COVER SHEET

159950

S.E.C. Registration Number

CROWN ASIA CHEMICALS

CORPORATION .

(Company's Full Name)

KM 33 MC ARTHUR HIGHWAY

BO TUKTUKAN GUIGUINTO BULACAN

NICASIO T. PEREZ

Contact Person

8 2 8 3 8 7 1 9

Company Telephone Number

12	31
Month	*Day*

Fiscal Year

A F S

FORM TYPE

05	09
Month	*Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

6 5

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

P&A
Grant Thornton

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

T +63 2 8988 2288

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, 2023 and 2022, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023 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.

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, and we do not provide a separate opinion on these matters.

(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 presumed 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, 2023, the Company's total revenues amounted to P1,506.7 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, respectively.

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;

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- 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) Existence and Valuation of Inventories

Description of the Matter

The total inventories of P716.9 million as of December 31, 2023 represents 45% and 29% 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 sampled 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;

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- 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, 2023, 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, 2023 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.

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CROWN ASIA CHEMICALS CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2023	2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	P 374,244,448	P 255,027,375
Trade and other receivables - net	6	343,924,123	294,422,081
Inventories	7	716,917,605	705,687,384
Prepayments and other current assets	8	151,067,824	116,582,436
Total Current Assets		1,586,154,000	1,371,719,276
NON-CURRENT ASSETS			
Property, plant and equipment - net	9	846,879,338	671,957,011
Right-of-use assets - net	12	13,422,110	14,762,376
Post-employment defined benefit asset - net	15	3,139,156	4,671,133
Other non-current assets - net	10	37,594,241	12,816,124
Total Non-current Assets		901,034,845	704,206,644
TOTAL ASSETS		P 2,487,188,845	P 2,075,925,920
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	11	P 292,885,547	P 214,516,411
Mortgage and loan payables	11	333,679	1,984,626
Lease liabilities	12	2,827,692	4,332,370
Income tax payable		8,767,103	9,207,090
Total Current Liabilities		304,814,021	230,040,497
NON-CURRENT LIABILITIES			
Lease liabilities	12	13,194,332	13,088,724
Deferred tax liabilities - net	16	91,192,283	72,105,374
Mortgage payables	11	-	333,679
Other payables	11	63,720,000	-
Total Non-current Liabilities		168,106,615	85,527,777
Total Liabilities		472,920,636	315,568,274
EQUITY	18		
Capital stock		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		295,801,165	234,782,852
Retained earnings		1,076,453,851	883,561,601
Total Equity		2,014,268,209	1,760,357,646
TOTAL LIABILITIES AND EQUITY		P 2,487,188,845	P 2,075,925,920

See Notes to Financial Statements.

CROWN ASIA CHEMICALS CORPORATION
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
REVENUES	4, 17	**P 1,506,695,998**	P 1,760,815,265	P 1,740,847,346
COST OF GOODS SOLD	13	**956,681,271**	1,218,783,523	1,262,277,223
GROSS PROFIT		**550,014,727**	542,031,742	478,570,123
OTHER OPERATING EXPENSES	14	**230,325,646**	241,044,053	190,097,813
OTHER INCOME				
Finance income	5, 8	**9,063,146**	135,264	163,550
Foreign currency gains - net	21	**1,663,716**	4,843,031	7,221,166
Finance costs - net	11, 12, 15	**(1,167,870)**	(1,912,959)	(2,016,237)
Other income	9	**968,923**	2,263,395	1,744,216
		10,527,915	5,328,731	7,112,695
PROFIT BEFORE TAX		**330,216,996**	306,316,420	295,585,005
TAX EXPENSE	16	**82,367,236**	77,416,110	71,278,846
NET PROFIT		**P 247,849,760**	P 228,900,310	P 224,306,159
BASIC AND DILUTED EARNINGS PER SHARE	19	**P 0.41**	P 0.37	P 0.37

See Notes to Financial Statements.

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CROWN ASIA CHEMICALS CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
NET PROFIT		**P 247,849,760**	P 228,900,310	P 224,306,159
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss	18			
Revaluation increment on land	9	**81,113,000**	-	119,102,900
Remeasurements of post-employment defined benefit plan	15	**244,750**	4,854,007	1,245,010
Tax expense	16	**(20,339,437)**	(1,213,502)	(20,694,884)
		61,018,313	3,640,505	99,653,026
TOTAL COMPREHENSIVE INCOME		**P 308,868,073**	P 232,540,815	P 323,959,185

See Notes to Financial Statements.

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CROWN ASIA CHEMICALS CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Note	Capital Stock	Treasury Shares	Additional Paid-in Capital	Retained Earnings – Appropriated	Retained Earnings – Unappropriated	Retained Earnings – Total	Revaluation Reserves	Total Equity
Balance at January 1, 2023		P 630,800,000	(P 41,096,031)	P 52,309,224	P -	P 883,561,601	P 883,561,601	P 234,782,852	P 1,760,357,646
Cash dividends	18	-	-	-	-	(54,957,510)	(54,957,510)	-	(54,957,510)
Appropriation during the year	18	-	-	-	220,000,000	(220,000,000)	-	-	-
Total comprehensive income for the year		-	-	-	-	247,849,760	247,849,760	61,018,313	308,868,073
Balance as at December 31, 2023		**P 630,800,000**	**(P 41,096,031)**	**P 52,309,224**	**P 220,000,000**	**P 856,453,851**	**P 1,076,453,851**	**P 295,801,165**	**P 2,014,268,209**
Balance at January 1, 2022		P 630,800,000	(P 41,096,031)	P 52,309,224	P -	P 715,725,191	P 715,725,191	P 231,142,347	P 1,588,880,731
Cash dividends	18	-	-	-	-	(61,063,900)	(61,063,900)	-	(61,063,900)
Total comprehensive income for the year		-	-	-	-	228,900,310	228,900,310	3,640,505	232,540,815
Balance as at December 31, 2022		P 630,800,000	(P 41,096,031)	P 52,309,224	P -	P 883,561,601	P 883,561,601	P 234,782,852	P 1,760,357,646
Balance at January 1, 2021		P 630,800,000	(P 41,096,031)	P 52,309,224	P -	P 505,158,410	P 505,158,410	P 131,489,321	P 1,278,660,924
Cash dividends	18	-	-	-	-	(13,739,378)	(13,739,378)	-	(13,739,378)
Total comprehensive income for the year		-	-	-	-	224,306,159	224,306,159	99,653,026	323,959,185
Balance as at December 31, 2021		P 630,800,000	(P 41,096,031)	P 52,309,224	P -	P 715,725,191	P 715,725,191	P 231,142,347	P 1,588,880,731

See Notes to Financial Statements.

CROWN ASIA CHEMICALS CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 330,216,996	P 306,316,420	P 295,585,005
Adjustments for:				
Depreciation and amortization	9, 10, 12	44,738,333	43,812,306	42,157,189
Finance income	5, 8	(9,063,146)	(135,264)	(163,550)
Interest expense	11, 12, 15	1,167,870	1,912,959	2,016,237
Unrealized foreign currency gains - net	21	(136,284)	(1,376,390)	(3,897,358)
Gain on sale of equipment	9, 17	-	(846,280)	(794,491)
Gain on derecognition of a financial liability	17	-	-	(46,057)
Operating profit before working capital changes		366,923,769	349,683,751	334,856,975
Decrease (increase) in trade and other receivables		(49,327,782)	43,060,793	(61,020,429)
Increase in inventories		(11,230,221)	(4,789,324)	(231,664,064)
Decrease (increase) in prepayments and other current assets		14,088,338	12,548,059	(39,754,865)
Decrease (increase) in post-employment defined benefit asset		1,911,669	3,264,202	(2,936,556)
Decrease (increase) in other non-current assets		(18,016,777)	5,634,823	(8,948,697)
Increase (decrease) in trade and other payables		46,691,977	(97,280,260)	46,969,928
Increase in post-employment defined benefit obligation		-	-	1,190,356
Cash generated from operations		351,040,973	312,122,044	38,692,648
Cash paid for income taxes		(73,808,556)	(61,544,118)	(72,294,515)
Interest received		9,063,146	135,264	163,550
Net Cash From (Used in) Operating Activities		286,295,563	250,713,190	(33,438,317)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in short-term placements	8	(55,411,349)	(4,104,651)	-
Acquisitions of property, plant and equipment	9	(48,763,275)	(34,209,600)	(29,905,362)
Proceeds from disposals of equipment	9	-	1,684,105	516,900
Net Cash Used in Investing Activities		(104,174,624)	(36,630,146)	(29,388,462)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	18	(54,957,510)	(61,063,900)	(13,739,378)
Repayments of lease liabilities	12	(5,628,624)	(5,384,929)	(5,004,435)
Payments of loans and mortgage payables	11	(1,984,626)	(72,239,172)	(2,477,127)
Interest paid for loans and mortgage payables	11	(112,289)	(677,954)	(474,923)
Proceeds from loans	11	-	70,000,000	-
Net Cash Used in Financing Activities		(62,683,049)	(69,365,955)	(21,695,863)
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(220,817)	1,676,595	4,959,675
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		119,217,073	146,393,684	(79,562,967)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		255,027,375	108,633,691	188,196,658
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 374,244,448	P 255,027,375	P 108,633,691

Supplemental Information on Non-cash Investing and Financing Activities:

(i) In 2023, the Company purchased a parcel of land from a related party under common ownership with a total contract price of P113.8 million payable in four equal annual installments starting July 1, 2023 (see Notes 9, 11 and 17). The first installment amounting to P28.4 million was accordingly paid in 2023.

(ii) In 2023 and 2021, the Company's land was revalued, resulting in an increase in the value of such property amounting to P81.1 million and P119.1 million, respectively (see Note 9).

(iii) In 2023 and 2022, the Company recognized additional right-of-use assets and lease liabilities amounting to P3.0 million and P2.2 million, respectively (see Note 12).

(iv) 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).

(v) 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 remaining receivable as of December 31, 2021 which amounts to P3.1 million was collected in 2022 (see Note 17).

See Notes to Financial Statements.

CROWN ASIA CHEMICALS CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022 AND 2021
(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, 2023 (including the comparative financial statements as of December 31, 2022 and for the years ended December 31, 2022 and 2021) were authorized for issue by the Company's Board of Directors (BOD) on March 4, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information 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 the years 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 and Sustainability Reporting Standards Council (FSRSC) 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 Standards

(a) Effective in 2023 that are Relevant to the Company

The Company adopted for the first time the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments):	Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments) :	Definition of Accounting Estimates
PAS 12 (Amendments) :	Deferred Tax Related to Assets and Liabilities from a Single Transaction

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

(i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies*. The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Company's financial statements under Notes 2 and 3.

(ii) PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*. The amendments introduced a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no significant impact on the Company's financial statements.

(iii) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Management assessed that the application of such amendments had no significant impact on the Company's financial statements.

(b) Effective in 2023 that is not Relevant to the Company

Among the amendments to standards, which are mandatorily effective for annual periods beginning on or after January 1, 2023, the amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*, are not relevant to the Company's financial statements.

(c) Effective Subsequent to 2023 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and 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, 2024)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)

(iii) PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)

(iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)

(v) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

2.3 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.

2.4 Financial Instruments

(a) Financial Assets

The relevant financial asset classification applicable to the Company is only financial assets at amortized cost.

The expected credit losses (ECL) on trade and other receivables are estimated by applying the simplified approach using a provision matrix developed based on the Company's historical credit loss experience and credit information that are specific to the debtors, adjusted for general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. These assets are assessed for impairment on a collective basis based on shared credit risk characteristics.

(b) *Financial Liabilities*

Financial liabilities include Trade and Other Payables (except Advances from customers and tax-related payables), Mortgage and Loan Payables and Lease Liabilities.

2.5 Inventories

The cost of inventories is determined using 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.

2.6 Property, Plant and Equipment

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. All other property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

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).

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.

2.7 Intangible Assets

Intangible assets include registered trademarks which are accounted for under the cost model. 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. 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).

2.8 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).

The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(c) while significant judgments used in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(b). The Company uses the practical expedient in PFRS 15, *Revenue from Contracts with Customers*, with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Company's contracts with customers have original expected duration of one year or less.

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 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. In all revenue agreements, Company is acting as a principal. 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.

2.9 Leases – Company as Lessee

Subsequent to initial recognition, 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 or the end of the lease term which is from two to 10 years.

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.

2.10 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.

2.11 Employee Benefits

The Company provides short-term and post-employment benefits to employees through defined benefit and defined contribution plans, and other employee benefits.

The Company's defined benefit post-employment plan covers all regular full-time employees. The pension plan is fully funded, tax-qualified, non-contributory and administered by a trustee.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity such as Social Security System.

2.12 Related Party Transactions and Relationships

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.

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.

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 for a contract is allocated amongst the material right and other performance obligations identified in the contract based on their stand-alone selling prices, which are all observable. The transaction price for a contract excludes any amounts collected on behalf of third parties (e.g., VAT).

The transaction price is considered receivable to the extent of products sold with consideration on the right of return, if applicable (see Note 2.8). 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 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, and coverage by letters of credit and other forms of credit insurance).

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. Disclosures on relevant provisions and contingencies are presented in Note 20.

3.2 Key Sources of Estimation Uncertainty

Presented below and in the succeeding pages 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 2023, 2022 and 2021 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, 2023 and 2022, 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) *Fair Value Measurement 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, 2023 and 2022 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

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. 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.

Management has assessed that no impairment loss is required to be recognized on non-financial assets in 2023, 2022 and 2021.

(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.

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:

	Compounds	Pipes	PPR/HDPE	Roofing	Total
For the year ended December 31, 2023					
Statement of Profit or Loss					
Revenues	P 492,111,305	P 798,117,434	P 202,842,548	P 13,624,711	P 1,506,695,998
Costs and Other Operating Expenses					
Cost of goods sold (excluding depreciation and amortization)	405,946,231	422,722,171	99,708,685	2,831,971	931,209,058
Depreciation and amortization	7,836,633	16,435,630	9,879,636	4,895,982	39,047,881
Other operating expenses (excluding depreciation and amortization)	20,330,542	92,048,834	29,045,278	6,241,157	147,665,811
	434,113,406	531,206,635	138,633,599	13,969,110	1,117,922,750
Other Charges (Income) – net	(8,365,405)	6,713,916	(355,120)	444,937	(1,561,672)
Segment Operating Profit	**P 66,363,304**	**P 260,196,883**	**P 64,564,069**	**(P 789,336)**	**P 390,334,920**
December 31, 2023					
Statement of Financial Position					
Segment assets	**P 394,978,199**	**P 773,180,966**	**P 403,386,862**	**P 240,651,537**	**P 1,812,197,564**
For the year ended December 31, 2022					
Statement of Profit or Loss					
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
	533,635,090	694,916,769	122,150,625	25,316,872	1,376,019,356
Other Charges (Income) – net	(9,427,945)	4,022,781	279,637	369,384	(4,756,143)
Segment Operating Profit	P 97,342,064	P 216,403,188	P 68,715,225	P 7,091,575	P 389,552,052
December 31, 2022					
Statement of Financial Position					
Segment assets	P 409,262,586	P 752,748,267	P 343,218,596	P 165,834,260	P 1,671,063,709
For the year ended December 31, 2021					
Statement of Profit or Loss					
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
	635,469,449	640,747,841	101,999,057	19,060,930	1,397,277,277
Other Charges (Income) – net	(2,649,943)	(3,737,417)	84,928	(437,399)	(6,739,831)
Segment Operating Profit	P 99,270,476	P 194,939,357	P 53,852,400	P 2,247,667	P 350,309,900
December 31, 2021					
Statement of Financial Position					
Segment assets	P 443,354,503	P 796,726,439	P 353,522,150	P 165,533,236	P 1,759,136,328

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

	2023	2022	2021
Domestic	**P 1,247,403,374**	P 1,453,595,706	P 1,248,392,845
Foreign:			
Taiwan	**212,601,496**	238,676,498	440,364,627
Others	**46,691,128**	68,543,061	52,089,874
Total	**P 1,506,695,998**	P 1,760,815,265	P 1,740,847,346

The total revenues include revenues from one major customer totalling 14.11% in 2023, 13.56% in 2022 and 25.09% in 2021.

4.5 Reconciliations

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

	2023	2022	2021
Profit or Loss			
Segment results	**P 390,334,920**	P 389,552,052	P 350,309,900
Other unallocated income	**8,966,243**	572,588	372,864
Other unallocated expenses	**(69,084,167)**	(83,808,220)	(55,097,759)
Profit before tax as reported in the statements of profit or loss	**P 330,216,996**	P 306,316,420	P 295,585,005
Assets			
Segment assets	**P 1,812,197,564**	P 1,671,063,709	P 1,759,136,328
Other unallocated assets	**674,991,281**	404,862,211	242,472,817
Total assets reported in the statements of financial position	**P 2,487,188,845**	P 2,075,925,920	P 2,001,609,145
Liabilities			
Unallocated liabilities (see Note 4.2)	**P 472,920,636**	P 315,568,274	P 412,728,414
Total liabilities reported in the statements of financial position	**P 472,920,636**	P 315,568,274	P 412,728,414

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 in the succeeding page.

	2023	2022	2021
Sales channel:			
Contractors and developers	**P 825,617,523**	P 920,150,822	P 786,635,982
Manufacturers and traders	**641,026,244**	797,697,282	884,354,784
Wholesalers and retailers	**40,052,231**	42,967,161	69,856,580
	P1,506,695,998	P1,760,815,265	P1,740,847,346

5. CASH AND CASH EQUIVALENTS

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

	2023	2022
Cash on hand and in banks	**P 163,581,766**	P 172,010,255
Short-term placements	**210,662,682**	83,017,120
	P 374,244,448	P 255,027,375

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

Short-term placements have maturity ranging from 30 to 64 days in 2023, 30 to 54 days in 2022, and 30 to 90 days in 2021, and earn effective interest rates ranging from 3.36% to 5.10% in 2023, 3.65% to 4.50% in 2022, and 0.20% to 0.30% in 2021.

The balance of short-term placements as of December 31, 2023 and 2022 did not include P59.5 million and P4.1 million, respectively, which is shown as part of the Prepayment and Other Current Assets account in the statements of financial position (see Note 8). This amount pertains to a short-term placements with maturity of more than three months but less than one year.

Interest income earned from cash and cash equivalents and other short-term placements recognized as other current assets amounting to P9.1 million, P0.1 million and P0.2 million in 2023, 2022 and 2021, respectively, are presented as part of Finance income under Other Income in the statements of profit or loss.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2023	2022
Trade receivables	17.1	**P 354,086,919**	P 297,001,065
Advances to:			
Suppliers		**5,863,280**	10,832,766
Officers and employees		**2,663,309**	2,808,851
Other receivables	17.4	**316,232**	48,181
		362,929,740	310,690,863
Allowance for impairment		**(19,005,617)**	(16,268,782)
		P 343,924,123	P 294,422,081

Trade receivables are due from various customers and have credit terms of 30 to 90 days. Of the total outstanding trade receivables, P37.1 million and P45.7 million as of December 31, 2023 and 2022, 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 2023.

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 2023 and 2022 is shown below.

	Note	2023	2022
Balance at beginning of year		**P 16,268,782**	P 16,268,782
Impairment losses	14	**2,736,835**	43,833
Write-off		**-**	(43,833)
Balance at end of year		**P 19,005,617**	P 16,268,782

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 2023.

7. INVENTORIES

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

	2023	2022
Finished goods	**P 353,697,543**	P 364,470,016
Raw materials	**348,986,052**	328,211,873
Supplies	**10,198,909**	9,172,973
Packaging materials	**3,959,078**	3,756,499
Work-in-process	**76,023**	76,023
	P 716,917,605	P 705,687,384

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.

	Notes	2023	2022
Prepaid expenses		**P 5,198,382**	P 4,114,508
Input VAT		**82,939,871**	108,363,277
Short-term placements	5	**59,516,000**	4,104,651
Deferred input VAT	9, 17.3	**3,413,571**	-
		P 151,067,824	P 116,582,436

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

Short-term placements have maturity ranging from 91 to 98 days in 2023 and 98 days in 2022, which earn effective interest rates ranging from 4.0% to 4.8% in 2023 and 3.7% in 2022. Interest income earned from short-term placements is presented as part of Finance income under Other Income in the statements of profit or loss.

The current portion of deferred input VAT arises from the Company's purchase of land from a related party under common ownership, which is payable in four equal annual installments (see Notes 9, 11.1 and 17.3).

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 2023 and 2022 are 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
December 31, 2023								
Cost or valuation	**P642,768,627**	**P 4,699,884**	**P 156,057,223**	**P 63,949,118**	**P 505,064,301**	**P 74,361,523**	**P 532,519**	**P 1,447,433,195**
Accumulated depreciation and amortization	**-**	**(2,891,181)**	**(105,843,969)**	**(41,080,641)**	**(405,356,535)**	**(45,381,531)**	**-**	**(600,553,857)**
Net carrying amount	**P642,768,627**	**P 1,808,703**	**P 50,213,254**	**P 22,868,477**	**P 99,707,766**	**P 28,979,992**	**P 532,519**	**P 846,879,338**
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	P 1,232,217,635
Accumulated depreciation and amortization	-	(2,555,033)	(98,994,532)	(36,947,122)	(382,442,132)	(39,321,805)	-	(560,260,624)
Net carrying amount	P447,869,913	P 2,144,851	P 54,308,174	P 17,987,175	P 114,086,673	P 29,936,947	P 5,623,278	P 671,957,011
January 1, 2022								
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	P 1,199,695,026
Accumulated depreciation and amortization	-	(2,218,885)	(90,193,032)	(35,469,278)	(360,577,470)	(34,437,478)	-	(522,896,143)
Net carrying amount	P446,596,000	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

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of 2023, 2022 and 2021 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, 2023, net of accumulated depreciation and amortization	P 447,869,913	P 2,144,851	P 54,308,174	P 17,987,175	P 114,086,673	P 29,936,947	P 5,623,278	P 671,957,011
Additions	113,785,714	-	-	9,014,821	8,535,496	1,028,925	1,737,604	134,102,560
Reclassification	-	-	2,754,517	-	-	4,073,846	(6,828,363)	-
Revaluation	81,113,000	-	-	-	-	-	-	81,113,000
Depreciation and amortization charges for the year	-	(336,148)	(6,849,437)	(4,133,519)	(22,914,403)	(6,059,726)	-	(40,293,233)
Balance at December 31, 2023, net of accumulated depreciation and amortization	**P 642,768,627**	**P 1,808,703**	**P 50,213,254**	**P 22,868,477**	**P 99,707,766**	**P 28,979,992**	**P 532,519**	**P 846,879,338**
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	P447,869,913	P 2,144,851	P 54,308,174	P 17,987,175	P 114,086,673	P 29,936,947	P 5,623,278	P 671,957,011
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	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

In 2023, the Company purchased a parcel of land from a related party under common ownership with a total contract price of P113.8 million (VAT exclusive), which is payable in four equal annual installments starting July 1, 2023. Accordingly, the Company paid the first installment amounting to P28.4 million in 2023. The Company capitalized the purchase as part of Land under Property, Plant and Equipment in the 2023 statement of financial position since there is already a transfer of risks and rewards, particularly the control over the property, to the Company. The outstanding payable related to this acquisition is presented as Payable for acquisition of land under the Trade and Other Payables account and Other Payables account in the current and non-current liabilities sections, respectively, of the 2023 statement of financial position (see Notes 11.1 and 17.3). There was no similar transaction in 2022.

Land is stated at revalued amount, being the fair value at the date of revaluation in 2023. 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 P258.2 million and P144.4 million as of December 31, 2023 and 2022, 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, 2023 pertains to the accumulated costs incurred for the installation of automatic fire suppression system in Bulacan Plant and construction of chlorinated PVC Plant in Valenzuela City. Construction in progress as of December 31, 2022 pertains to the accumulated costs incurred for the construction of staff house for Corporate Division and cistern tank for Pipes Division, which was completed in 2023.

The percentage of completion of construction in progress ranges from 1.5% to 60% and from 85% to 90% as of December 31, 2023 and 2022, respectively. The two remaining ongoing projects in Bulacan and Valenzuela City are expected to be completed in April and March 2024, respectively. Other than the remaining capital expenditures, there are no other capital commitments relating to the ongoing projects. There were no borrowing costs capitalized in 2023, 2022 and 2021.

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:

	2023	2022	2021
Cost of goods sold	**P25,472,214**	P 25,600,847	P 24,611,957
Other operating expenses	**14,821,019**	13,886,713	13,299,240
	P40,293,233	P39,487,560	P 37,911,197

In 2022 and 2021, the Company recognized a gain on disposal of transportation equipment totalling to P0.8 million and P0.2 million, respectively, which was presented as part of Other income under Other Income account in the 2022 and 2021 statements of profit or loss. There was no similar transaction in 2023.

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 17.4). 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 17.4). 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 account in the 2022 and 2021 statements of profit or loss. There was no similar transaction in 2023.

Transportation equipment with a total carrying value of P1.4 million and P5.3 million as of December 31, 2023 and 2022, respectively, are used as collateral for car loans (see Note 11.2).

10. OTHER NON-CURRENT ASSETS

The composition of this account is shown below.

	Notes	**2023**	2022
Advances to suppliers	6	**P 23,944,976**	P 4,200,923
Deferred input VAT	9, 17.3	**9,472,338**	4,498,320
Security deposits	12, 17.5	**3,517,590**	3,472,104
Trademarks – net		**222,527**	207,968
Others		**436,810**	436,809
		P 37,594,241	P 12,816,124

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).

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 Bureau of Internal Revenue (BIR) to be amortized and reported for VAT reporting purposes over the useful lives of the assets or 60 months, whichever is shorter. This also includes the non-current portion of deferred input VAT relating to the unpaid installments from the Company's purchase of land from a related party under common ownership (see Notes 9, 11.3 and 17.3).

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 both P0.2 million as of December 31, 2023 and 2022.

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:

	2023	2022	2021
Cost of goods sold	**P -**	P -	P 8,285
Other operating expense	**65,803**	65,593	56,205
	P 65,803	P 65,593	P 64,490

11. LOANS AND PAYABLES

11.1 Trade and Other Payables

The composition of this account is shown below.

	Notes	2023	2022
Current:			
Trade payables	17.2	**P 160,431,984**	P 141,779,044
Advances from customers		**73,477,946**	47,717,250
Payable for acquisition of land	9, 17.3	**31,860,000**	-
Accrued expenses	11.2	**7,162,077**	8,786,696
Others		**19,953,540**	16,233,421
		292,885,547	214,516,411
Non-current –			
Payable for acquisition of land	9, 17.3	**63,720,000**	-
		P 356,605,547	P 214,516,411

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.

In 2023, the Company purchased a parcel of land from a related party under common ownership, which is payable in four equal annual installments starting July 2023 (see Notes 9 and 17.3). The first installment of 25% was accordingly paid in 2023. The outstanding liability due on July 1, 2024 is presented as Payable for acquisition of land under Trade and Other Payables account while the portions due on July 1, 2025 and 2026 are presented as Other Payables account under non-current liabilities section of the 2023 statement of financial position. The remaining unpaid balance is subject to 4% interest per annum on diminishing balance, which will be paid by the Company to the related party under common ownership on the same due dates. No interest expense was recognized from these liabilities in 2023.

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.

	Note	**2023**	2022
Current		**P 333,679**	P 1,984,626
Non-current		**-**	333,679
	9	**P 333,679**	P 2,318,305

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 from local banks in 2023.

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 P1.4 million and P5.3 million as of December 31, 2023 and 2022, 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, 2023 and 2022.

Interest expense related to the short-term loans and mortgage payables amounted to P0.1 million, P0.7 million and P0.5 million in 2023, 2022 and 2021, respectively, and is shown as part of Finance costs - net under Other Income in the statements of profit or loss. There were no borrowing costs capitalized in 2023, 2022 and 2021. Accrued interest amounting to both P0.03 million as of December 31, 2023 and 2022 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 is as follows:

	Short-term Loans	**Mortgage Payables**	**Total**
Balance as of January 1, 2023	P -	P 2,318,305	P 2,318,305
Cash flows from financing activities:			
Payments made	-	(1,984,626)	(1,984,626)
Interest paid	-	(112,289)	(112,289)
Non-cash financing activity –			
Interest expense	-	112,289	112,289
Balance as of December 31, 2023	**P -**	**P 333,679**	**P 333,679**

	Short-term Loans	Mortgage Payables	Total
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	383,056	289,427	672,483
Balance as of December 31, 2022	P -	P 2,318,305	P 2,318,305
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	-	472,770	472,770
Balance as of December 31, 2021	P -	P 4,562,948	P 4,562,948

12. LEASES

The Company is a lessee under non-cancellable operating leases covering its warehouses and office spaces (see Note 17.5). The lease for warehouses has a term of three to 10 years, and includes annual escalation rate of 5% to 10%, while the leases for office space have terms of two to five years with annual escalation rates ranging from 5% to 10%. 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 both P1.1 million as at December 31, 2023 and 2022, and is 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, 2023 and 2022 and the movements during the reporting periods are shown in the succeeding page.

	Warehouses	Office	Total
Balance as of January 1, 2023	P 12,672,240	P 2,090,136	P 14,762,376
Additions	-	3,039,031	3,039,031
Depreciation	(2,956,789)	(1,422,508)	(4,379,297)
Balance as of December 31, 2023	**P 9,715,451**	**P 3,706,659**	**P 13,422,110**
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	P 12,672,240	P 2,090,136	P 14,762,376

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, 2023 and 2022 are as follows:

	2023	2022
Current	**P 2,827,692**	P 4,332,370
Non-current	**13,194,332**	13,088,724
	P 16,022,024	P 17,421,094

The movements in the lease liabilities recognized in the statements of financial position as of December 31, 2023 and 2022 are as follows:

	2023	2022
Balance at beginning of year	**P 17,421,094**	P 19,237,768
Additions	**3,039,031**	2,183,007
Repayments of lease liabilities	**(5,628,624)**	(5,384,929)
Interest accretion	**1,190,523**	1,385,248
Balance at end of year	**P 16,022,024**	P 17,421,094

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, 2023 and 2022, the Company has no commitments for leases entered into which had not commenced.

The undiscounted maturity analysis of lease liabilities as of December 31, 2023 and 2022 is as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
2023:							
Lease payments	P 3,943,582	P 3,418,873	P 3,369,501	P 3,314,585	P 3,370,853	P 2,216,360	P 19,633,754
Finance charges	(1,115,890)	(911,295)	(717,354)	(512,678)	(286,810)	(67,703)	(3,611,730)
Net present values	**P 2,827,692**	**P 2,507,578**	**P 2,652,147**	**P 2,801,907**	**P 3,084,043**	**P 2,148,657**	**P 16,022,024**
2022:							
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	P 4,332,370	P 2,261,289	P 1,854,341	P 1,977,878	P 2,265,150	P 4,730,066	P 17,421,094

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 P0.4 million, P0.9 million and P1.2 million in 2023, 2022 and 2021, 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 P5.6 million, P5.4 million and P5.0 million in 2023, 2022 and 2021, respectively. Interest expense in relation to lease liabilities amounted to P1.2 million, P1.4 million and P1.5 million in 2023, 2022 and 2021, respectively, and is presented as part of Finance costs - net under Other Income in the statements of profit or loss.

13. COST OF GOODS SOLD

The details of cost of goods sold are shown below.

	Notes	**2023**	2022	2021
Finished goods at beginning of year	7	**P 364,470,016**	P 336,984,581	P 269,619,491
Cost of goods manufactured:				
Raw materials at beginning of year	7	**328,211,873**	351,782,791	187,587,769
Net purchases during the year		**856,158,450**	1,096,261,992	1,393,521,757
Direct labor	15.1	**26,970,023**	23,939,088	23,192,067
Manufacturing overhead	9, 10, 15.1	**83,554,504**	102,396,253	76,857,033
Raw materials at end of year	7	**(348,986,052)**	(328,211,873)	(351,782,791)
Work-in-process at beginning of year	7	**76,023**	176,730	443,208
Work-in-process at end of year	7	**(76,023)**	(76,023)	(176,730)
		945,908,798	1,246,268,958	1,329,642,313
Finished goods at end of year	7	**(353,697,543)**	(364,470,016)	(336,984,581)
	14	**P 956,681,271**	P1,218,783,523	P1,262,277,223

14. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2023	2022	2021
Materials used in production		**P 835,384,271**	P1,119,832,910	P1,229,326,735
Salaries and employee benefits	15.1	**139,474,874**	139,502,186	110,967,837
Depreciation and amortization	9, 10, 12.1	**44,738,333**	43,812,306	42,157,189
Utilities		**34,969,383**	46,379,314	34,386,085
Outside services		**32,268,688**	35,852,689	28,715,589
Transportation and travel		**17,952,382**	20,570,656	11,868,923
Taxes and licenses		**11,867,576**	11,978,197	10,841,498
Changes in finished goods		**10,772,473**	(27,485,435)	(67,365,090)
Advertising and promotions		**10,110,240**	9,559,675	4,793,675
Professional fees	17.7	**9,006,309**	8,262,273	7,078,639
Supplies		**8,135,637**	9,114,833	7,268,305
Repairs and maintenance		**7,562,300**	10,931,493	6,499,748
Delivery		**6,058,604**	3,149,378	5,977,403
Impairment loss on receivables	6	**2,736,835**	43,833	1,292,709
Representation		**2,578,839**	2,081,617	1,699,407
Insurance		**1,157,026**	1,431,531	1,837,170
Rentals	12.3, 17.5	**385,230**	862,174	1,169,619
Changes in work-in-process		**-**	100,707	266,478
Miscellaneous		**11,847,917**	23,847,239	13,593,117
		P 1,187,006,917	P1,459,827,576	P1,452,375,036

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

	Note	2023	2022	2021
Cost of goods sold	13	**P 956,681,271**	P1,218,783,523	P1,262,277,223
Other operating expenses		**230,325,646**	241,044,053	190,097,813
		P 1,187,006,917	P1,459,827,576	P1,452,375,036

15. EMPLOYEE BENEFITS

15.1 Salaries and Employee Benefits

Details of salaries and employee benefits are presented below.

	Notes	2023	2022	2021
Short-term employee benefits		**P 137,563,205**	P 136,237,984	P 112,714,037
Post-employment defined benefits expense (income)	15.2(b)	**1,911,669**	3,264,202	(1,746,200)
	14	**P 139,474,874**	P 139,502,186	P 110,967,837

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

	Notes	2023	2022	2021
Cost of goods sold	13	**P 31,501,918**	P 26,679,496	P 25,953,979
Other operating expenses		**107,972,956**	112,822,690	85,013,858
	14	**P 139,474,874**	P 139,502,186	P 110,967,837

15.2 *Post-employment Defined Benefit Plan*

(a) Characteristics of Post-employment Defined Benefit Plan

The Company maintains a tax-qualified, fully 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 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 2023 and 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 2023 and 2022. The amounts of post-employment defined benefit asset recognized in the statements of financial position are determined as follows:

	2023	2022
Fair value of plan assets	**P 36,661,153**	P 35,235,264
Present value of the obligation	**(33,275,251)**	(29,907,110)
	3,385,902	5,328,154
Effect of the asset ceiling	**(246,746)**	(657,021)
	P 3,139,156	P 4,671,133

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

	2023	2022
Balance at beginning of year	**P 35,235,264**	P 37,366,391
Interest income	**2,341,672**	1,842,163
Remeasurement loss on return on plan assets	**(653,455)**	(3,973,290)
Benefits paid	**(262,328)**	(-)
Balance at end of year	**P 36,661,153**	P 35,235,264

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

	2023	2022
Cash and cash equivalents	**P 897,965**	P 395,907
Debt securities:		
Philippine government bonds	**30,141,753**	28,665,201
Other bonds	**213,335**	207,818
Unit investment trust funds (UITF)	**5,073,322**	5,629,191
Others	**334,778**	337,147
	P 36,661,153	P 35,235,264

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:

	2023	2022
Balance at beginning of year	**P 657,021**	P 144,772
Remeasurement losses (gains)	**(457,712)**	505,112
Interest cost	**47,437**	7,137
Balance at end of year	**P 246,746**	P 657,021

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

	2023	2022
Balance at beginning of year	**P 29,907,110**	P 34,285,063
Interest cost	**2,159,293**	1,690,254
Current service cost	**1,911,669**	3,264,202
Benefits paid	**(262,328)**	-
Remeasurements –		
Actuarial losses (gains) arising from:		
Experience adjustments	**(2,458,961)**	(293,797)
Changes in financial assumptions	**2,018,468**	(9,039,371)
Changes in demographic assumptions	**-**	759
Balance at end of year	**P 33,275,251**	P 29,907,110

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

	2023	2022	2021
Recognized in profit or loss:			
Current service cost	**P 1,911,669**	P 3,264,202	P 3,158,316
Net interest expense (income)	**(134,942)**	(144,772)	5,798
Past service cost	**-**	-	(4,904,516)
	P 1,776,727	P 3,119,430	(P 1,740,402)

	2023	2022	2021
Recognized in other comprehensive income:			
Actuarial losses (gains) arising from:			
Experience adjustments	**(P 2,458,961)**	(P 293,797)	(P 6,152,254)
Changes in financial assumptions	**2,018,468**	(9,039,371)	1,615,090
Changes in demographic assumptions	**-**	759	26,740
Remeasurement losses (gains) arising from:			
Plan assets	**653,455**	3,973,290	3,120,642
Changes in the effect of the asset ceiling	**(457,712)**	505,112	144,772
	(P 244,750)	(P 4,854,007)	(P 1,245,010)

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 expense (income) is included as part of Finance costs - net under Other Income 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:

	2023	2022	2021
Discount rate	**6.37%**	7.22%	4.93%
Salary increase rate	**4.00%**	4.00%	5.00%

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 2023 and 2022 is 23.8 years and 23.6 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, 2023 and 2022:

		Impact on Post-Employment Defined Benefit Obligation	
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2023			
Discount rate	**+/- 1.0%**	**(P 2,342,273)**	**P 2,840,376**
Salary growth rate	**+/- 1.0%**	**2,881,255**	**(2,411,720)**
December 31, 2022			
Discount rate	+/- 1.0%	(P 1,776,503)	P 2,148,913
Salary growth rate	+/- 1.0%	2,199,008	(1,842,512)

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, 2023 and 2022 consists of debt securities although the Company also has UITF for liquidity purposes.

There has been no significant change in the Company's strategies and/or practice to manage its risks from previous years.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P3.4 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:

	2023	2022
Within one year to five years	**P 12,601,359**	P 18,776,936
More than five years to ten years	**10,762,212**	8,216,857
	P 23,363,571	P 26,993,793

The weighted average duration of the defined benefit obligation at the end of the reporting period is 9.3 years.

16. CURRENT AND DEFERRED TAXES

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

	2023	2022	2021
Reported in profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 25%	**P 81,833,707**	P 78,546,963	P 73,922,178
Final tax at 20% and 15%	**1,786,057**	27,021	32,576
Effect of the change in income tax rate	**-**	-	(4,342,844)
Balance carried forward	**83,619,764**	78,573,984	69,611,910

	2023	2022	2021
Balance forwarded	**P 83,619,764**	P 78,573,984	P 69,611,910
Deferred tax expense (income) arising from:			
Origination and reversal of temporary differences	**(1,252,528)**	(1,157,874)	556,163
Effect of the change in income tax rate	**-**	-	1,110,773
	(1,252,528)	(1,157,874)	1,666,936
	P 82,367,236	P 77,416,110	P 71,278,846
Reported in other comprehensive income –			
Deferred tax expense arising from:			
Revaluation increment on land and remeasurements of post-employment defined benefit plan	**P 20,339,437**	P 1,213,502	P 30,086,978
Effect of the change in income tax rate	**-**	-	(9,392,094)
	P 20,339,437	P 1,213,502	P 20,694,884

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

	2023	2022	2021
Tax on pre-tax at 25%	**P 82,554,249**	P 76,579,105	P 73,896,251
Tax effects of non-deductible expenses	**292,717**	843,800	622,978
Adjustment for income subjected to lower tax rates	**(479,730)**	(6,795)	(8,312)
Effect of the change in income tax rate	**-**	-	(3,232,071)
Tax expense reported in profit or loss	**P 82,367,236**	P 77,416,110	P 71,278,846

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

	Statements of Financial Position	
	2023	2022
Deferred tax assets:		
Impairment loss on receivables	**P 4,751,404**	P 4,067,196
Effect of PFRS 16	**730,978**	745,679
Unamortized past service cost	**299,608**	470,795
	5,781,990	5,283,670
Deferred tax liabilities:		
Revaluation increment on land	**(96,155,413)**	(75,877,163)
Post-employment defined benefit asset	**(784,789)**	(1,167,783)
Unrealized foreign currency gains - net	**(34,071)**	(344,098)
	(96,974,273)	(77,389,044)
Net Deferred Tax Liabilities	**(P 91,192,283)**	(P 72,105,374)

	Statements of Profit or Loss and Statements of Comprehensive Income					
	Profit or Loss			Other Comprehensive Income		
	2023	2022	2021	**2023**	2022	2021
Deferred tax assets:						
Impairment loss on trade and other receivables	**(P 684,208)**	P -	P 425,626	**P -**	P -	P -
Unamortized past service cost	**171,187**	317,093	606,436	**-**	-	-
Effect of PFRS 16	**14,701**	(64,868)	(78,258)	**-**	-	-
Post-employment defined benefit obligation	**-**	-	1,045,497	**-**	-	(1,030,840)
Unrealized foreign currency losses - net	**-**	-	-	**-**	-	-
	(498,320)	252,225	1,999,301	**-**	-	(1,030,840)
Deferred tax liabilities:						
Post-employment defined benefit asset	**(444,181)**	(779,858)	(436,147)	**61,187**	1,213,502	1,170,286
Unrealized foreign currency gains - net	**(310,027)**	(630,241)	103,782	**-**	-	-
Revaluation increment on land	**-**	-	-	**20,278,250**	-	20,555,438
	(754,208)	(1,410,099)	(332,365)	**20,339,437**	1,213,502	21,725,724
Net Deferred Tax Expense (Income)	**(P 1,252,528)**	(P 1,157,874)	P 1,666,936	**P 20,339,437**	P 1,213,502	P 20,694,884

The Company is subject to minimum corporation income tax (MCIT) which is computed at 1.5% in 2023, and 1% in 2022 and 2021 of gross income, as defined under the tax regulations, or to RCIT, which is computed at 25% of taxable income, net of allowable deductions, whichever is higher. No MCIT was recognized in 2023, 2022 and 2021 as the RCIT was higher than MCIT in those years.

In 2023, 2022 and 2021, 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 and in the succeeding pages.

The summary of the Company's transactions with its related parties for the years ended December 31, 2023, 2022 and 2021 and the outstanding balances as of December 31, 2023 and 2022 are as follows:

		Amounts of Transactions		
	Note	**2023**	2022	2021
Related Parties Under Common Ownership:				
Sale of goods (sales return) - net	17.1	**P 1,699,971**	(P 3,820,995)	P 23,993,440
Purchase of goods and services	17.2	**117,700,063**	111,003,901	103,143,913
Acquisition of land	17.3	**113,785,714**	-	-
Advances granted (obtained)	17.4	**(998)**	10,274	1,784
Sale of machinery and equipment	17.4	**-**	851,105	20,729,566
Lease of properties	17.5	**-**	540,000	840,089
Right-of-use asset	17.5	**3,039,031**	2,183,007	-
Lease liabilities	17.5	**(1,521,540)**	(623,337)	1,434,873
Depreciation	17.5	**1,422,508**	1,302,364	1,224,713
Interest expense	17.5	**167,790**	163,659	148,732
Security deposit	17.5	**27,842**	20,679	19,654
Consultation services	17.7	**-**	-	1,364,909

	Note	Amounts of Transactions 2023	2022	2021
Stockholder –				
Write-off of advances obtained	17.4	**P -**	P -	P 46,057
Key Management Personnel –				
Compensation	17.6	**75,971,669**	79,110,392	47,203,746

	Note	Outstanding Balances 2023	2022
Related Parties Under Common Ownership:			
Sale of goods	17.1	**P 59,431**	P 130,401
Purchase of goods and services	17.2	**(764,606)**	(104,163)
Acquisition of land	17.3	**(95,580,000)**	-
Advances granted	17.4	**18,794**	19,792
Right-of-use assets	17.5	**3,706,659**	2,090,136
Lease liabilities	17.5	**(3,850,772)**	(2,329,233)
Security deposit	17.5	**326,953**	299,111

The Company's outstanding receivables with related parties were subjected to impairment using the requirements of PFRS 9, *Financial Instruments*. 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 2023, 2022 and 2021 [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 2023 and 2022 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 a related party under common ownership for the conversion of its pipe fittings. The Company provides its own raw materials to such related party for processing into finished goods. Once the processing is completed, the Company records the amount incurred for the services of the related party as part of the finished goods based on the billings received. The basis of the price charged to the Company is in line with related party's prevailing market rates. The related outstanding payables for these services from the related party as of December 31, 2023 and 2022 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 Acquisition of Land

In 2023, the Company purchased a parcel of land from a related party under common ownership with a total contract price of P113.8 million (VAT exclusive), which is payable in four equal annual installments starting July 2023 until July 2026 (see Notes 9 and 11.1). The title and ownership of the property shall remain with the related party under common ownership until the full payment of the balance of the contract price. The Company is prohibited from selling, transferring, conveying, and otherwise encumbering the subject property without the written consent of the related party under common ownership.

The outstanding liability, which is subject to 4% interest per annum on diminishing balance, due on July 1, 2024 is presented as Payable for acquisition of land under Trade and Other Payables account while the portions due on July 1, 2025 and 2026 are presented as Other Payables account under the non-current liabilities section of the 2023 statement of financial position (see Note 11.1).

17.4 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 account 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. There was no similar transaction in 2023.

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 account 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 was collected in 2022. There was no similar transaction in 2023 and 2022.

Also, in 2021, the Company directly wrote-off the outstanding balance of payable to a stockholder as of December 31, 2020 as such w 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 account in the 2021 statement of profit or loss. There was no similar transaction in 2023 and 2022.

17.5 Lease of Properties

The Company entered into in lease contracts with certain related parties under common ownership covering its office spaces and vehicles with lease terms ranging from one to five years. Renewals of lease contracts in 2023 and 2022 resulted to additional right-of-use assets and lease liabilities amounting to both P3.0 million and P2.2 million, respectively (see Note 12.1).

The Company incurred depreciation expenses amounting to P1.4 million, P1.3 million and P1.2 million in 2023, 2022 and 2021, respectively. The Company also incurred interest expense amounting to P0.2 million, P0.2 million and P0.1 million in 2023, 2022 and 2021, 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, 2023 and 2022, 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 and P0.8 million in 2022 and 2021, respectively, and is shown as part of Rentals under Other Operating Expenses in the 2022 and 2021 statements of profit or loss (see Note 14). There was no similar transaction in 2023.

17.6 Key Management Personnel Compensation

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

	2023	2022	2021
Short-term benefits	**P 74,746,347**	P 76,722,226	P 48,299,902
Post-employment defined benefits expense (income)	**1,225,322**	2,388,166	(1,096,156)
	P 75,971,669	P 79,110,392	P 47,203,746

There was no outstanding balance arising from key management personnel compensation as of December 31, 2023 and 2022.

17.7 Others

In 2021, the Company entered into a consulting service agreement with a stockholder relating to employee trainings amounting to P1.4 million, which is presented as part of Professional fees under Other Operating Expenses in the 2021 statement of profit or loss (see Note 14). There was no similar transaction in 2022 and 2023.

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, 2023 and 2022 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, 2023 and 2022 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, 2023 and 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 P1.56 and P1.55 on the last trading day of 2023 and 2022, respectively. The total number of stockholders is 65 and 66 as of December 31, 2023 and 2022, respectively. The public float lodged with Philippine Central Depositary 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

(a) Unappropriated Retained Earnings

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

Date of Declaration	Date of Record	Date of Payment		Amount		Dividends per share
March 9, 2023	April 05, 2023	May 3, 2023	P	30,531,950	P	0.05
March 9, 2023	August 31, 2023	September 25, 2023	P	24,425,560	P	0.04
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

As at December 31, 2023, the Company's unappropriated retained earnings exceeded its paid-in capital due to the net profit realized in 2023.

(b) Appropriated Retained Earnings

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.

Subsequent to the reporting period, on March 4, 2024, the Company's BOD approved the additional appropriation of P120.0 million from the unrestricted retained earnings as of December 31, 2023, for capital expenditures within the next two years (see Note 25).

There were no appropriations nor reversals made in 2022.

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, 2023 and 2022, 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 Gains on Post-employment Benefit Plan** (see Note 15.2)	**Total**
Balance as of January 1, 2023	P 227,631,489	P 7,151,363	P 234,782,852
Revaluation increment on land	81,113,000	-	81,113,000
Remeasurements of post-employment defined benefit plan		244,750	244,750
Tax expense	(20,278,250)	(61,187)	(20,339,437)
Balance as of December 31, 2023	**P 288,466,239**	**P 7,334,926**	**P 295,801,165**
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	P 227,631,489	P 7,151,363	P 234,782,852
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	P 227,631,489	P 3,510,858	P 231,142,347

19. EARNINGS PER SHARE (EPS)

Basic and diluted EPS is computed as follows:

	2023	2022	2021
Net profit	**P247,849,760**	P 228,900,310	P 224,306,159
Divided by weighted average number of outstanding common shares (considering the effect of treasury shares)	**610,639,000**	610,639,000	610,639,000
Basic and diluted EPS	**P 0.41**	P 0.37	P 0.37

The Company does not have dilutive potential common shares outstanding as of December 31, 2023, 2022 and 2021; 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, 2023 and 2022.

20.2 Capital Commitments

As of December 31, 2023 and 2022, the Company has commitments amounting to P0.3 million and P2.3 million, respectively, for the acquisition of certain transportation equipment and motor vehicles, which are mortgaged to the banks (see Notes 9 and 11.2). Also, as of December 31, 2023, the Company has another commitment relating to the unpaid portion of its purchase of land from a related party under common ownership (see Notes 9, 11.1 and 17.3).

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, 2023 and 2022, 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 P49.0 million and P43.7 million as of December 31, 2023 and 2022, 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.

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 16.02% and 15.77% at December 31, 2023 and 2022, respectively, profit before tax for the years ended December 31, 2023 and 2022 would have decreased by P7.9 million and P6.9 million, respectively. Conversely, if the Philippine peso had weakened against the U.S. dollar by the same percentages at December 31, 2023 and 2022, profit before tax for the years ended December 31, 2023 and 2022 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 amount to P0.1 million in 2023, P1.4 million in 2022, and P3.9 million in 2021. 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. When applicable, long-term borrowings are therefore usually made at fixed rates. At December 31, 2023 and 2022, the Company is exposed to changes in market interest rates through its cash and cash equivalents and other short-term placements, which are subject to variable interest rates (see Notes 5 and 8). 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 +/- 2.46% and +/- 1.40% in 2023 and 2022, 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.

	Increase		**Decrease**	
	2023	2022	**2023**	2022
	2.46%	1.40%	**2.46%**	1.40%
Effect in profit before tax	**P 10,670,507**	P 3,627,848	**(P 10,670,507)**	(P 3,627,848)
Effect in equity	**8,002,880**	2,720,886	**(8,002,880)**	(2,720,886)

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	**2023**	2022
Cash and cash equivalents	5	**P 374,244,448**	P 255,027,375
Trade receivables - net	6	**335,081,302**	280,732,283
Security deposits	10	**3,517,590**	3,472,104
Other current assets*	8	**59,516,000**	4,104,651
		P 772,359,340	P 543,336,413

**Pertains to short-term placements 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 placements 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 Placements*

The credit risk for cash and cash equivalents and other short-term placements 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 placements 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, 2023 and 2022, 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 2023 and 2022 was 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, 2023 and 2022 amounted to P19.0 million and P16.3 million, respectively, 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% 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 and in the succeeding page.

	2023		
	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 185,613,564	P 31,860,000	P 63,720,000
Mortgage payables	342,946	-	-
	P 185,956,510	P 31,860,000	P 63,720,000

	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	1,224,318	870,712	342,944
	P 164,345,657	P 870,712	P 342,944

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.

		2023		2022	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial Assets					
Financial assets at amortized cost:					
Cash and cash equivalents	5	**P 374,244,448**	**P 374,244,448**	P 255,027,375	P 255,027,375
Short-term placements	8	**59,516,000**	**59,516,000**	4,104,651	4,104,651
Trade receivables - net	6	**335,081,302**	**335,081,302**	280,732,283	280,732,283
Security deposits	10	**3,517,590**	**3,517,590**	3,472,104	3,472,104
		P 772,359,340	**P 772,359,340**	P 543,336,413	P 543,336,413
Financial Liabilities					
Financial liabilities at amortized cost:					
Trade and other payables (except Advances from customers and tax-related payables)	11.1	**P 281,193,564**	**P 281,193,564**	P 163,121,339	P 163,121,339
Lease liabilities	12.2	**16,022,024**	**16,022,024**	17,421,094	17,421,094
Mortgage payables	11.2	**333,679**	**333,679**	2,318,305	2,318,305
		P 297,549,267	**P 297,549,267**	P 182,860,738	P 182,860,738

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.

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).

	Level 1	Level 2	Level 3	Total
December 31, 2023				
Financial assets:				
Cash and cash equivalents	P374,244,448	P -	P -	P 374,244,448
Short-term placements	59,516,000	-	-	59,516,000
Trade receivables - net	-	-	335,081,302	335,081,302
Security deposits	-	-	3,517,590	3,517,590
	P433,760,448	**P -**	**P338,598,892**	**P 772,359,340**
Financial liabilities:				
Trade and other payables	P -	P -	P 281,193,564	P 281,193,564
Lease liabilities	-	-	16,022,024	16,022,024
Mortgage payables	-	-	333,679	333,679
	P -	**P -**	**P297,549,267**	**P 297,549,267**
December 31, 2022				
Financial assets:				
Cash and cash equivalents	P255,027,375	P -	P -	P 255,027,375
Short-term placements	4,104,651	-	-	4,104,651
Trade receivables - net	-	-	280,732,283	280,732,283
Security deposits	-	-	3,472,104	3,472,104
	P259,132,026	P -	P284,204,387	P 543,336,413
Financial liabilities:				
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
	P -	P -	P 182,860,738	P182,860,738

23.3 Fair Value Measurement for Non-financial Assets

The fair value of the Company's land amounting to P642.8 million and P447.9 million as of December 31, 2023 and 2022, 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 meter; hence, the higher the price per square meter, 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 2023 and 2022.

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:

	2023	2022	2021
Total liabilities	**P 472,920,636**	P 315,568,274	P 412,728,414
Total equity	**2,014,268,209**	1,760,357,646	1,588,880,731
Debt-to-equity ratio	**0.23 : 1.00**	0.18 : 1.00	0.26 : 1.00

There were no internally and externally imposed capital requirements to be complied with as of December 31, 2023 and 2022.

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. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to the reporting period, on March 4, 2024, the Company's BOD approved the additional appropriation of P120.0 million from the unrestricted retained earnings as of December 31, 2023, for capital expenditures 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 as follows:

(a) *Output VAT*

In 2023, the Company declared output VAT as follows:

	Tax Base	Output VAT
Sale of goods:		
Taxable sales	P1,253,785,755	P 150,454,291
Zero-rated sales	252,910,243	-
	P1,506,695,998	**P 150,454,291**

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 presented as Revenues in the 2023 statement of profit or loss.

(b) *Input VAT*

The movements in input VAT in 2023 are presented below.

Balance at beginning of year	P 108,363,277
Goods other than capital goods	68,930,002
VAT on importation of goods	32,172,058
Services lodged under other accounts	20,654,115
Capital goods subject to amortization	1,421,585
Amortization of deferred input VAT	1,853,125
Applied against output VAT	(150,454,291)
Balance at end of year	**P 82,939,871**

The outstanding balance of input VAT is presented under Prepayments and Other Current Assets in the 2023 statement of financial position.

Deferred input VAT amounting to P2,645,195 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 remaining deferred input VAT pertains to the Company's purchase of land from a related party under common ownership. The current portion of deferred input VAT amounting to P3,413,571 is presented under Prepayments and Other Current Assets, while the non-current portion amounting to P9,472,338 is presented as part of Other Non-current Assets in the 2023 statement of financial position.

(c) *Taxes on Importation*

In 2023, the total landed cost of the Company's importations for use in business amounted to P268,100,484. This also includes customs duties and tariff fees totalling to P3,258,820 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 P379,792 for excise taxes during the year for the importation of lubricants.

(e) *Documentary Stamp Tax*

Documentary stamp taxes (DST) paid and accrued in 2023 is presented below.

Bank transactions	P	1,374,568
Others		127,417
	P	**1,501,985**

(f) *Taxes and Licenses*

The composition of Taxes and licenses in 2023 is shown below.

Registration and license fees	P	6,889,044
Real property tax		3,219,957
DST		1,501,985
Residence tax		29,164
Miscellaneous		227,426
	P	**11,867,576**

The amount of Taxes and licenses is presented as part of Other Operating Expenses in the 2023 statement of profit or loss.

(g) *Withholding Taxes*

The details of total withholding taxes in 2023 are shown below.

Compensation and benefits	P	17,115,642
Expanded		11,497,356
Final tax on dividends		5,427,414
	P	**34,040,412**

(h) *Deficiency Tax Assessments*

In 2023, the Company paid final deficiency tax assessments pertaining to VAT for the taxable year 2022 amounting to P850,335. The details of deficiency tax assessments paid in 2023 are shown below.

Basic	P	761,501
Interest		58,834
Compromise penalty		30,000
	P	**850,335**

The related expense is presented as part of Miscellaneous under Other Operating Expenses in the 2023 statement of profit or loss.

As of December 31, 2023, 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.

P&A
Grant Thornton

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

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

T +63 2 8988 2288

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, 2023, on which we have rendered our report dated March 4, 2024. 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. 10076144, January 3, 2024, Makati City
SEC Group A Accreditation
Partner - No. 121347-SEC (until financial period 2023)
Firm - No. 0002 (until financial period 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 4, 2024

CROWN ASIA CHEMICALS CORPORATION
List of Supplementary Information
December 31, 2023

CROWN ASIA CHEMICALS CORPORATION
Schedule B
Amounts Receivable from Directors, Officers, Employees,
Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2023
(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 -	P 1,603,324	P -	P 1,603,324	P -	P -	P -	P -
Husky Plastics Corp.	130,401	96,647	-	167,617	-	59,431	-	59,431
Guiguinto Integrated Woods Industry Corp.	19,792	103,599	-	104,597	-	18,794	-	18,794
Total Accounts Receivable	**P 150,193**	**P 1,803,570**	**P -**	**P 1,875,538**	**P -**	**P 78,225**	**P -**	**P 78,225**
W.T. Derrick Realty Corporation	P 299,111	P 27,842	P -	P -	P -	P 326,953	P -	P 326,953
Total Security Deposit	**P 299,111**	**P 27,842**	**P -**	**P -**	**P -**	**P 326,953**	**P -**	**P 326,953**

CROWN ASIA CHEMICALS CORPORATION
Schedule D
Long-Term Debt
December 31, 2023
(Amounts in Philippine Pesos)

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Mortgage Payables" in Related Statement of Financial Position
Car loans	P 333,679	P 333,679

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, 2023
(Amounts in Philippine Pesos)

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Related parties under common ownership:		
Husky Plastics Corp.	P 10,340	P 688,992
Asean Timber Corp.	93,823	95,655,614
	P 104,163	P 96,344,606

CROWN ASIA CHEMICALS CORPORATION
Schedule G
Capital Stock
December 31, 2023

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Postion Caption	Number of Shares Reserved for Options, Warrants, Coversion 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	257,643,433	348,215,567

CROWN ASIA CHEMICALS CORPORATION
Km. 33, McArthur Highway, Bo. Tuktukan, Guiguinto, Bulacan
Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2023
(Amounts in Philippine Pesos)

Unappropriated Retained Earnings at Beginning of Year		P 836,864,807
Less: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the year	(P 54,957,510)	
Retained earnings appropriated during the year	(220,000,000)	
Subtotal		(274,957,510)
Unappropriated Retained Earnings at Beginning of Year, as adjusted		561,907,297
Net Income for the Current Year	247,849,760	
Less: Unrealized income recognized in the profit or loss during the year (net of tax)		
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	(267,826)	
Add: Unrealized income recognized in the profit or loss in the prior years but realized in the current year (net of tax)		
Realized foreign exchange gain, except those attributable to cash and cash equivalents	4,099	
Adjusted Net Income		247,586,033
Add/ Less: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement in deferred tax asset and deferred tax liabilities related to right-of-use assets and lease liability		14,701
Net movement in deferred tax asset not considered in the reconciling items under the previous categories		(513,021)
Unappropriated Retained Earnings Available for Dividend Distribution at End of Year		**P 808,995,010**

Supplemental Information on Retained Earnings –

As at December 31, 2023, the Company's unappropriated retained earnings exceeded its paid-in capital due to the net profit earned in 2023. Subsequent to the reporting period, on March 4, 2024, the Company's Board of Directors approved the additional appropriation of P120.0 million from the unrestricted retained earnings as of December 31, 2023, for capital expenditures within the next two years.

Report of Independent Auditors on Components of Financial Soundness Indicators

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

T +63 2 8988 2288

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, 2023 and 2022, on which we have rendered our report dated March 4, 2024. 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, 2023 and 2022 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. 10076144, January 3, 2024, Makati City
SEC Group A Accreditation
Partner - No. 121347-SEC (until financial period 2023)
Firm - No. 0002 (until financial period 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 4, 2024

CROWN ASIA CHEMICALS CORPORATION
Supplemental Schedule of Financial Soundness Indicators
December 31, 2023 and 2022

Ratio	Formula	2023	Formula	2022
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets P 1,586,154,000 Divide by: Total Current Liabilities 304,814,021 Current ratio 5.20	5.20	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
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets P 1,586,154,000 Less: Inventories (716,917,605) Other Current Assets* (91,551,824) Quick Assets 777,684,571 Divide by: Total Current Liabilities 304,814,021 Acid test ratio 2.55	2.55	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
Solvency ratio	Total Liabilities divided by Total Assets Total Liabilities P 472,920,636 Divide by: Total Assets 2,487,188,845 Solvency ratio 0.19	0.19	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
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities P 472,920,636 Divide by: Total Equity 2,014,268,209 Debt-to-equity ratio 0.23	0.23	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
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets P 2,487,188,845 Divide by: Total Equity 2,014,268,209 Assets-to-equity ratio 1.23	1.23	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
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT P 331,384,866 Divide by: Interest expense 1,167,870 Interest rate coverage ratio 283.75	283.75	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
Return on equity	Net Profit divided by Total Equity Net Profit P 247,849,760 Divide by: Total Equity 2,014,268,209 Return on equity 0.12	0.12	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
Return on assets	Net Profit divided by Total Assets Net Profit P 247,849,760 Divide by: Total Assets 2,487,188,845 Return on assets 0.10	0.10	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 margin	Net Profit divided by Total Revenue Net Profit P 247,849,760 Divide by: Total Revenue 1,506,695,998 Net profit margin 0.16	0.16	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

**Excluding short-term placements*

Ratio	Formula	2023	Formula	2022
Gross profit margin	Gross Profit divided by Total Revenue Gross Profit P 550,014,727 Divide by: Total Revenue 1,506,695,998 Gross profit margin 0.37	0.37	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
Book value per share	Total Equity divided by Outstanding Shares Total Equity P 2,014,268,209 Divide by: Outstanding Shares 610,639,000 Book value per share 3.30	3.30	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
Earnings per share	Net Profit divided by Average Outstanding Shares Net Profit P 247,849,760 Divide by: Average Outstanding Shares 610,639,000 Earnings per share 0.41	0.41	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
Price to book value per ratio	Stock Price divided by Book Value per Share Stock Price P 1.56 Divide by: Book Value per Share 3.30 Price to book value per ratio 0.47	0.47	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
Price to earnings ratio	Stock Price divided by Earnings per Share Stock Price P 1.56 Divide by: Earnings per Share 0.41 Price to earnings ratio 3.80	3.80	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