	7	<b>( 76,023)</b>	( 176,730 )	( 443,208 )
		<b><u>1,246,268,958</u></b>	<u>1,329,642,313</u>	<u>771,542,442</u>
Finished goods at end of year	7	<b>( 364,470,016)</b>	( 336,984,581 )	( 269,619,491 )
	14	<b><u>P 1,218,783,523</u></b>	<u>P 1,262,277,223</u>	<u>P 772,150,288</u>



#### 14. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2022	2021	2020
Materials used in production		<b>P 1,119,832,910</b>	P 1,229,326,735	P 687,821,044
Salaries and employee benefits	15.1	<b>139,502,186</b>	110,967,837	85,282,828
Utilities		<b>46,379,314</b>	34,386,085	25,446,649
Depreciation and amortization	9, 10, 12.1	<b>43,812,306</b>	42,157,189	42,261,701
Outside services		<b>35,852,689</b>	28,715,589	24,476,366
Changes in finished goods		<b>( 27,485,435)</b>	( 67,365,090)	607,846
Transportation and travel		<b>20,570,656</b>	11,868,923	8,221,023
Taxes and licenses		<b>11,978,197</b>	10,841,498	9,953,332
Repairs and maintenance		<b>10,931,493</b>	6,499,748	6,933,138
Advertising and promotions		<b>9,559,675</b>	4,793,675	4,369,438
Supplies		<b>9,114,833</b>	7,268,305	9,968,715
Professional fees	17.6	<b>8,262,273</b>	7,078,639	6,874,796
Delivery		<b>3,149,378</b>	5,977,403	9,903,219
Representation		<b>2,081,617</b>	1,699,407	1,561,833
Insurance		<b>1,431,531</b>	1,837,170	1,920,994
Rentals	12.3, 17.4	<b>862,174</b>	1,169,619	1,450,024
Changes in work-in-process		<b>100,707</b>	266,478	167,956
Impairment loss on trade receivables	6	<b>43,833</b>	1,292,709	2,175,306
Miscellaneous		<b>23,847,239</b>	13,593,117	14,424,619
		<b><u>P 1,459,827,576</u></b>	<b><u>P 1,452,375,036</u></b>	<b><u>P 943,820,827</u></b>

These expenses are classified in the statements of profit or loss as follows:

	Note	2022	2021	2020
Cost of goods sold	13	<b>P 1,218,783,523</b>	P 1,262,277,223	P 772,150,288
Other operating expenses		<b><u>241,044,053</u></b>	<u>190,097,813</u>	<u>171,670,539</u>
		<b><u>P 1,459,827,576</u></b>	<b><u>P 1,452,375,036</u></b>	<b><u>P 943,820,827</u></b>

#### 15. EMPLOYEE BENEFITS

##### 15.1 Salaries and Employee Benefits

Details of salaries and employee benefits are presented below.

	Notes	2022	2021	2020
Short-term employee benefits		<b>P 136,237,984</b>	P 112,714,037	P 80,827,929
Post-employment defined benefits expense (income)	15.2(b)	<b><u>3,264,202</u></b>	<u>( 1,746,200)</u>	<u>4,454,899</u>
	14	<b><u>P 139,502,186</u></b>	<b><u>P 110,967,837</u></b>	<b><u>P 85,282,828</u></b>

Salaries and employee benefits are allocated in the statements of profit or loss as follows:

	Notes	2022	2021	2020
Cost of goods sold	13	<b>P 26,679,496</b>	P 25,953,979	P 19,038,759
Other operating expenses		<b><u>112,822,690</u></b>	<u>85,013,858</u>	<u>66,244,069</u>
	14	<b><u>P 139,502,186</u></b>	<b><u>P 110,967,837</u></b>	<b><u>P 85,282,828</u></b>

## 15.2 Post-employment Defined Benefit Plan

### (a) Characteristics of Post-employment Defined Benefit Plan

The Company maintains a tax-qualified, partially funded and non-contributory post-employment defined benefit plan covering all regular full-time employees. The Company conforms with the minimum regulatory benefit of Republic Act (R.A.) 7641, *The Retirement Pay Law*, which is of a defined benefit type and provides for a lump sum retirement benefit equal to 22.5-day pay for every year of credited service. The normal retirement age is 60 with a minimum of five years of credited service. In 2021, the Company's BOD approved the amendment on the Company's post-employment defined benefit plan, which resulted in the recognition of past service cost in the same year. There was no similar amendment approved in 2022.

### (b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2022 and 2021. The amounts of post-employment defined benefit asset recognized in the statements of financial position are determined as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets	<b>P 35,235,264</b>	P 37,366,391
Present value of the obligation	<b>( 29,907,110)</b>	( 34,285,063)
	<b>5,328,154</b>	3,081,328
Effect of the asset ceiling	<b>( 657,021)</b>	( 144,772)
	<b><u>P 4,671,133</u></b>	<b><u>P 2,936,556</u></b>

The movements in the fair value of plan assets are presented below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	<b>P 37,366,391</b>	P 39,140,723
Interest income	<b>1,842,163</b>	1,542,190
Benefits paid	-	( 195,880)
Remeasurement loss on return on plan assets	<b>( 3,973,290)</b>	( 3,120,642)
Balance at end of year	<b><u>P 35,235,264</u></b>	<b><u>P 37,366,391</u></b>

The composition of the fair value of plan assets at the end of the reporting periods by category and risk characteristics is shown below.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	<b>P 395,907</b>	P 1,152,278
Debt securities:		
Philippine government bonds	<b>28,665,201</b>	29,341,797
Other bonds	<b>207,818</b>	-
Unit investment trust funds (UITF)	<b>5,629,191</b>	5,491,249
Others	<b><u>337,147</u></b>	<u>1,381,067</u>
	<b><u>P 35,235,264</u></b>	<b><u>P 37,366,391</u></b>

Others comprise of accrued interest receivables, other receivables and accrued expenses.

The fair value of debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). While UITF is classified as Level 2 on which the fair value was derived using the net asset value per unit (computed by dividing the net asset value of the fund by the number of outstanding units at the end of the reporting period), as published by banks and the Investment Company Association of the Philippines (see Note 23.1).

The movements in the effect of the asset ceiling are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	<b>P 144,772</b>	P -
Remeasurement loss	<b>505,112</b>	144,772
Interest cost	<u>7,137</u>	<u>-</u>
Balance at end of year	<b><u>P 657,021</u></b>	<b><u>P 144,772</u></b>

The movements in the present value of the post-employment defined benefit obligation recognized in the books are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	<b>P 34,285,063</b>	P 39,189,579
Current service cost	<b>3,264,202</b>	3,158,316
Interest cost	<b>1,690,254</b>	1,547,988
Past service cost	-	( 4,904,516)
Benefits paid	-	( 195,880)
Remeasurements –		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	( 9,039,371)	1,615,090
Experience adjustments	( 293,797)	( 6,152,254)
Changes in demographic assumptions	<u>759</u>	<u>26,740</u>
Balance at end of year	<b><u>P 29,907,110</u></b>	<b><u>P 34,285,063</u></b>

The components of amounts recognized in profit or loss and in other comprehensive income or loss in respect of the defined benefit post-employment plan are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Recognized in profit or loss:</i>			
Current service cost	<b>P 3,264,202</b>	P 3,158,316	P 4,454,899
Net interest expense (income)	( 144,772)	5,798	540,734
Past service cost	<u>-</u>	<u>( 4,904,516)</u>	<u>-</u>
	<b><u>P 3,119,430</u></b>	<b><u>(P 1,740,402)</u></b>	<b><u>P 4,995,633</u></b>

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Recognized in other comprehensive income or loss:</i>			
Actuarial losses (gains) arising from:			
Changes in financial assumptions	(P 9,039,371)	P 1,615,090	(P 910,562)
Experience adjustments	( 293,797)	( 6,152,254)	( 7,667,103)
Changes in demographic assumptions	759	26,740	-
Remeasurement losses (gains) arising from:			
Plan assets	3,973,290	3,120,642	( 610,588)
Changes in the effect of the asset ceiling	<u>505,112</u>	<u>144,772</u>	<u>-</u>
	<u>(P 4,854,007)</u>	<u>(P 1,245,010)</u>	<u>(P 9,188,253)</u>

The current service cost and past service cost are included as part of Salaries and employee benefits under Cost of Goods Sold and Other Operating Expenses in the statements of profit or loss (see Notes 13 and 14).

The net interest income (expense) is included as part of Finance costs - net under Other Income (Charges) in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the post-employment benefit obligation, the following significant assumptions were used:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Discount rate	7.22%	4.93%	3.95%
Salary increase rate	4.00%	5.00%	3.50%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 in 2022 and 2021 is 23.6 years and 24.3 years, respectively. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds, with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and other assets and if the return on plan assets falls below this rate, it will create a deficit in the plan.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Company's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the post-employment defined benefit plan are described below and in the succeeding page.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation as of December 31, 2022 and 2021:

	Impact on Post-Employment Defined Benefit Obligation		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<b><u>December 31, 2022</u></b>			
Discount rate	+/- 1.0%	(P 1,776,503)	P 2,148,913
Salary growth rate	+/- 1.0%	2,199,008	( 1,842,512)
<b><u>December 31, 2021</u></b>			
Discount rate	+/- 1.0%	(P 2,925,021)	P 3,608,489
Salary growth rate	+/- 1.0%	3,568,065	( 2,948,571)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

The retirement plan trustee has no specific matching strategy between the plan assets and the plan liabilities.

A large portion of the plan assets as of December 31, 2022 and 2021 consists of debt securities and readily available cash and cash equivalents, pending placement in investments with balanced risks and rewards optimization. The Company also has UTF for liquidity purposes.

There has been no change in the Company's strategies to manage its risks from previous periods.

*(iii) Funding Arrangements and Expected Contributions*

The plan is currently overfunded by P5.3 million based on the latest actuarial valuation.

The Company has yet to decide the amount of contribution to the retirement plan for the succeeding year.

The Company is not required to pre-fund the future defined benefits payable under the plan assets before they become due. For this reason, the amount and timing of contributions to the plan assets are at the Company's discretion. However, in the event a benefit claim arises and the plan assets are insufficient to pay the claim, the shortfall will be due, demandable and payable from the Company to the plan assets. The maturity profile of undiscounted expected benefit payments from the plan within the next ten years follow:

	<u>2022</u>	<u>2021</u>
Within one year to five years	<b>P 18,776,936</b>	P 16,255,787
More than five years to ten years	<u><b>8,216,857</b></u>	<u>8,346,564</u>
	<u><b>P 26,993,793</b></u>	<u>P 24,602,351</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 6.6 years.

## 16. CURRENT AND DEFERRED TAXES

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and has been effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Company:

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense was reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return of the Company, is lower by P4.3 million than the amount presented in the 2020 financial statements and such amount was charged to 2021 profit or loss.

Also, in 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to 25%. This resulted in a net decrease in the recognized deferred tax liabilities in 2020 by P8.3 million and such was recognized as addition in the 2021 profit or loss amounting to P1.1 million and reduction in the 2021 other comprehensive income amounting to P9.4 million.

The components of tax expense as reported in profit or loss and other comprehensive income follow:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
RCIT at 25% in 2022 and 2021 and 30% in 2020	<b>P 78,546,963</b>	P 73,922,178	P 52,114,118
Final tax at 20% and 15%	<b>27,021</b>	32,576	68,030
Effect of the change in income tax rate	<u>-</u>	<u>( 4,342,844)</u>	<u>-</u>
	<b><u>78,573,984</u></b>	<u>69,611,910</u>	<u>52,182,148</u>
Deferred tax expense (income) arising from:			
Origination and reversal of temporary differences	<b>( 1,157,874)</b>	556,163	( 139,192)
Effect of the change in income tax rate	<u>-</u>	<u>1,110,773</u>	<u>-</u>
	<b><u>( 1,157,874)</u></b>	<u>1,666,936</u>	<u>( 139,192)</u>
	<b><u>P 77,416,110</u></b>	<u>P 71,278,846</u>	<u>P 52,042,956</u>
<i>Reported in other comprehensive income –</i>			
Deferred tax expense arising from:			
Revaluation increment on land and remeasurements of post-employment defined benefit plan	<b>P 1,213,502</b>	P 30,086,978	P 2,756,476
Effect of the change in income tax rate	<u>-</u>	<u>( 9,392,094)</u>	<u>-</u>
	<b><u>P 1,213,502</u></b>	<u>P 20,694,884</u>	<u>P 2,756,476</u>

A reconciliation of tax on pre-tax profit computed at the applicable statutory rates to tax expense reported in profit or loss follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Tax on pre-tax profit at 25% in 2022 and 2021 and 30% in 2020	<b>P 76,579,105</b>	P 73,896,251	P 51,987,614
Tax effects of non-deductible expenses	<b>843,800</b>	622,978	94,596
Adjustment for income subjected to lower tax rates	<b>( 6,795)</b>	( 8,312)	( 39,254)
Effect of the change in income tax rate	<u>-</u>	<u>( 3,232,071)</u>	<u>-</u>
Tax expense reported in profit or loss	<b><u>P 77,416,110</u></b>	<u>P 71,278,846</u>	<u>P 52,042,956</u>

The net deferred tax liabilities relate to the following as of December 31:

		<b>Statements of Financial Position</b>	
		<b>2022</b>	<b>2021</b>
Deferred tax assets:			
Impairment loss on trade and other receivables	P	4,067,196	P 4,067,196
Effect of PFRS 16		745,679	680,811
Unamortized past service cost		<u>470,795</u>	<u>787,888</u>
		<b><u>5,283,670</u></b>	<b><u>5,535,895</u></b>
Deferred tax liabilities:			
Revaluation increment on land	(	75,877,163)	( 75,877,163)
Post-employment defined benefit asset	(	1,167,783)	( 734,139)
Unrealized foreign currency gains - net	(	<u>344,098</u>	( <u>974,339</u> )
		<b><u>77,389,044</u></b>	<b><u>77,585,641</u></b>
Net Deferred Tax Liabilities	(P	<b><u>72,105,374</u></b>	(P <u>72,049,746</u> )

		<b>Statements of Profit or Loss and Statements of Comprehensive Income</b>					
		<b>Profit or Loss</b>			<b>Other Comprehensive Income</b>		
		<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Deferred tax assets:							
Unamortized past service cost	P	317,093	P 606,436	P 448,857	P -	P -	P -
Effect of PFRS 16	(	64,868)	( 78,258)	( 280,135)	-	-	-
Post-employment defined benefit obligation	-	-	1,045,497	( 7,399)	-	( 1,030,840)	2,756,476
Impairment loss on trade and other receivables	-	-	425,626	( 652,592)	-	-	-
Unrealized foreign currency losses - net	-	-	-	195,520	-	-	-
		<b><u>252,225</u></b>	<b><u>1,999,301</u></b>	<b><u>( 1,009,749)</u></b>	<b><u>-</u></b>	<b><u>( 1,030,840)</u></b>	<b><u>2,756,476</u></b>
Deferred tax liabilities:							
Post-employment defined benefit asset	(	779,858)	( 436,147)	-	1,213,502	1,170,286	-
Unrealized foreign currency gains - net	(	630,241)	103,782	870,557	-	-	-
Revaluation increment on land	-	-	-	-	-	20,555,438	-
		<b><u>( 1,410,099)</u></b>	<b><u>( 332,365)</u></b>	<b><u>870,557</u></b>	<b><u>1,213,502</u></b>	<b><u>21,725,724</u></b>	<b><u>-</u></b>
Net Deferred Tax Expense (Income)	(P	<b><u>1,157,874</u></b>	P <u>1,666,936</u>	(P <u>139,192</u> )	P <u>1,213,502</u>	P <u>20,694,884</u>	P <u>2,756,476</u>

The Company is subject to MCIT which is computed at 1% in 2022 and 2021, and 2% in 2020 of gross income net of allowable deductions, as defined under the tax regulations, or to RCIT, whichever is higher. No MCIT was recognized in 2022, 2021 and 2020 as the RCIT was higher than MCIT in those years.

In 2022, 2021 and 2020, the Company claimed itemized deductions in computing for its income tax due.



## 17. RELATED PARTY TRANSACTIONS

The Company's related parties include entities under common ownership, stockholders and key management personnel as described below.

The summary of the Company's transactions with its related parties for the years ended December 31, 2022, 2021 and 2020 and the outstanding balances as of December 31, 2022 and 2021 are as follows:

		Amounts of Transactions		
	Note	2022	2021	2020
<b>Related Parties Under Common Ownership:</b>				
Sale of goods (sales return) - net	17.1	(P 3,820,995)	P 23,993,440	P 25,138,418
Purchase of goods and services	17.2	111,003,901	103,143,913	58,032,825
Advances granted	17.3	10,274	1,784	1,710
Sale of machinery and equipment	17.3	851,105	20,729,566	-
Lease of properties	17.4	540,000	840,089	421,071
Right-of-use asset	17.4	2,183,007	-	( 1,504,018 )
Lease liabilities	17.4	( 623,337 )	1,434,873	3,061,052
Depreciation	17.4	1,302,364	1,224,713	1,293,739
Interest expense	17.4	163,659	148,732	234,980
Gain on pre-termination of leases	17.4	-	-	149,694
Security deposit	17.4	20,679	19,654	( 146,926 )
Consultation services	17.6	-	1,364,909	867,500
<b>Stockholder –</b>				
Write-off of advances obtained	17.3	-	46,057	-
<b>Key Management Personnel –</b>				
Compensation	17.5	79,110,392	47,203,746	45,698,751
		<b>Outstanding Balances</b>		
	Note	2022	2021	
<b>Related Parties Under Common Ownership:</b>				
Sale of goods	17.1	P 130,401	P 6,008,239	
Purchase of goods and services	17.2	( 104,163 )	( 1,873,088 )	
Advances granted	17.3	19,792	3,104,232	
Right-of-use assets	17.4	2,090,136	1,209,493	
Lease liabilities	17.4	( 2,329,233 )	( 1,542,237 )	
Security deposit	17.4	299,111	278,432	

The Company's outstanding receivables with related parties were subjected to impairment using the requirements of PFRS 9. These receivables have substantially the same risk characteristics as the trade receivables. As such, the expected loss rates for trade receivables are a reasonable approximation of the loss rates for receivables from related parties. There were no impairment losses recognized for these receivables from related parties in 2022, 2021 and 2020 [see Note 21.2(b)].

### 17.1 Sale of Goods

The Company sells finished goods to related parties under common ownership. Goods are sold on the basis of the price lists in force and terms that would be available to non-related parties. The outstanding receivables from sale of goods, which are generally noninterest-bearing, unsecured and settled through cash within three to six months, are presented as part of Trade receivables under Trade and Other Receivables in the statements of financial position (see Note 6).

### ***17.2 Purchase of Goods and Services***

Goods and services are purchased on the basis of the price lists in force with non-related parties. The related outstanding payables for goods and services purchased in 2022 and 2021 are presented as part of Trade payables under Trade and Other Payables in the statements of financial position (see Note 11.1). The outstanding payables from purchase of goods and services are generally noninterest-bearing, unsecured and settled through cash within three months.

The Company acquires the services of Husky Plastics Corporation (Husky), a related party under common ownership, for the conversion of its pipe fittings. The Company provides its own raw materials to Husky for processing into finished goods. Once the processing is completed, the Company records the amount incurred for the services of Husky as part of the finished goods based on the billings received. The basis of the price charged to the Company is in line with Husky's prevailing market rates. The related outstanding payables for these services from Husky as of December 31, 2022 and 2021 are presented as part of Trade payables under Trade and Other Payables in the statements of financial position (see Note 11.1). The outstanding payables from purchase of services are generally noninterest-bearing, unsecured and settled through cash within three months.

### ***17.3 Advances to/from Related Parties***

The Company grants/obtains unsecured, noninterest-bearing advances to/from its related parties under common ownership and certain stockholders. These advances are repayable either in cash or through offsetting. The outstanding balance of receivable from related party advances is presented as part of Other receivables under Trade and Other Receivables in the statements of financial position (see Note 6).

In 2022, the Company sold certain machinery and equipment with a carrying amount of P0.8 million to a related party for P0.9 million. The recognized gain on this disposal amounting to P0.01 million is presented as part of Other income under Other Income (Charges) in the 2022 statement of profit or loss (see Note 9). There was no outstanding balance arising from this transaction as of December 31, 2022.

Further, in 2021, the Company purchased certain machinery and equipment amounting to P20.1 million, which was directly paid to the supplier by a related party in favor of the Company. The same machinery and equipment were subsequently disposed of and sold directly to the same related party for P20.7 million (see Note 9), recognizing a gain on disposal of machinery and equipment amounting to P0.6 million, which was presented as part of Other income under Other Income (Charges) in the 2021 statement of profit or loss. The outstanding advances amounting to P20.1 million were applied against the Company's receivable from the sale of such asset. The outstanding balance of receivable arising from this transaction, which is generally noninterest-bearing, unsecured and settled in cash or through offsetting, is presented as part of Other receivables under Trade and Other Receivables in the 2021 statement of financial position (see Note 6). The related receivable was collected in 2022.

Also, in 2021, the Company directly wrote-off the outstanding balance of payable to a stockholder as of December 31, 2020 as such is no longer to be paid. The amount directly written-off representing a gain on derecognition of a financial liability is presented as part of Other income under Other Income (Charges) in the 2021 statement of profit or loss.

#### **17.4 Lease of Properties**

The Company entered into lease contracts with a related party under common ownership covering its office spaces and warehouse with lease terms ranging from two to five years. In 2022, two lease contracts were renewed resulting in the additional right-of-use assets and lease liabilities recognized amounting to both P2.2 million.

In 2020, two lease contracts were pre-terminated resulting in derecognition of right-of-use assets and lease liabilities with carrying values of P1.5 million and P1.7 million, respectively, and recognition of a gain on pre-termination of leases amounting to P0.2 million (see Note 12.1). The Company incurred depreciation expense amounting to P1.3 million, P1.2 million and P1.3 million in 2022, 2021 and 2020, respectively. The Company also incurred interest expense amounting to P0.2 million, P0.1 million and P0.2 million in 2022, 2021 and 2020, respectively. The depreciation expense and interest expense incurred were recognized in the statements of profit or loss (see Note 14).

The related deposit as of December 31, 2022 and 2021, which is refundable at the termination of the lease term, is presented as part of Security deposits under Other Non-current Assets in the statements of financial position (see Note 10).

Further, the Company incurred rental expense for short-term vehicle leases with a related party under common ownership amounting to P0.5 million, P0.8 million and P0.4 million, in 2022, 2021 and 2020, respectively, and is shown as part of Rentals under Other Operating Expenses in the statements of profit or loss (see Note 14).

#### **17.5 Key Management Personnel Compensation**

The total compensation of key management personnel, which include all managers and executives, is shown below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Short-term benefits	<b>P 76,722,226</b>	P 48,299,902	P 42,258,618
Post-employment defined benefits expense (income)	<u><b>2,388,166</b></u> ( <u>1,096,156</u> )	<u>3,440,133</u>	<u>3,440,133</u>
	<u><b>P 79,110,392</b></u>	<u>P 47,203,746</u>	<u>P 45,698,751</u>

There was no outstanding balance arising from key management personnel compensation as of December 31, 2022 and 2021.

#### **17.6 Others**

The Company entered into a consulting service agreement with a stockholder relating to employee trainings amounting to P1.4 million and P0.9 million in 2021 and 2020, respectively, which are shown as part of Professional fees under Other Operating Expenses in the 2021 and 2020 statements of profit or loss (see Note 14). There was no similar transaction in 2022.

The Company's retirement fund for its post-employment benefit plan is administered and managed by a trustee bank. The retirement fund neither provides any guarantee or surety for any obligation of the Company nor its investments covered by any restrictions or liens. The fair value of the plan assets and the composition of the plan assets as of December 31, 2022 and 2021 are shown in Note 15.2.

## 18. EQUITY

### *18.1 Capital Stock*

The Company's authorized capital stock is 1,300,000,000 shares at P1.00 par value per share. The issued and outstanding capital stock as of December 31, 2022 and 2021 consisted of 630,800,000 shares equivalent to P630.8 million.

On September 5, 2014, the BOD and the stockholders approved the Company's application for the registration of 630.8 million of its common shares with the SEC and apply for the listing thereof in the PSE. The BOD's approval covered the planned initial public offering of 158.0 million unissued common shares of the Company at an offer price of P1.41 per share. The Company's shares were listed in the PSE on April 27, 2015 (see Note 1.1).

As of December 31, 2022, the Company's number of shares registered totaled 630,800,000 with par value of P1.00 per share and closed at a price of P1.55. The total number of stockholders is 66 and 59 as of December 31, 2022 and 2021, respectively. The public float lodged with Philippine Central Depository Nominee Corporation is counted only as one stockholder.

### *18.2 Additional Paid-in Capital*

Additional paid-in capital consists of P52.3 million from the initial public offering in 2015, net of P12.5 million stock issuance costs incurred such as underwriting fees and commissions, taxes and filing fees (see Note 1.1).

### *18.3 Retained Earnings*

The information of cash dividends, which are all regular dividends, are summarized below.

<u>Date of Declaration</u>	<u>Date of Record</u>	<u>Date of Payment</u>	<u>Amount</u>	<u>Dividends per share</u>
March 9, 2022	June 28, 2022	July 19, 2022	P 30,531,950	P 0.05
March 9, 2022	March 25, 2022	April 19, 2022	P 30,531,950	P 0.05
May 7, 2021	May 25, 2021	June 15, 2021	P 13,739,378	P 0.0225
March 29, 2020	June 26, 2020	July 22, 2020	P 24,443,639	P 0.04

As at December 31, 2022, the Company's unappropriated retained earnings exceeded its paid-in capital due to the net profit realized in 2022. Subsequent to the reporting period, on March 9, 2023, the Company's BOD approved the appropriation of P150.0 million and P70.0 million from the unrestricted retained earnings as of December 31, 2022, to fund the acquisition of real property and machinery, respectively, within the next two years (see Note 25).

### *18.4 Share Buyback Program*

On December 5, 2018, the Company's BOD approved the adoption of a Share Buyback Program (SBP) whereby the Company is authorized to reacquire its capital stock from the public for an aggregate acquisition price of P100.0 million. As of December 31, 2022 and 2021, the cumulative number of shares repurchased consists of 20,161,000 treasury shares aggregating to an acquisition cost of P41.1 million. The SBP has already concluded on December 5, 2020.

### 18.5 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statements of changes in equity under Revaluation Reserves account, are shown below.

	Revaluation Increment on Land (see Note 9)	Actuarial Gain or Loss on Post-employment Benefit Plan (see Note 15.2)	Total
Balance as of January 1, 2022	P 227,631,489	P 3,510,858	P 231,142,347
Remeasurements of post-employment defined benefit plan	-	4,854,007	4,854,007
Tax expense	-	( 1,213,502 )	( 1,213,502 )
Balance as of December 31, 2022	<b><u>P 227,631,489</u></b>	<b><u>P 7,151,363</u></b>	<b><u>P 234,782,852</u></b>
Balance as of January 1, 2021	P 129,084,027	P 2,405,294	P 131,489,321
Revaluation increment on land	119,102,900	-	119,102,900
Remeasurements of post-employment defined benefit plan	-	1,245,010	1,245,010
Tax expense (including effect of change in income tax rate)	( 20,555,438 )	( 139,446 )	( 20,694,884 )
Balance as of December 31, 2021	<b><u>P 227,631,489</u></b>	<b><u>P 3,510,858</u></b>	<b><u>P 231,142,347</u></b>
Balance as of January 1, 2020	P 129,084,027	(P 4,026,483 )	P 125,057,544
Remeasurements of post-employment defined benefit plan	-	9,188,253	9,188,253
Tax expense	-	( 2,756,476 )	( 2,756,476 )
Balance as of December 31, 2020	<b><u>P 129,084,027</u></b>	<b><u>P 2,405,294</u></b>	<b><u>P 131,489,321</u></b>

## 19. EARNINGS PER SHARE

Basic and diluted EPS is computed as follows:

	2022	2021	2020
Net profit	<b>P 228,900,310</b>	P 224,306,159	P 121,249,089
Divided by weighted average number of outstanding common shares (considering the effect of treasury shares)	<b><u>610,639,000</u></b>	<u>610,639,000</u>	<u>611,075,083</u>
Basic and diluted EPS	<b><u>P 0.37</u></b>	<u>P 0.37</u>	<u>P 0.20</u>

The Company does not have dilutive potential common shares outstanding as of December 31, 2022, 2021 and 2020; hence, diluted EPS is equal to the basic EPS.

## 20. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company:

### 20.1 Unused Credit Lines

The Company has P420.0 million of unused credit lines of the approved Omnibus Line of Credit from local banks granted as of December 31, 2022 and 2021.

## **20.2 Capital Commitments**

As of December 31, 2022 and 2021, the Company has commitments amounting to P2.3 million and P4.6 million, respectively, for the acquisition of certain transportation equipment and motor vehicles, which are mortgaged to the banks (see Notes 9 and 11.2).

## **20.3 Others**

There are other commitments and contingent liabilities that arise in the normal course of the Company's operations which are not reflected in the financial statements. As of December 31, 2022 and 2021, management and its legal counsel are of the opinion that losses, if any, from these items will not have a material effect on the Company's financial statements.

# **21. RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company is exposed to a variety of financial risks in relation to financial instruments. The Company's financial assets and financial liabilities by category are summarized in Note 22. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated by its BOD, and focuses on actively securing the Company's closely short-to-medium term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below and in the succeeding pages.

## **21.1 Market Risk**

The Company is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from both its operating, investing and financing activities.

### **(a) Foreign Currency Risk**

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Company's overseas sales and purchases, which are primarily denominated in United States (U.S.) dollars. The Company also holds U.S. dollar-denominated cash and cash equivalents.

To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets, translated into Philippine pesos at the closing rate, amounted to P43.7 million and P87.4 million as of December 31, 2022 and 2021, respectively.

The sensitivity of the Company's profit before tax is based on the Company's financial assets denominated in U.S. dollars and the U.S. dollar – Philippine peso exchange rate. It assumes a +/- 15.77% and +/- 11.30% change of the Philippine peso/ U.S. dollar exchange rate for the years ended December 31, 2022 and 2021, respectively.

These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99% confidence level. The sensitivity analysis is based on the Company's foreign currency financial instruments held at the end of each reporting period.

If the Philippine peso had strengthened against the U.S. dollar by 15.77% and 11.30% at December 31, 2022 and 2021, profit before tax for the years ended December 31, 2022 and 2021 would have decreased by P6.9 million and P9.9 million, respectively. Conversely, if the Philippine peso had weakened against the U.S. dollar by the same percentages at December 31, 2022 and 2021, profit before tax for the years ended December 31, 2022 and 2021 would have increased by the same amounts.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Company's currency risk.

Unrealized foreign currency exchange gains - net amounts to P1.4 million in 2022, P3.9 million in 2021, and P2.9 million in 2020. These are presented as part of Foreign currency gains - net in the statements of profit or loss.

*(b) Interest Rate Risk*

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually made at fixed rates. At December 31, 2022 and 2021, the Company is exposed to changes in market interest rates through its cash and cash equivalents, which are subject to variable interest rates (see Note 5). All other financial assets and liabilities have fixed rates.

The table below illustrates the sensitivity of the Company's profit before tax and equity to a reasonably possible change in interest rates of +/- 1.40% and +/- 1.50% in 2022 and 2021, respectively. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	<u>Increase</u>		<u>Decrease</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>1.40%</u>	<u>1.50%</u>	<u>1.40%</u>	<u>1.50%</u>
Effect in profit before tax	P 3,627,848	P 1,633,013	(P 3,627,848)	(P 1,633,013)
Effect in equity	2,720,886	1,224,760	( 2,720,886)	( 1,224,760)

**21.2 Credit Risk**

Credit risk is the risk that counterparty may fail to discharge an obligation to the Company. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position (or in the detailed analysis provided in the notes to financial statements), as summarized below.

	Notes	2022	2021
Cash and cash equivalents	5	<b>P 255,027,375</b>	P 108,633,691
Trade receivables - net	6	<b>280,732,283</b>	318,695,624
Security deposits	10	<b>3,472,104</b>	3,317,864
Other current assets*	8	<b><u>4,104,651</u></b>	<u>-</u>
		<b><u>P 543,336,413</u></b>	<b><u>P 430,647,179</u></b>

*\*Pertains to short-term placement presented under Prepayments and Other Current Assets account*

None of the financial assets are secured by collateral or other credit enhancements except for cash and cash equivalents, other short-term placement and certain trade receivables with entrusted and on hand post-dated checks issued by the customers (see Note 6).

*(a) Cash and Cash Equivalents and Other Short-term Placement*

The credit risk for cash and cash equivalents and other short-term placement are considered negligible, since bank deposits are only maintained with reputable financial institutions, as a matter of Company's policy. Included in cash and cash equivalents and other short-term placement are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

*(b) Trade and Other Receivables*

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Company also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The expected loss rates are based on the payment and aging profiles over a period of 36 months before December 31, 2022 and 2021, respectively, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified that the inflation rate in 2022 and the government spending 2021 were the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Company identifies a default when the receivables become credit impaired or when the customer has not able to settle the receivables within the normal credit terms of 30 to 90 days, depending on the terms with customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Company considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.



The loss allowance for trade receivables as at December 31, 2022 and 2021 both amounted to P16.3 million, which was determined based on months past due of more than three months but not more than four months, and more than four months aging buckets with expected loss rate of 100.00% during the reporting periods.

(c) *Security Deposits*

With respect to refundable security deposits, management assessed that these financial assets have low probability of default since the Company has utility contract and operating lease contracts as lessee with the counterparties. The Company can apply such deposits to future payments in case it defaults.

**21.3 Liquidity Risk**

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments, if any, for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities (see Note 21.2). As at December 31, the Company's financial liabilities (except lease liabilities – see Note 12.2) have contractual maturities which are presented below.

2022					
Current			Non-current		
Within Six Months		Six to 12 Months		One to Five Years	
Trade and other payables (except Advances from customers and tax-related payables)	P 163,121,339	P -	P -		
Mortgage payables	<u>1,224,318</u>	<u>870,712</u>		<u>342,944</u>	
	<b><u>P 164,345,657</u></b>	<b><u>P 870,712</u></b>		<b><u>P 342,944</u></b>	
2021					
Current			Non-current		
Within Six Months		Six to 12 Months		One to Five Years	
Trade and other payables (except Advances from customers and tax-related payables)	P 274,695,982	P -	P -		
Mortgage payables	<u>1,283,542</u>	<u>1,253,930</u>		<u>2,437,974</u>	
	<b><u>P 275,979,524</u></b>	<b><u>P 1,253,930</u></b>		<b><u>P 2,437,974</u></b>	

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of the reporting periods.

## 22. CATEGORIES AND OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 22.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position at amortized cost are shown below.

		2022		2021	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Assets</b>					
Financial assets at amortized cost:					
Cash and cash equivalents	5	P 255,027,375	P 255,027,375	P 108,633,691	P 108,633,691
Short-term placement	8	4,104,651	4,104,651	-	-
Trade and other receivables - net	6	280,732,283	280,732,283	318,695,624	318,695,624
Security deposits	10	<u>3,472,104</u>	<u>3,472,104</u>	<u>3,317,864</u>	<u>3,317,864</u>
		<u>P 543,336,413</u>	<u>P 543,336,413</u>	<u>P 430,647,179</u>	<u>P 430,647,179</u>
<b>Financial Liabilities</b>					
Financial liabilities at amortized cost:					
Trade and other payables (except Advances from customers and tax-related payables)	11.1	P 163,121,339	P 163,121,339	P 274,695,982	P 274,695,982
Lease liabilities	12.2	17,421,094	17,421,094	19,237,768	19,237,768
Mortgage payables	11.2	<u>2,318,305</u>	<u>2,318,305</u>	<u>4,562,948</u>	<u>4,562,948</u>
		<u>P 182,860,738</u>	<u>P 182,860,738</u>	<u>P 298,496,698</u>	<u>P 298,496,698</u>

The Company's management considers that the carrying values of the foregoing financial assets and financial liabilities approximate their fair values either because these instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material.

See Note 2.5 for a description of the accounting policies for each category of financial instruments. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 21.

### 22.2 Offsetting Financial Assets and Financial Liabilities

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Company and counterparties (i.e., related parties) allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis (see Note 17). In the absence of such an election, financial assets and liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

By default, the Company does not elect to settle financial assets and financial liabilities with counterparties through offsetting. Gross settlement is generally practiced.

## 23. FAIR VALUE MEASUREMENTS AND DISCLOSURES

### 23.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

The Company has no financial assets or financial liabilities measured at fair values.

### 23.2 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed (see Note 22.1).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>December 31, 2022</u></b>				
<i>Financial assets:</i>				
Cash and cash equivalents	P255,027,375	P -	P -	P 255,027,375
Short-term placement	4,104,651	-	-	4,104,651
Trade receivables - net	-	-	280,732,283	280,732,283
Security deposits	-	-	3,472,104	3,472,104
	<b><u>P259,132,026</u></b>	<b><u>P -</u></b>	<b><u>P284,204,387</u></b>	<b><u>P 543,336,413</u></b>
<i>Financial liabilities:</i>				
Trade and other payables	P -	P -	P 163,121,339	P 163,121,339
Lease liabilities	-	-	17,421,094	17,421,094
Mortgage payables	-	-	2,318,305	2,318,305
	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 182,860,738</u></b>	<b><u>P182,860,738</u></b>
<b><u>December 31, 2021</u></b>				
<i>Financial assets:</i>				
Cash and cash equivalents	P108,633,691	P -	P -	P 108,633,691
Trade receivables - net	-	-	318,695,624	318,695,624
Security deposits	-	-	3,317,864	3,317,864
	<b><u>P108,633,691</u></b>	<b><u>P -</u></b>	<b><u>P322,013,488</u></b>	<b><u>P 430,647,179</u></b>
<i>Financial liabilities:</i>				
Trade and other payables	P -	P -	P 274,695,982	P 274,695,982
Lease liabilities	-	-	19,237,768	19,237,768
Mortgage payables	-	-	4,562,948	4,562,948
	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 298,496,698</u></b>	<b><u>P298,496,698</u></b>

### 23.3 Fair Value Measurement for Non-financial Assets

The fair value of the Company's land amounting to P447.9 million and P446.6 million as of December 31, 2022 and 2021, respectively, is classified under Level 3 in the fair value hierarchy (see Note 9). The Level 3 fair value of land was derived using market comparable approach that reflects recent transaction prices for similar properties in nearby locations, adjusted for key attributes such as property size, age, condition and accessibility of the land. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

There has been no change to the valuation techniques used by the Company during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2022 and 2021.

## 24. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to stockholders by pricing products and services commensurate with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total liabilities	<b>P 315,568,274</b>	P 412,728,414	P 358,043,348
Total equity	<b><u>1,760,357,646</u></b>	<u>1,588,880,731</u>	<u>1,278,660,924</u>
Debt-to-equity ratio	<b><u>0.18 : 1.00</u></b>	<u>0.26 : 1.00</u>	<u>0.28 : 1.00</u>

There were no internally and externally imposed capital requirements to be complied with as of December 31, 2022 and 2021.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to stockholders, issue new shares or sell assets to reduce debt.

## 25. EVENTS AFTER THE END OF THE REPORTING PERIOD

On March 9, 2023, the Company's BOD approved the declaration of cash dividends from the unrestricted retained earnings as of December 31, 2022 amounting to P0.05 per share and P0.04 per share, which are to be paid on May 3, 2023 and September 25, 2023, respectively.

On the same date, the Company's BOD also approved the appropriation of P150.0 million and P70.0 million from the unrestricted retained earnings as of December 31, 2022, to fund the acquisition of real property and machinery, respectively, within the next two years (see Note 18.3).

## 26. SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR

Presented in the succeeding pages is the supplementary information which is required by the BIR under Revenue Regulations (RR) No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No.15-2010 are presented below and in the succeeding pages.

(a) *Output VAT*

In 2022, the Company declared output VAT as follows:

	<u>Tax Base</u>	<u>Output VAT</u>
Sale of goods:		
Taxable sales	P1,460,795,565	P 175,295,468
Zero-rated sales	<u>300,870,805</u>	<u>-</u>
	<u>P1,761,666,370</u>	<u>P 175,295,468</u>

The Company's zero-rated receipts from sale of goods were determined pursuant to Section 106 (A), *VAT on Sale of Goods or Properties*, of the National Internal Revenue Code of 1997, as amended.

The tax bases are included as part of Revenues and Other Income (Charges) in the 2022 statement of profit or loss.

(b) *Input VAT*

The movements in input VAT in 2022 are presented below.

Balance at beginning of year	P 136,029,155
Goods other than capital goods	82,683,226
VAT on importation of goods	39,867,979
Services lodged under other accounts	24,686,549
Capital goods not subject to amortization	170,957
Change in deferred input VAT	220,879
Applied against output VAT	( <u>175,295,468</u> )
Balance at end of year	<u>P 108,363,277</u>

The outstanding balance of input VAT is presented under Prepayments and Other Current Assets in the 2022 statement of financial position.

Deferred input VAT amounting to P 4,498,320 pertains to the unamortized input VAT on previous years' purchases of capital goods exceeding P1.0 million. Prior to January 1, 2022, deferred input VAT is amortized and credited against output tax evenly over 60 months or the life of the asset, whichever is shorter. The outstanding balance is presented as part of Other Non-current Assets in the 2022 statement of financial position.

(c) *Taxes on Importation*

In 2022, the total landed cost of the Company's importations for use in business amounted to P332,246,747. This also includes customs duties and tariff fees totalling to P3,365,839 which are capitalized as part of the cost of the raw materials inventory and machineries, factory and other equipment.

(d) *Excise Tax*

The Company paid P406,060 for excise taxes during the year for the importation of lubricants.

(e) *Documentary Stamp Tax*

Documentary stamp taxes (DST) paid and accrued in 2022 is presented below.

Bank transactions	P 1,875,237
Others	<u>177,862</u>
	<u>P 2,053,099</u>

(f) *Taxes and Licenses*

The composition of Taxes and licenses in 2022 is shown below.

Registration and license fees	P 6,522,669
Real property tax	2,814,675
DST	2,053,099
Residence tax	28,689
Miscellaneous	<u>559,065</u>
	<u>P 11,978,197</u>

The amount of Taxes and licenses is presented as part of Other Operating Expenses in the 2022 statement of profit or loss.

(g) *Withholding Taxes*

The details of total withholding taxes in 2022 are shown below.

Compensation and benefits	P 19,264,345
Expanded	11,625,496
Final tax on dividends	<u>5,795,096</u>
	<u>P 36,684,937</u>

(b) *Deficiency Tax Assessments*

In 2022, the Company received final deficiency tax assessments for the taxable year 2021, which remains unpaid as of December 31, 2022. The related payable amounting to P1.1 million, which is presented as part of Others under Trade and Other Payables account in the 2022 statement of financial position, has been fully paid in January 2023. The related expense is presented as part of Miscellaneous under Other Operating Expenses in the 2022 statement of profit or loss.

As of December 31, 2022, the Company does not have any other final deficiency tax assessments from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.



# **Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements**

**Punongbayan & Araullo**

20<sup>th</sup> Floor, Tower 1  
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**The Board of Directors and the Stockholders**  
**Crown Asia Chemicals Corporation**  
Km. 33, McArthur Highway  
Bo. Tuktukan, Guiguinto  
Bulacan

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Crown Asia Chemicals Corporation (the Company) for the year ended December 31, 2022, on which we have rendered our report dated March 9, 2023. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Company's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **PUNONGBAYAN & ARAULLO**



**By: John Endel S. Mata**  
Partner

CPA Reg. No. 0121347  
TIN 257-622-627  
PTR No. 9566637, January 3, 2023, Makati City  
SEC Group A Accreditation  
Partner - No. 121347-SEC (until financial period 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002551-040-2023 (until Jan. 24, 2026)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 9, 2023

**CROWN ASIA CHEMICALS CORPORATION**  
**List of Supplementary Information**  
**December 31, 2022**

<b>Schedule</b>	<b>Content</b>	<b>Page No.</b>
<b>Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68</b>		
A	Financial Assets Financial Assets at Fair Value Through Profit or Loss Financial Assets at Fair Value Through Other Comprehensive Income	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	1
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	N/A
D	Long-term Debt	2
E	Indebtedness to Related Parties	3
F	Guarantees of Securities of Other Issuers	N/A
G	Capital Stock	4
<b>Other Required Information</b>		
	Reconciliation of Retained Earnings Available for Dividend Declaration	5
	Map Showing the Relationship Between the Company and its Related Entities	N/A

**CROWN ASIA CHEMICALS CORPORATION**  
**Schedule B**  
**Amounts Receivable from Directors, Officers, Employees,**  
**Related Parties and Principal Stockholders (Other than Related Parties)**  
**December 31, 2022**  
*(Amounts in Philippine Pesos)*

Name	Balance at Beginning of Period	Additions	Deductions			Ending Balance		Balance at End of Period
			Sales returns	Amounts Collected	Written Off	Current	Non-current	
Asean Timber Corp.	P 5,966,846	P -	P 4,266,663	P 1,700,183	P -	P -	P -	P -
Husky Plastics Corp.	3,136,107	445,255	-	3,450,961	-	130,401	-	130,401
Guiguinto Integrated Woods Industry Corp.	9,518	54,220	-	43,946	-	19,792	-	19,792
W.T. Derrick Realty Corporation	-	413	-	413	-	-	-	-
<i>Total Accounts Receivable</i>	<b>P 9,112,471</b>	<b>P 499,888</b>	<b>P 4,266,663</b>	<b>P 5,195,503</b>	<b>P -</b>	<b>P 150,193</b>	<b>P -</b>	<b>P 150,193</b>
W.T. Derrick Realty Corporation	P 278,432	P 20,679	P -	P -	P -	P 299,111	P -	P 299,111
<i>Total Security Deposit</i>	<b>P 278,432</b>	<b>P 20,679</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P 299,111</b>	<b>P -</b>	<b>P 299,111</b>

**CROWN ASIA CHEMICALS CORPORATION**

**Schedule D**

**Long-Term Debt**

**December 31, 2022**

*(Amounts in Philippine Pesos)*

<b>Title of Issue and Type of Obligation</b>	<b>Amount Authorized by Indenture</b>	<b>Amount Shown Under Caption "Mortgage Payables" in Related Statement of Financial Position</b>
Car loans	P 2,318,305	P 2,318,305

**Supplementary information on Long-term Debt**

*The Company entered into car loan agreements with local banks for the acquisition of certain transportation equipment and motor vehicles, which are then mortgaged to the banks.*

**CROWN ASIA CHEMICALS CORPORATION**

**Schedule E**

**Indebtedness to Related Parties**

**December 31, 2022**

*(Amounts in Philippine Pesos)*

<b>Name of Related Party</b>	<b>Balance at Beginning of Period</b>	<b>Balance at End of Period</b>
<i>Related parties under common ownership:</i>		
Husky Plastics Corp.	P 1,873,088	P 10,340
Asean Timber Corp.	-	93,823
	<u>P 1,873,088</u>	<u>P 104,163</u>

CROWN ASIA CHEMICALS CORPORATION

Schedule G  
Capital Stock  
December 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Common	1,300,000,000	610,639,000	-	4,780,000	299,419,245	306,439,755

**CROWN ASIA CHEMICALS CORPORATION**  
**KM. 33, MCARTHUR HIGHWAY**  
**BO. TUKTUKAN, GUIGUINTO BULACAN**  
**Reconciliation of Retained Earnings Available for Dividend Declaration**  
**For the Year Ended December 31, 2022**

Unappropriated Retained Earnings of the Company at Beginning of Year	P	715,725,191	
Prior Periods' Reconciling Item from Deferred Tax Asset	(	<u>5,535,895</u> )	
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year			710,189,296
Net Profit of the Company Realized during the Year			
Net profit per audited financial statements	P	228,900,310	
Non-actual/unrealized income			
Deferred tax income from deferred tax asset recognized during the year	(	<u>64,868</u> )	228,835,442
Less other items:			
Cash dividends declared and paid during the year	(	61,063,900)	
Treasury shares	(	<u>41,096,031</u> )	
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year			<b><u>P 836,864,807</u></b>

**Supplemental Information on Retained Earnings –**

As at December 31, 2022, the Company's unappropriated retained earnings exceeded its paid-in capital due to the net profit realized in 2022. Subsequent to the reporting period, on March 9, 2023, the Company's Board of Directors approved the appropriation of P150.0 million and P70.0 million from the unrestricted retained earnings as of December 31, 2022, to fund the acquisition of real property and machinery, respectively, within the next two years.

## **Report of Independent Auditors on Components of Financial Soundness Indicators**

**Punongbayan & Araullo**

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The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

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### **The Board of Directors and the Stockholders Crown Asia Chemicals Corporation**

Km. 33, McArthur Highway  
Bo. Tuktukan, Guiguinto  
Bulacan

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Crown Asia Chemicals Corporation (the Company) for the years ended December 31, 2022 and 2021, on which we have rendered our report dated March 9, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as of December 31, 2022 and 2021 and for the years then ended and no material exceptions were noted.

### **PUNONGBAYAN & ARAULLO**



**By: John Endel S. Mata**  
Partner

CPA Reg. No. 0121347  
TIN 257-622-627  
PTR No. 9566637, January 3, 2023, Makati City  
SEC Group A Accreditation  
Partner - No. 121347-SEC (until financial period 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002551-040-2023 (until Jan. 24, 2026)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 9, 2023



**CROWN ASIA CHEMICALS CORPORATION**  
**Supplemental Schedule of Financial Soundness Indicators**  
**December 31, 2022 and 2021**

Ratio	Formula	2022	Formula	2021
Current ratio	Total Current Assets divided by Total Current Liabilities  Total Current Assets P 1,371,719,276 Divide by: Total Current Liabilities 230,040,497 Current ratio 5.96	5.96	Total Current Assets divided by Total Current Liabilities  Total Current Assets P 1,286,518,644 Divide by: Total Current Liabilities 322,695,325 Current ratio 3.99	3.99
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities  Total Current Assets P 1,371,719,276 Less: Inventories ( 705,687,384) Other Current Assets* ( 112,477,785) Quick Assets 553,554,107 Divide by: Total Current Liabilities 230,040,497 Acid test ratio 2.41	2.41	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities  Total Current Assets P 1,286,518,644 Less: Inventories ( 700,898,060) Other Current Assets ( 137,924,436) Quick Assets 447,696,148 Divide by: Total Current Liabilities 322,695,325 Acid test ratio 1.39	1.39
Solvency ratio	Total Liabilities divided by Total Assets  Total Liabilities P 315,568,274 Divide by: Total Assets 2,075,925,920 Solvency ratio 0.15	0.15	Total Liabilities divided by Total Assets  Total Liabilities P 412,728,414 Divide by: Total Assets 2,001,609,145 Solvency ratio 0.21	0.21
Debt-to-equity ratio	Total Liabilities divided by Total Equity  Total Liabilities P 315,568,274 Divide by: Total Equity 1,760,357,646 Debt-to-equity ratio 0.18	0.18	Total Liabilities divided by Total Equity  Total Liabilities P 412,728,414 Divide by: Total Equity 1,588,880,731 Debt-to-equity ratio 0.26	0.26
Assets-to-equity ratio	Total Assets divided by Total Equity  Total Assets P 2,075,925,920 Divide by: Total Equity 1,760,357,646 Assets-to-equity ratio 1.18	1.18	Total Assets divided by Total Equity  Total Assets P 2,001,609,145 Divide by: Total Equity 1,588,880,731 Assets-to-equity ratio 1.26	1.26
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense  EBIT P 308,229,379 Divide by: Interest expense 1,912,959 Interest rate coverage ratio 161.13	161.13	Earnings before interest and taxes (EBIT) divided by Interest expense  EBIT P 297,601,242 Divide by: Interest expense 2,016,237 Interest rate coverage ratio 147.60	147.60
Return on equity	Net Profit divided by Total Equity  Net Profit P 228,900,310 Divide by: Total Equity 1,760,357,646 Return on equity 0.13	0.13	Net Profit divided by Total Equity  Net Profit P 224,306,159 Divide by: Total Equity 1,588,880,731 Return on equity 0.14	0.14
Return on assets	Net Profit divided by Total Assets  Net Profit P 228,900,310 Divide by: Total Assets 2,075,925,920 Return on assets 0.11	0.11	Net Profit divided by Total Assets  Net Profit P 224,306,159 Divide by: Total Assets 2,001,609,145 Return on assets 0.11	0.11
Net profit margin	Net Profit divided by Total Revenue  Net Profit P 228,900,310 Divide by: Total Revenue 1,760,815,265 Net profit margin 0.13	0.13	Net Profit divided by Total Revenue  Net Profit P 224,306,159 Divide by: Total Revenue 1,740,847,346 Net profit margin 0.13	0.13

\*Excluding short-term placement

Ratio	Formula	2022	Formula	2021
Gross profit margin	Gross Profit divided by Total Revenue  Gross Profit P 542,031,742 Divide by: Total Revenue 1,760,815,265 Gross profit margin 0.31	0.31	Gross Profit divided by Total Revenue  Gross Profit P 478,570,123 Divide by: Total Revenue 1,740,847,346 Gross profit margin 0.27	0.27
Book value per share	Total Equity divided by Outstanding Shares  Total Equity P 1,760,357,646 Divide by: Outstanding Shares 610,639,000 Book value per share 2.88	2.88	Total Equity divided by Outstanding Shares  Total Equity P 1,588,880,731 Divide by: Outstanding Shares 610,639,000 Book value per share 2.60	2.60
Earnings per share	Net Profit divided by Average Outstanding Shares  Net Profit P 228,900,310 Divide by: Average Outstanding Shares 610,639,000 Earnings per share 0.37	0.37	Net Profit divided by Average Outstanding Shares  Net Profit P 224,306,159 Divide by: Average Outstanding Shares 610,639,000 Earnings per share 0.37	0.37
Price to book value per ratio	Stock Price divided by Book Value per Share  Stock Price P 1.55 Divide by: Book Value per Share 2.88 Price to book value per ratio 0.54	0.54	Stock Price divided by Book Value per Share  Stock Price P 1.69 Divide by: Book Value per Share 2.60 Price to book value per ratio 0.65	0.65
Price to earnings ratio	Stock Price divided by Earnings per Share  Stock Price P 1.55 Divide by: Earnings per Share 0.37 Price to earnings ratio 4.19	4.19	Stock Price divided by Earnings per Share  Stock Price P 1.69 Divide by: Earnings per Share 0.37 Price to earnings ratio 4.57	4.57