



# SECURITIES AND EXCHANGE COMMISSION

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## Company Information

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**Industry Classification:** J66940

**Company Type:** Stock Corporation

## Document Information

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

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of **Paxys, Inc.** (the Company) is responsible for the preparation and fair presentation of the separate financial statements as at and for the years ended December 31, 2023 and 2022, including the schedules attached therein, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

**Reyes Tacandong & Co.**, the independent auditor appointed by the stockholders, has audited the separate financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



**Tarcisio M. Medalla**  
Chairman of the Board and President



**Pablito O. Lim**  
Group Chief Financial Officer



Signed this 18<sup>th</sup> day of March 2024.

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**ATTY. JOEL FERRER FLORES**  
Notary Public for Makati City  
Until December 31, 2024  
Appointment No. M-115 (2023-2024)  
Roll Of Attorney No. 77376  
MCLE Compliance VIII No. 0001393-  
Jan. 3, 2023 until Apr. 12, 2028  
PER NO. 10073945/ Jan. 2, 2024/ Makati City  
IRC No. 330740/ Jan. 2, 2024/ Pasig City  
1107 Batang St., Guadalupe Nuevo, Makati City





## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Paxys, Inc.  
15th Floor, 6750 Ayala Office Tower  
Ayala Avenue, Makati City

### *Opinion*

We have audited the accompanying separate financial statements of Paxys, Inc. (the Company), which comprise the separate statements of financial position as at December 31, 2023 and 2022, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to separate financial statements, including a summary of material accounting policies.

In our opinion, the separate 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 the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

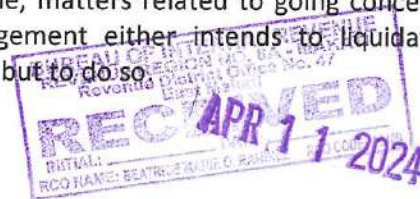
### *Basis for Opinion*

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 Separate 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 the audit of the separate 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.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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.

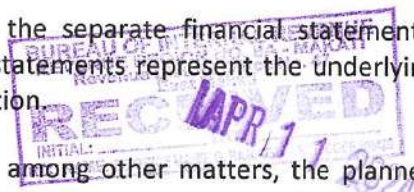
*Auditors' Responsibilities for the Audit of the Separate Financial Statements*

Our objectives are to obtain reasonable assurance about whether the separate 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, these could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 audits 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.





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

**REYES TACANDONG & Co.**

*Michelle R. Mendoza-Cruz*  
MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until April 13, 2024

BIR Accreditation No. 08-005144-012-2023

Valid until January 24, 2026

PTR No. 10072412

Issued January 2, 2024, Makati City

March 18, 2024

Makati City, Metro Manila



**PAXYS, INC.**

**SEPARATE STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2023	2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	P830,242,099	P619,546,534
Investment securities	5	–	238,093,419
Receivables	6	35,483,193	28,101,531
Other current assets	7	14,528,062	12,379,885
Total Current Assets		880,253,354	898,121,369
<b>Noncurrent Assets</b>			
Investments in subsidiaries and a joint venture	8	425,545,650	425,545,650
Right-of-use (ROU) asset	18	17,981,267	25,173,773
Property and equipment	9	143,115	300,282
Other noncurrent assets	10	6,433,160	6,450,075
Total Noncurrent Assets		450,103,192	457,469,780
		<b>P1,330,356,546</b>	<b>P1,355,591,149</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	P9,958,611	P10,268,610
Current portion of lease liability	18	7,733,966	7,359,572
Dividends payable	13	6,554,030	6,554,030
Income tax payable		13,965	120,382
Total Current Liabilities		24,260,572	24,302,594
<b>Noncurrent Liabilities</b>			
Lease liability - net of current portion	18	10,939,826	18,673,792
Retirement liability	12	6,766,947	6,195,032
Total Noncurrent Liabilities		17,706,773	24,868,824
Total Liabilities		41,967,345	49,171,418
<b>Equity</b>			
Capital stock	13	1,148,534,866	1,148,534,866
Additional paid-in capital	13	451,364,252	451,364,252
Deficit		(311,213,821)	(293,183,291)
Other equity reserves	12	(296,096)	(296,096)
Total Equity		1,288,389,201	1,306,419,731
		<b>P1,330,356,546</b>	<b>P1,355,591,149</b>

See accompanying Notes to Separate Financial Statements.

**PAXYS, INC.**

**SEPARATE STATEMENTS OF COMPREHENSIVE INCOME**

	Note	Years Ended December 31	
		2023	2022
INTEREST INCOME - NET OF AMORTIZATION	17	₱48,329,525	₱21,543,433
GENERAL AND ADMINISTRATIVE EXPENSES	15	(59,277,101)	(62,143,227)
NET FOREIGN EXCHANGE GAIN (LOSS)		(818,478)	9,792,700
INTEREST EXPENSE	18	(931,856)	(1,217,287)
OTHER INCOME - Net	17	3,495,679	4,774,330
LOSS BEFORE INCOME TAX		(9,202,231)	(27,250,051)
PROVISION FOR CURRENT INCOME TAX	19	8,828,299	5,781,007
NET LOSS		(18,030,530)	(33,031,058)
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Item not to be reclassified to profit or loss -</i>			
Remeasurement gain on retirement liability	12	-	2,751,769
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(₱18,030,530)</b>	<b>(₱30,279,289)</b>

See accompanying Notes to Separate Financial Statements.





**PAXYS, INC.**

**SEPARATE STATEMENTS OF CHANGES IN EQUITY**

	Note	Years Ended December 31	
		2023	2022
<b>CAPITAL STOCK</b>	13	<b>₱1,148,534,866</b>	<b>₱1,148,534,866</b>
<b>ADDITIONAL PAID-IN CAPITAL</b>	13	<b>451,364,252</b>	<b>451,364,252</b>
<b>DEFICIT</b>			
Balance at beginning of year		<b>(293,183,291)</b>	<b>(260,152,233)</b>
Net loss		<b>(18,030,530)</b>	<b>(33,031,058)</b>
Balance at end of year		<b>(311,213,821)</b>	<b>(293,183,291)</b>
<b>OTHER EQUITY RESERVES</b>			
<b>Cumulative Remeasurement Losses on Retirement Liability</b>	12		
Balance at beginning of year		<b>(296,096)</b>	<b>(3,047,865)</b>
Remeasurement gain		<b>-</b>	<b>2,751,769</b>
Balance at end of year		<b>(296,096)</b>	<b>(296,096)</b>
		<b>₱1,288,389,201</b>	<b>₱1,306,419,731</b>

See accompanying Notes to Separate Financial Statements.



**PAXYS, INC.**  
**SEPARATE STATEMENTS OF CASH FLOWS**

		Years Ended December 31	
	Note	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax		(P9,202,231)	(P27,250,051)
Adjustments for:			
Interest income	17	(48,329,525)	(21,543,433)
Depreciation and amortization	17	7,372,615	7,477,094
Provision for expected credit losses on receivables	6	5,828,576	3,850,523
Interest expense on lease liability	18	931,856	1,217,287
Net unrealized foreign exchange loss		821,860	(8,366,908)
Retirement benefits	12	571,915	540,780
Realized foreign exchange gain on disposal of investment securities	5	368,312	-
Non-cash adjustment of ROU assets	18	-	(132,619)
Loss on redemption of available-for-sale financial asset	5	-	76,490
Operating loss before changes in working capital		(41,636,622)	(44,130,837)
Decrease (increase) in:			
Receivables		186,947	123,742
Other current assets		(2,148,177)	(3,094,382)
Investment securities measured at fair value through profit or loss		-	34,121,209
Decrease in trade and other payables		(309,999)	(274,325)
Net cash used for operations		(43,907,851)	(13,254,593)
Interest received		37,640,945	27,051,411
Income taxes paid		(8,934,716)	(5,662,423)
Net cash flows provided by (used in) operating activities		(15,201,622)	8,134,395
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net redemptions of (additions to) investment securities measured at amortized cost	5	237,532,000	(242,139,762)
Decrease (increase) in due from related parties		(2,387,008)	8,021,366
Additions to:			
Property and equipment	9	(6,027)	(157,000)
Intangible assets	10	-	(18,482)
Net cash flows provided by (used in) investing activities		235,138,965	(234,293,878)
<b>CASH FLOW FROM A FINANCING ACTIVITY</b>			
Payments of lease liability	18	(8,291,428)	(8,220,534)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>211,645,915</b>	<b>(234,380,017)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>(950,350)</b>	<b>6,923,007</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>619,546,534</b>	<b>847,003,544</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	4	<b>P830,242,099</b>	<b>P619,546,534</b>

See accompanying Notes to Separate Financial Statements.

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## PAXYS, INC.

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### NOTES TO SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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#### 1. Corporate Information

Paxys, Inc. (Paxys or the Company) is an investment holding company incorporated in the Philippines and listed (stock symbol: PAX) in the Philippine Stock Exchange (PSE). The Company was formerly known as Fil-Hispano Holdings Corporation and registered with the Philippine Securities and Exchange Commission (SEC) on February 14, 1952. On June 18, 2001, the SEC approved the extension of corporate existence for 50 years until February 14, 2052. However, in accordance with the Revised Corporation Code of the Philippines, effective February 23, 2019, the Company shall have perpetual existence.

On March 22, 1971, the shares of the Company with ₱1 par value per share were listed with the PSE. As at December 31, 2023 and 2022, 1,148,534,866 common shares are listed in the PSE and traded in the PSE at the price of ₱1.15 and ₱1.83 per share, respectively.

As at December 31, 2023 and 2022, the major shareholders of the Company are All Asia Customer Services Holdings Ltd (AACSHL), a company incorporated in Hong Kong, and Paxys N.V., a wholly-owned subsidiary of the Company, with 54.93% and 30.09% equity interest, respectively.

The registered office address of the Company is at 15<sup>th</sup> Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City.

#### **Approval of the Separate Financial Statements**

The accompanying separate financial statements as at and for the years ended December 31, 2023 and 2022 were authorized for issue by the Board of Directors (BOD) on March 18, 2024.

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#### 2. Summary of Material Accounting Policy Information

##### **Basis of Preparation**

The separate financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

The Company also prepares consolidated financial statements for the same year in accordance with PFRS for the Company and its Subsidiaries (collectively referred to as the Group). Users of these separate financial statements should read them together with the consolidated financial statements in order to obtain full information on the financial position, financial performance and cash flows of the Group as a whole. The consolidated financial statements may be obtained at the registered office address of the Company or at the SEC.

### **Measurement Bases**

The separate financial statements are presented in Philippine Peso, the functional currency of the Company. All amounts represent absolute values, unless otherwise stated.

The separate financial statements have been prepared on a historical cost basis, except for, retirement liability measured at present value of the defined benefit retirement obligation, and lease liability measured at present value of discounted minimum lease payments.

Historical cost is generally based on the fair value of the consideration given in exchange for an asset or the fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured and/or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as discussed in the foregoing.

Information about the assumptions made in measuring fair value is included in the following notes to separate financial statements:

Note 3, *Significant Judgments, Accounting Estimates and Assumptions*

Note 20, *Financial Risk Management Objectives and Policies*

### **Adoption of Amended PFRS**

The accounting policies adopted are consistent with those of the previous reporting year, except for the adoption of the following amended PFRS.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) 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 (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that 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. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.

The adoption of the amended PFRS did not materially affect the separate financial statements of the Company. Additional disclosures were included in the separate financial statements, as applicable.

### **Financial Assets and Liabilities**

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

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

### **Financial Assets**

*Classification.* The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

The Company does not have financial assets at FVOCI.

*Financial Assets at FVPL.* Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship.

This category includes investments in Unit Investment Trust Fund (UITF) presented as investment securities in the separate statements of financial position.

*Financial Assets at Amortized Cost.* A financial asset should be measured at amortized cost if both of the following conditions are met:

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

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

Financial assets at amortized cost are included under current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Company classifies its cash and cash equivalents, investments in bonds presented under investment securities in the separate statements of financial position, receivables, and rental and security deposits under this category.

### **Financial Liabilities**

*Classification.* The Company classifies its financial liabilities at initial recognition as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

The Company does not have financial instruments classified as financial liabilities at FVPL.

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost unless either the financial liability is held for trading and is therefore required to be measured at FVPL or the entity elects to measure the liability at FVPL. Financial liabilities are recognized when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. These financial liabilities are initially recognized at fair value less any directly attributable transaction costs.

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

The Company classifies its trade and other payables (excluding statutory payables), lease liability and dividends payable under this category.

### **Reclassification**

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting year following the change in business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

### **Impairment of Financial Assets**

The Company assesses at the end of each reporting year whether a financial asset or a group of financial assets is impaired.

The Company recognizes impairment loss based on expected credit loss (ECL), which is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For financial assets at amortized cost, which comprise cash and cash equivalents, receivables (excluding advances to officers and employees), investment in bonds presented under investment securities in the separate statements of financial position, and rental and security deposits, ECL is based on 12-month ECL that pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

For a financial asset that is credit-impaired at the reporting date, an entity should measure the ECL as the difference between the asset gross carrying amount and the present value of estimated future cash flows discounted at the financial asset original effective interest rate. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events, among others: (a) significant financial difficulty of the issuer or the borrower; (b) a breach of contract, such as a default or past due event or (c) the disappearance of an active market for that financial asset because of financial difficulties. It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit impaired.

Financial assets are written off when the counter parties have no liquid and/or available assets to pay. Thus, these are no longer fully realizable.

#### **Derecognition of Financial Assets and Liabilities**

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

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

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



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

#### **Offsetting of Financial Instruments**

Financial assets and liabilities are offset and the net amount reported in the separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### **Classification of Financial Instrument between Liability and Equity**

A financial instrument is classified as liability if it provides for a contractual obligation to:

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

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

#### **Input Value-Added Tax (VAT)**

Input VAT represents the net amount of VAT recoverable from the tax authority. Revenue, expenses, and assets are recognized, net of the amount of VAT, except where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority.

#### **Investments in Subsidiaries and a Joint Venture**

Investments in subsidiaries and a joint venture are carried at cost, less any impairment in value. Under the cost method of accounting, the Company recognizes income from the investment only to the extent that the Company received distributions from accumulated profits of the subsidiary and joint venture arising after the date of acquisition. Distributions received in excess of such profits are regarded as a reduction of the cost of investment.

A subsidiary is an entity in which the Company has control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

#### **Property and Equipment**

Property and equipment are carried at historical cost less accumulated depreciation, amortization, and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss in the year incurred.

Major renovations that qualify for capitalization are depreciated and amortized over the remaining useful life of the related asset or to the next major renovation, whichever is shorter.

Depreciation and amortization are calculated using the straight-line method to allocate the cost over the estimated useful lives of the assets, as follows:

<u>Asset Type</u>	<u>Number of Years</u>
Office equipment	5
Computer equipment	3
Communication equipment	3
Leasehold improvements	5 or the lease term, whichever is shorter

Depreciation and amortization commence when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation and amortization cease at the earlier of the date that the item is classified as held for sale (or included in a disposal Company that is classified as held for sale) and the date the asset is derecognized.

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

Fully depreciated property and equipment are retained in the books until these are no longer being used in the operations.

When an asset is disposed of or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization, and impairment are derecognized. Gains and losses on retirement or disposal are determined by comparing the proceeds with carrying amount of the asset and are recognized in profit or loss.

#### **Impairment of Nonfinancial Assets**

The carrying amounts of nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses are recognized in profit or loss. Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized. After such a reversal, the depreciation and amortization are adjusted in future years to allocate the asset's revised carrying amount on a systematic basis over its remaining estimated useful lives.

### **Equity**

*Capital Stock and Additional Paid-in Capital.* Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of tax. The excess of proceeds from the issuance of shares over the par value of shares is credited to additional paid-in capital.

*Deficit.* Deficit represents the cumulative balance of results of operations.

### **Other Comprehensive Loss**

Other comprehensive loss is comprised of items of income and expenses (including items previously presented as other equity reserves under the separate statement of changes in equity) that are not recognized in profit or loss for the year. Other comprehensive loss, which is presented as "Other equity reserves," pertains to cumulative remeasurement losses on retirement liability.

### **Revenue Recognition**

Revenue from contracts with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time. The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all its revenue sources. The following specific recognition criteria must also be met before revenue is recognized:

*Interest Income.* Revenue is recognized on a time proportion basis using the effective interest method.

*Other Income.* Revenue is recognized when the earning process is complete, and the flow of economic benefit is reasonably assured.

### **Expense Recognition**

Expenses are decreases in economic benefits during the year in the form of outflows, decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

General and administrative expenses constitute costs of administering the business such as salaries and wages of administrative department, professional fees, management fees, rental, utilities, and general office expenses. These expenses are recognized in profit or loss as incurred.

### **Employee Benefits**

*Short-term Benefits.* The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the year. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses, and non-monetary benefits.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided. The unpaid portion of the short-term employee benefits is measured on an undiscounted basis and is included as part of "Trade and Other Payables" account in the separate statements of financial position.

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

The Company recognizes service costs comprising of current service costs and interest costs in profit or loss. Interest cost is calculated by applying the discount rate to the retirement liability.

Remeasurements of the retirement liability, which comprise actuarial gains and losses, are recognized immediately in other comprehensive income.

The retirement liability is the present value of the defined benefit obligation. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rate of government bonds that have terms to maturity approximating the terms of the related retirement and other long-term benefits liability.

Actuarial valuations are made annually so that the amounts recognized in the separate financial statements do not differ materially from the amounts that would be determined at the reporting date.

### **Leases**

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

*The Company as a Lessee.* The Company recognizes ROU asset and lease liability at the lease commencement date. The ROU asset is initially measured at cost comprising the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, any initial direct and restoration costs.

The ROU asset is measured subsequently at cost, less amortization and any impairment losses. In addition, the cost is subsequently adjusted for any remeasurement of the lease liability resulting from reassessments or lease modifications.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise an extension or termination option.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis of accounting as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

### **Income Taxes**

*Current Tax.* Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of reporting year.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax liability is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. However, deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, an associate and interests in joint ventures.

Deferred tax assets are recognized for all deductible temporary differences, carry forward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

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

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in other comprehensive income or directly in equity.

#### **Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

### **Events after the Reporting Year**

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

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### **3. Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the separate financial statements requires management to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income, expenses, and related disclosures. The management makes accounting estimates and uses assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the separate financial statements as these become reasonably determinable.

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

The Company believes the following represent a summary of significant judgments, accounting estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, as well as to the related revenues and expenses, within the next year, and related impact and associated risk in the separate financial statements.

#### **Judgments**

In the process of applying the Company's accounting policies, management exercises judgment on the following items, apart from those involving estimations, which has the most significant effect on the amounts recognized in the separate financial statements.

*Determining Functional Currency.* Management determined that the Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the Company's operations.

*Determining the Classification of Financial Instruments.* Classification of financial instruments depends on the results of the business model and "sole payment of principal and interest" (SPPI) test performed by the Company. The Company exercises judgment in determining the business model to be used in managing its financial instruments to achieve their business objectives.

The classification on various financial assets and liabilities of the Company are disclosed in Note 2, *Summary of Material Accounting Policy Information*.

*Determining the Classification of Lease Arrangements and Appropriate Lease Term and Discount Rates.* The Company, as a lessee, has various lease agreements with third parties for office space and parking space.

The Company has exercised significant judgment in determining the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or in any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The leases are renewable upon mutual agreement by both parties or by the option of the lessee, to be covered by a separate and new lease agreement. Accordingly, the renewal option was not considered in the lease term.

Significant judgment was likewise exercised by the management Company in determining the discount rate to be used in calculating the present value of ROU asset and lease liability. The discount rate of 4% is the incremental borrowing rate as obtained from the banks in 2023 and 2022.

Rent expense amounting to ₱0.2 million in 2023 and ₱0.1 million in 2022, includes rent on low-value asset leases on storage and equipment (see Note 18).

As at December 31, 2023 and 2022, ROU asset amounted to ₱18.0 million and ₱25.2 million respectively (see Note 18).

As at December 31, 2023 and 2022, lease liability amounted to ₱18.7 million and ₱26.0 million, respectively (see Note 18).

#### **Accounting Estimates and Assumptions**

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

*Determining Fair Value of Financial Instruments.* Certain financial assets and liabilities are carried at fair value and whose fair values are disclosed, which requires extensive use of accounting estimates. When the fair values of financial assets and liabilities recorded or disclosed in the separate statements of financial position cannot be measured based on quoted prices in active market, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to this model are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of the financial instruments.

Fair values of financial assets and liabilities are presented in Note 20, *Financial Risk Management Objectives and Policies*.

*Estimating Impairment Losses on Financial Assets.* Impairment losses on financial assets are determined based on ECL. In assessing the ECL, the Company uses historical loss experience adjusted for forward-looking factors, as appropriate.

Cash in banks and cash equivalents which are maintained at reputable financial institutions with good industry rating and score, are considered “high grade” and have low credit risk at reporting date.

For investment securities, except for financial assets at FVPL, the Company estimates impairment based on 12-month ECL. Investment in bonds, classified as financial assets at amortized cost, which have credit quality equivalent to “high grade” and have low credit risk at reporting date, are presumed to have no significant increase in credit risk since initial recognition.

Management recognizes losses on credit-impaired receivables from related parties considering its ability to pay based on its available assets.



No provision for impairment losses was recognized on cash in banks and cash equivalents. Allowance for ECL on receivables amounted to ₱203.1 million and ₱197.2 million as at December 31, 2023 and 2022, respectively (see Note 6). Provision for ECL on receivables amounted to ₱5.8 million in 2023 and ₱3.9 million in 2022 (see Note 6).

The carrying amount of financial assets at amortized cost as at December 31 are as follows:

	2023	2022
Cash and cash equivalents	₱830,242,099	₱619,546,534
Investment securities at amortized cost	–	238,093,419
Receivables	35,483,193	28,101,531

*Estimating Impairment Losses on Input VAT.* The provision for impairment losses on input VAT is maintained at a level considered adequate to provide for potentially unrecoverable claims. The Company, on a continuing basis, makes a review of the status of the claims, designed to identify those to be provided with any impairment losses. In these cases, management uses judgment based on the best available facts and circumstances. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

The carrying amount of input VAT amounted to ₱14.0 million and ₱11.6 million as at December 31, 2023 and 2022, respectively. Allowance for impairment losses on input VAT amounted to ₱25.8 million as at December 31, 2023 and 2022 (see Note 7).

*Estimating Useful Lives of ROU Asset.* The estimated useful life of each of the items of ROU asset is estimated based on the year over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors in the foregoing. A change in the estimated useful life of any item of ROU asset would impact the recorded general and administrative expense and noncurrent assets.

There is no change in the estimated useful lives of ROU asset in 2023 and 2022. The carrying amount of ROU asset of the Company amounted to ₱18.0 million and ₱25.2 million as at December 31, 2023 and 2022, respectively (see Note 18).

*Assessing the Impairment of Nonfinancial Assets.* The Company assesses at the end of each reporting year whether there is any indication that the investments in subsidiaries and joint venture, ROU asset, property and equipment and intangible assets may be impaired. If such indication exists, the entity estimates the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its value-in-use. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from the cash generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

No impairment losses were recognized in 2023 and 2022. Allowance for impairment losses on investments in subsidiaries and a joint venture amounted to ₱32.2 million as at December 31, 2023 and 2022 (see Note 8).

The carrying amounts of assets assessed for possible impairment are as follows:

	Note	2023	2022
Investments in subsidiaries and a joint venture	8	<b>₱425,545,650</b>	₱425,545,650
ROU asset	18	<b>17,981,267</b>	25,173,773

*Determining Retirement Liability.* The determination of the obligation and cost for retirement benefits is dependent on the selection of certain assumptions determined by management and used by the actuary in calculating such amounts. Those assumptions are described in Note 12 and include, among others, discount rate and salary increase rate. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

Retirement liability amounted to ₱6.8 million and ₱6.2 million as at December 31, 2023 and 2022, respectively. (see Note 12).

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

Unrecognized net deferred tax assets amounted to ₱64.7 million and ₱52.3 million as at December 31, 2023 and 2022, respectively (see Note 19). Net deferred tax assets as at December 31, 2023 and 2022 were not recognized because sufficient future taxable income may not be available against which deductible temporary differences may be utilized.

#### 4. Cash and Cash Equivalents

This account consists of the following:

	2023	2022
Cash on hand	<b>₱30,000</b>	₱30,000
Cash in banks	<b>18,019,202</b>	9,128,483
Cash equivalents	<b>812,192,897</b>	610,388,051
	<b>₱830,242,099</b>	₱619,546,534

Cash in banks earn interest at the prevailing bank deposit rates.

Cash equivalents are short-term investments with local banks made at varying periods, depending on the immediate cash requirements of the Company, and earn interest at the prevailing short-term deposit rates. Any pre-termination or redemption prior to maturity date shall not result to significant change in investment values and penalties.

Total interest income earned on cash in banks and cash equivalents amounted to ₱47.3 million and ₱6.8 million in 2023 and 2022, respectively (see Note 17).

## 5. Investment Securities

This account consists of financial assets measured at amortized cost amounting to nil and ₱238.1 million as at December 31, 2023 and 2022, respectively.

The Company has no financial assets at FVPL as at December 31, 2023 and 2022.

### Financial Assets at Amortized Cost

These consist of bonds with fixed interest rate and maturity date until 2023.

Movements in the account follow:

	2023	2022
Balance at beginning of year	₱238,093,419	₱-
Net additions (redemptions)	(237,532,000)	242,139,762
Realized foreign exchange gain	(368,312)	-
Amortization of premium	(193,107)	(7,299,843)
Unrealized foreign exchange gain	-	3,253,500
Balance at end of year	₱-	₱238,093,419

Interest income earned from these bonds amounted to ₱1.0 million (net of amortization) and ₱14.8 million in 2023 and 2022, respectively (see Note 17).

### Financial Assets at FVPL

These pertain to investments in unit investment trust fund at local banks.

Movements in the account follow:

	Note	2022
Balance at beginning of year		₱34,197,699
Additions		6,954,214
Redemptions		(41,075,423)
Loss on redemption of investment securities	17	(76,490)
Balance at end of year		₱-

## 6. Receivables

	Note	2023	2022
Due from related parties	14	₱195,874,621	₱193,360,341
Nontrade		22,184,227	22,184,227
Interest		16,039,503	5,157,816
Advances to officers and employees		4,348,193	4,533,940
Others		87,518	87,500
		238,534,062	225,323,824
Allowance for ECL		(203,050,869)	(197,222,293)
		₱35,483,193	₱28,101,531

Nontrade receivable refers to advances to affiliates for business purposes.

Advances to officers and employees consist of noninterest-bearing cash advances for business purposes.

The balance and movement of allowance for ECL as at December 31 are as follows:

	Note	2023	2022
Balance at beginning of year		<b>₱197,222,293</b>	₱193,371,770
Provision	15	<b>5,828,576</b>	3,850,523
Balance at end of year		<b>₱203,050,869</b>	₱197,222,293

Details of allowance for impairment losses as at December 31, 2023 and 2022 are as follows:

	Note	2023	2022
Due from related parties	14	<b>₱178,317,501</b>	₱172,488,925
Nontrade		<b>22,184,227</b>	22,184,227
Interest		<b>1,977,244</b>	1,977,244
Advances to officers and employees		<b>571,897</b>	571,897
		<b>₱203,050,869</b>	₱197,222,293

## 7. Other Current Assets

	2023	2022
Input VAT	<b>₱39,804,149</b>	₱37,477,829
Prepaid expenses	<b>567,358</b>	745,501
	<b>40,371,507</b>	38,223,330
Allowance for impairment losses on input VAT	<b>(25,843,445)</b>	(25,843,445)
	<b>₱14,528,062</b>	₱12,379,885

Allowance for impairment losses on input VAT amounted to ₱25.8 million as at December 31, 2023 and 2022. There are no provisions for impairment losses recognized in 2023 and 2022.

Prepaid expenses pertain to rent, insurance, subscriptions, and taxes and licenses, which are normally amortized within one year.

## 8. Investments in Subsidiaries and a Joint Venture

The wholly-owned subsidiaries of the Company are as follows:

	Line of Business	Principal Place of Business
Paxys N.V.	Investment holding	Curacao
Paxys Ltd.	Investment holding	Hong Kong
Scopeworks Asia, Inc. (SWA)	Business process outsourcing	Philippines
Paxys Realty, Inc. (PRI)	Real estate	Philippines
Paxys Global Services Pte. Ltd. (PGSPL)	Business process outsourcing	Singapore
Regional Operating Headquarters of PGSPL - (PGS ROHQ)	Regional operating headquarter	Philippines

PRI, PGSPL and PGS ROHQ are currently not in operation.

As at December 31, 2023 and 2022, the carrying amounts of the investments are as follows:

	Acquisition Cost	Allowance for Impairment Losses	Carrying Amount
<b>Subsidiaries:</b>			
Paxys N.V.	₱422,659,890	₱ –	₱422,659,890
SWA	21,655,000	21,655,000	–
PGSPL	1,249,562	1,249,562	–
PRI	50,000	50,000	–
Paxys Ltd.	10	–	10
	445,614,462	22,954,562	422,659,900
<b>Joint venture -</b>			
Paxys Global Services Dalian Ltd. (PGS Dalian)	12,129,449	9,243,699	2,885,750
	<b>₱457,743,911</b>	<b>₱32,198,261</b>	<b>₱425,545,650</b>

PGS Dalian, a 50%-50% joint venture with Beijing River Nona IT Co. Ltd., a British company based in China, is primarily engaged in providing data transcription services.

Management provided allowance for impairment losses as some of the subsidiaries and a joint venture are already in capital deficiency position and there are no expected future cash flows from the operations of the subsidiaries and joint venture.

The Company has no commitments, contingencies or restrictions on its subsidiaries and joint venture as at December 31, 2023 and 2022.

Summarized financial information of the joint venture as at December 31 are as follows:

	2023	2022
Current assets	<b>₱7,935,013</b>	₱7,935,013
Noncurrent assets	<b>643,164</b>	643,164
Current liabilities	<b>5,590,484</b>	5,590,484
Revenue	–	–
Net income	–	–

## 9. Property and Equipment

Movements of property and equipment follow:

	Note	2023				Total
		Office Equipment	Computer Equipment	Communication Equipment	Leasehold Improvements	
<b>Cost</b>						
Balances at beginning of year		₱4,941,739	₱5,696,621	₱47,321	₱8,009,073	₱18,694,754
Additions		–	6,027	–	–	6,027
Balances at end of year		4,941,739	5,702,648	47,321	8,009,073	18,700,781
<b>Accumulated Depreciation and Amortization</b>						
Balances at beginning of year		4,929,396	5,408,682	47,321	8,009,073	18,394,472
Depreciation and amortization	17	12,343	150,851	–	–	163,194
Balances at end of year		4,941,739	5,559,533	47,321	8,009,073	18,557,666
<b>Carrying Amounts</b>		<b>₱–</b>	<b>₱143,115</b>	<b>₱–</b>	<b>₱–</b>	<b>₱143,115</b>

	Note	2022				Total
		Office Equipment	Computer Equipment	Communication Equipment	Leasehold Improvements	
<b>Cost</b>						
Balances at beginning of year		₱4,941,739	₱5,539,621	₱47,321	₱8,009,073	₱18,537,754
Additions		–	157,000	–	–	157,000
Balances at end of year		4,941,739	5,696,621	47,321	8,009,073	18,694,754
<b>Accumulated Depreciation and Amortization</b>						
Balances at beginning of year		4,911,129	5,173,050	47,321	8,009,073	18,140,573
Depreciation and amortization	17	18,267	235,632	–	–	253,899
Balances at end of year		4,929,396	5,408,682	47,321	8,009,073	18,394,472
<b>Carrying Amounts</b>		<b>₱12,343</b>	<b>₱287,939</b>	<b>₱–</b>	<b>₱–</b>	<b>₱300,282</b>

Fully depreciated property and equipment amounting to ₱18.2 million and ₱17.9 million are still being used as at December 31, 2023 and 2022, respectively.

## 10. Other Noncurrent Assets

This account consists of:

	Note	2023	2022
Creditable withholding tax for refund		<b>₱4,980,954</b>	₱4,980,954
Rental and security deposits	18	<b>1,440,778</b>	1,440,778
Intangible assets		<b>11,428</b>	28,343
		<b>₱6,433,160</b>	₱6,450,075

Creditable withholding tax pertains to unused balance from prior years. The Company will assess the need and timing to file for refund.

Rental and security deposits mainly pertain to cash deposits on lease agreements, which are refundable at the end of the lease period.

Intangible assets pertain to software licenses and website development, which are amortized over three to five years. Movements in intangible assets follow:

	Note	2023	2022
<b>Cost</b>			
Balances at beginning of year		<b>₱9,629,090</b>	₱9,610,608
Additions		–	18,482
Balances at end of year		<b>9,629,090</b>	9,629,090
<b>Accumulated Amortization</b>			
Balances at beginning of year		<b>9,600,747</b>	9,570,058
Amortization	17	<b>16,915</b>	30,689
Balances at end of year		<b>9,617,662</b>	9,600,747
<b>Carrying Amount</b>		<b>₱11,428</b>	₱28,343

## 11. Trade and Other Payables

This account consists of:

	2023	2022
Trade	P459,644	P896,372
Statutory payables	5,916,255	6,032,487
Accrued expenses	3,468,940	3,260,121
Others	113,772	79,630
	<b>P9,958,611</b>	<b>P10,268,610</b>

Trade payables are noninterest-bearing and are normally settled on a 60-day term.

Statutory payables represent withholding tax payable, Social Security System, Home Development Mutual Fund and PhilHealth premiums, and other liabilities to the government agencies, which are normally settled the following month.

Accrued expenses include accruals for utilities, professional fees and other outside services which are normally settled within one year.

## 12. Retirement Benefits

The Company has an unfunded, noncontributory, defined benefit retirement plan covering all of its eligible regular and full-time employees. The plan provides for a lump sum benefit payment upon retirement. The retirement benefit and liability recognized are determined in accordance with the independent actuarial study made for the plan. The latest actuarial valuation is as at December 31, 2021.

Retirement benefits are as follows (see Note 16):

	2023	2022
Interest costs	P433,652	P427,026
Current service costs	138,263	113,754
	<b>P571,915</b>	<b>P540,780</b>

The cumulative remeasurement losses are as follows:

	2023	2022
Balances at beginning of year	(P296,096)	(P3,047,865)
Remeasurement gains	-	2,751,769
Balances at end of year	<b>(P296,096)</b>	<b>(P296,096)</b>

The changes in retirement liability recognized in the separate statements of financial position are as follows:

	2023	2022
Balances at beginning of year	P6,195,032	P8,406,021
Retirement benefits	571,915	540,780
Remeasurement gains	-	(2,751,769)
Balances at end of year	<b>P6,766,947</b>	<b>P6,195,032</b>

The principal assumptions used in determining the retirement liability of the Company as at December 31 are as follows:

	2023	2022
Discount rate	6.10%	7.00%
Salary increase rate	2.00%	2.00%

Sensitivity analysis on defined benefit liability as at December 31, 2023 is as follows:

	Change in Assumption	Effect on Retirement Liability
Discount rate	+100 bps	(1,132,404)
	-100 bps	1,400,081
Salary increase rate	+100 bps	1,460,716
	-100 bps	(1,192,457)

As at December 31, 2023, expected future benefit payments are shown below:

Within one year	P5,327,161
More than five years	621,418
	<b>P5,948,579</b>

The weighted average duration of the defined benefit obligation at the end of the reporting year is at 6.4 years.

### 13. Equity

#### Capital Stock

This account consists of the following as at December 31, 2023 and 2022:

	Number of Shares	Amount
Common stock - P1 par value		
Authorized	1,800,000,000	P1,800,000,000
Issued and outstanding	1,148,534,866	1,148,534,866



Additional Paid-in Capital

This account consists of the following as at December 31, 2023 and 2022:

Premium on issuance of shares of stock	P348,212,993
Premium on forfeited stock option	103,151,259
	<u>P451,364,252</u>

Premium on issuance of shares of stock represents the excess of the subscription price over the par value of capital stock. Premium on forfeited stock option represents increase in equity arising from equity-settled share-based payment transactions related to the Employee Equity Plan ("Plan") that was discontinued in 2015.

Dividends

As at December 31, 2023 and 2022, outstanding dividends payable amounting to P6.6 million pertain to dividends declared in prior years.

**14. Related Party Transactions and Balances**

In the normal course of business, the Company has transactions and balances with related parties pertaining to cash advances as follows:

Related Party	Year	Transactions during the Year	Due from Related Parties (see Note 6)	Due to a Related Party
Subsidiaries	2023	(P28,489)	P141,007,654	P-
	2022	2,049,723	141,036,143	-
Entities under Common Control	2023	810,462	36,996,002	42,886
	2022	-	36,185,540	42,886
Joint Ventures	2023	1,732,307	17,870,965	-
	2022	119,312	16,138,658	-
	2023	<u>P2,514,280</u>	<u>P195,874,621</u>	<u>P42,886</u>
	2022	<u>2,169,035</u>	<u>193,360,341</u>	<u>42,886</u>

Outstanding balances are unsecured and non-interest-bearing, have no fixed repayment terms and are normally settled in cash. No guarantees have been provided or received for these balances. Impairment assessment is undertaken each financial year.

The Company granted non-interest-bearing advances to related parties to support working capital requirements.

Allowance for impairment losses related to receivables from related parties amounted to P178.3 million and P172.5 million as at December 31, 2023 and 2022, respectively (see Note 6).

Compensation of Key Management Personnel

	2023	2022
Salaries and wages	P13,919,288	P13,919,288
Professional fees	5,160,823	4,677,500
Other short-term benefits	3,780,270	2,642,848
	<u>P22,860,381</u>	<u>P21,239,636</u>

### 15. General and Administrative Expenses

	Note	2023	2022
Personnel costs	16	<b>₱21,664,675</b>	₱21,325,987
Professional fees		<b>9,294,303</b>	15,927,486
Depreciation and amortization	17	<b>7,372,615</b>	7,477,094
Provision for ECL on receivables	6	<b>5,828,576</b>	3,850,523
Utilities		<b>2,852,369</b>	2,787,008
Communication		<b>1,708,689</b>	1,832,522
Insurance		<b>1,556,837</b>	1,401,901
Securities and janitorial		<b>1,539,962</b>	1,431,115
Entertainment, amusement and recreation		<b>1,453,626</b>	635,267
Transportation and travel		<b>521,060</b>	417,878
Rent	18	<b>150,833</b>	147,361
Others		<b>5,333,556</b>	4,909,085
		<b>₱59,277,101</b>	₱62,143,227

### 16. Personnel Costs

	Note	2023	2022
Salaries and wages		<b>₱16,907,751</b>	₱16,704,929
Employee benefits		<b>3,349,009</b>	3,254,278
Directors' fees		<b>836,000</b>	826,000
Retirement benefits	12	<b>571,915</b>	540,780
		<b>₱21,664,675</b>	₱21,325,987

### 17. Interest Income, Other Income, Depreciation and Amortization

#### Interest Income - Net of Amortization

	Note	2023	2022
Cash equivalents	4	<b>₱47,288,894</b>	₱6,775,767
Investment securities	5	<b>1,034,085</b>	14,760,872
Cash in banks	4	<b>6,546</b>	6,794
		<b>₱48,329,525</b>	₱21,543,433

#### Other Income - Net

	Note	2023	2022
Service income		<b>₱3,493,475</b>	₱4,849,725
Loss on redemption of available-for-sale financial asset	5	<b>—</b>	(76,490)
Others		<b>2,204</b>	1,095
		<b>₱3,495,679</b>	₱4,774,330

Depreciation and Amortization

	Note	2023	2022
ROU asset	18	<b>₱7,192,506</b>	₱7,192,506
Property and equipment	9	<b>163,194</b>	253,899
Intangible assets	10	<b>16,915</b>	30,689
		<b>₱7,372,615</b>	₱7,477,094

**18. Lease Commitments**

The Company, as a lessee, has renewed its existing lease agreement with a third party for the lease of office and parking spaces that ended on April 30, 2021 for another five-year period until April 30, 2026. The quarterly rent is subject to escalation rates ranging from 5% to 10% per annum. The lease is renewable upon mutual consent of the parties to be covered by a separate agreement.

Rental and security deposits amounting to ₱1.4 million are included in "Other noncurrent assets" account in the separate statements of financial position, as at December 31, 2023 and 2022 (see Note 10). These are refundable in cash at the end of the lease term.

Rent expense includes rent on low-value asset leases on storage and equipment.

Amounts recognized in the separate statements of comprehensive income:

	Note	2023	2022
Amortization on ROU asset	17	<b>₱7,192,506</b>	₱7,192,506
Interest expense on lease liability		<b>931,856</b>	1,217,287
Rent expense	15	<b>150,833</b>	147,361
		<b>₱8,275,195</b>	₱8,557,154

The movements in the ROU asset are presented below:

	Note	2023	2022
Balance as at beginning of year		<b>₱25,173,773</b>	₱33,063,854
Amortization	17	<b>(7,192,506)</b>	(7,192,506)
Adjustment		–	(697,575)
Balance at end of year		<b>₱17,981,267</b>	₱25,173,773

The movements in the lease liability are presented below:

	2023	2022
Balance at beginning of year	<b>₱26,033,364</b>	₱33,866,805
Payments	<b>(8,291,428)</b>	(8,220,534)
Interest expense	<b>931,856</b>	1,217,287
Adjustment	–	(830,194)
Balance at end of year	<b>18,673,792</b>	26,033,364
Current portion	<b>7,733,966</b>	7,359,572
Noncurrent portion	<b>₱10,939,826</b>	₱18,673,792

The future minimum lease payments under noncancellable leases are as follows:

	2023	2022
Within one year	P8,365,871	P8,291,429
After one year but not more than five years	11,286,066	19,651,937
	<b>P19,651,937</b>	<b>P27,943,366</b>

The future cash outflows under low-value leases amounted to nil and P50,049 as at December 31, 2023 and 2022, respectively.

## 19. Income Taxes

The current income tax expense consists of:

	2023	2022
Final tax	P8,775,813	P5,660,625
MCIT	52,486	120,382
	<b>P8,828,299</b>	<b>P5,781,007</b>

A reconciliation of income tax computed at statutory income tax rate and provision for income tax as shown in the separate statements of comprehensive income follows:

	2023	2022
Income tax at statutory tax rate	(P2,300,558)	(P6,812,513)
Changes in unrecognized net deferred tax assets	12,408,401	(4,433,336)
Tax effects of:		
Interest income already subjected to final tax	(3,306,568)	(1,550,194)
Nondeductible expenses	2,017,586	1,177,170
Expired NOLCO	-	17,377,789
Expired excess MCIT over RCIT	9,438	22,091
	<b>P8,828,299</b>	<b>P5,781,007</b>

The components of net deferred tax assets, which are not recognized, are as follows:

	2023	2022
NOLCO	P56,106,905	P43,842,764
Allowance for impairment losses on receivables	6,183,342	6,183,342
Retirement liability	1,691,737	1,548,758
Accrued rent	360,650	360,650
Excess of amortization of ROU asset and interest expense on lease liability over rental payments	199,757	241,524
Excess MCIT over RCIT	174,666	131,618
	<b>P64,717,057</b>	<b>P52,308,656</b>

Management assessed that it is not probable that sufficient taxable income may be available against which the deferred tax assets may be utilized.

Details of the Company's NOLCO and excess MCIT over RCIT are as follows:

NOLCO

Year Incurred	Balance at Beginning of Year	Incurred	Expired	Balance at End of Year	Available Until
2023	P-	P49,056,562	P-	P49,056,562	2026
2022	53,406,375	-	-	53,406,375	2025
2021	59,334,546	-	-	59,334,546	2026
2020	62,630,136	-	-	62,630,136	2025
	<u>P175,371,057</u>	<u>P49,056,562</u>	<u>P-</u>	<u>P224,427,619</u>	

Under the Republic Act No. 11494, also known as "*Bayanihan to Recover as One Act*", and Revenue Regulations No. 25-2021, the Company is allowed to carry-over the NOLCO incurred for taxable years 2020 and 2021 for the next five years immediately following the year of such loss.

Excess MCIT over RCIT

Year Incurred	Balance at Beginning of Year	Incurred	Expired	Balance at End of Year	Available Until
2023	P-	P52,486	P-	P52,486	2026
2022	120,382	-	-	120,382	2025
2021	1,798	-	-	1,798	2024
2020	9,438	-	9,438	-	2023
	<u>P131,618</u>	<u>P52,486</u>	<u>P9,438</u>	<u>P174,666</u>	

**20. Financial Risk Management Objectives and Policies**

The Company's principal financial instruments comprise of cash and cash equivalents, investment securities, receivables, rental and security deposits, trade and other payables (excluding statutory payables), lease liability and dividends payable.

The main risks arising from the Company's financial instruments are liquidity risk, credit risk and foreign currency risk. The BOD reviews and agrees policies of managing each of the risks and these are summarized below.

**Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatch of the maturities of financial assets and liabilities.

The Company's objective is to maintain continuity of funding. The Company's liquidity risk management policy is to measure and forecast its cash commitments, to match debt maturities with the assets being financed, to maintain a diversity of funding sources with its access to bank financing and the capital market and to hold a sufficient level of cash reserves.

The Company monitors its risk against insufficient funds by considering the maturity of its financial liabilities projected cash flows.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	2023			Total
	On Demand	Within One Year	Over One Year	
Trade and other payables*	₱42,886	₱3,999,470	₱-	₱4,042,356
Lease liability	-	8,365,871	11,286,066	19,651,937
Dividends payable	6,554,030	-	-	6,554,030
	<b>₱6,596,916</b>	<b>₱12,365,341</b>	<b>₱11,286,066</b>	<b>₱30,248,323</b>

\*Excluding statutory payables amounting to ₱5.9 million as at December 31, 2023.

	2022			Total
	On Demand	Within One Year	Over One Year	
Trade and other payables*	₱42,886	₱4,193,237	₱-	₱4,236,123
Lease liability	-	8,291,429	19,651,937	27,943,366
Dividends payable	6,554,030	-	-	6,554,030
	<b>₱6,596,916</b>	<b>₱12,484,666</b>	<b>₱19,651,937</b>	<b>₱38,733,519</b>

\*Excluding statutory payables amounting to ₱6.0 million as at December 31, 2022.

#### Credit Risk

Credit risk is the risk that the Company will incur losses because its counterparties may fail to discharge their contractual obligations. The Company transacts only with related parties and recognized, creditworthy third parties.

The Company's exposures to credit risk arises from the default of counterparties, with a maximum exposure equal to the carrying amounts of these instruments, shown in the following table:

	2023	2022
Cash and cash equivalents*	₱830,212,099	₱619,516,534
Investment securities	-	238,093,419
Receivables	35,483,193	28,101,531
Rental and security deposits**	1,440,778	1,440,778
	<b>₱867,136,070</b>	<b>₱887,152,262</b>

\*Excluding cash on hand amounting to ₱30,000 as at December 31, 2023 and 2022.

\*\*Presented under "Other noncurrent assets".

The tables below summarize the credit status of the Company's financial assets.

	2023			Total
	Neither Past Due nor Impaired	Past Due but not Impaired	Impaired	
Cash and cash equivalents*	₱830,212,099	₱-	₱-	₱830,212,099
Receivables	35,483,193	-	203,050,869	238,534,062
Rental and security deposits	1,440,778	-	-	1,440,778
	<b>₱867,136,070</b>	<b>₱-</b>	<b>₱203,050,869</b>	<b>₱1,070,186,939</b>

\*Excluding cash on hand amounting to ₱30,000 as at December 31, 2023.

	2022			
	Neither Past Due nor Impaired	Past Due but not Impaired	Impaired	Total
Cash and cash equivalents*	₱619,516,534	₱–	₱–	₱619,516,534
Investment securities	238,093,419	–	–	238,093,419
Receivables	28,101,531	–	197,222,293	225,323,824
Rental and security deposits	1,440,778	–	–	1,440,778
	<b>₱887,152,262</b>	<b>₱–</b>	<b>₱197,222,293</b>	<b>₱1,084,374,555</b>

\*Excluding cash on hand amounting to ₱30,000 as at December 31, 2022.

The credit quality of all financial assets under neither past due nor impaired is high grade as at December 31, 2023 and 2022.

	2023		2022	
	High Grade	Standard Grade	High Grade	Standard Grade
Cash and cash equivalents*	<b>₱830,212,099</b>	₱–	₱619,516,534	₱–
Investment securities	–	–	238,093,419	–
Receivables	<b>16,039,503</b>	<b>19,443,690</b>	5,611,758	22,489,773
Rental and security deposits	–	<b>1,440,778</b>	–	1,440,778
	<b>₱846,251,602</b>	<b>₱20,884,468</b>	<b>₱863,221,711</b>	<b>₱23,930,551</b>

\*Excluding cash on hand amounting to ₱30,000 as at December 31, 2023 and 2022.

The ECL for financial assets at amortized cost comprising cash and cash equivalents, investment securities, receivables and rental and security deposits have a 12-month basis for credit loss estimates. However, the ECL for certain receivables identified as credit-impaired have lifetime basis for credit loss estimates.

Financial assets with high grade credit quality are collected within the credit terms and have no history of default. Cash and cash equivalents and investment securities are placed in or deposited with reputable banks, thus, are fully realizable. Probability of default is close to zero and significant change in credit risk is unlikely for these financial instruments.

Standard grade financial assets, which pertain to receivables from counter parties that have a strong capacity to meet contractual obligations in the near term, have acceptable probability of default.

Receivables are considered credit-impaired when the counter parties have no liquid assets and/or available assets to pay the outstanding receivables. Thus, these are provided with allowance for impairment losses.

#### Foreign Currency Risk

Foreign currency risk arises from the possibility that future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates.

The foreign currency risk is primarily from movements of the Philippine Peso against US Dollar (US\$).

The Company seeks to mitigate its transactional currency exposures by maintaining its costs at consistently low levels, regardless of any upward or downward movements in the foreign currency exchange rates.

As at December 31, 2023 and 2022, the foreign currency-denominated financial assets are as follows:

	2023	
	In US\$	Philippine Peso Equivalent
Cash and cash equivalents	US\$2,002,186	₱110,861,017
Due from related parties	358,435	19,846,567
	<b>US\$2,360,621</b>	<b>₱130,707,584</b>
	2022	
	In US\$	Philippine Peso Equivalent
Cash and cash equivalents	US\$1,005,916	₱56,084,846
Due from related parties	358,435	19,984,543
	<b>US\$1,364,351</b>	<b>₱76,069,389</b>

In translating the foreign currency-denominated monetary assets and liabilities into Philippine Peso amounts the exchange rates used were ₱55.370 to US\$1 as at December 31, 2023 and ₱55.755 to US\$1 as at December 31, 2022.

A reasonably possible change of -0.39/+0.39 in 2023 and -4.76/+4.76 in 2022 in the US\$ to Philippine Peso exchange rate based on latest year-on-year movement in the currency, with all other variables held constant, shall result to the following income before tax movements in the Company's separate statements of comprehensive income:

	2023		2022	
	Increase (Decrease) in Exchange Rates	Increase (Decrease) on Income before Tax	Increase (Decrease) in Exchange Rates	Increase (Decrease) on Income before Tax
US\$	0.39	₱909,874	4.76	₱6,488,855
	(0.39)	(909,874)	(4.76)	(6,488,855)

#### Fair Values

The following is a comparison by category of carrying amounts and fair values of the Company's financial instruments that are reflected in the separate financial statements:

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	₱830,242,099	₱830,242,099	₱619,546,534	₱619,546,534
Investment securities -				
Financial assets at				
amortized cost	-	-	238,093,419	238,093,419
Receivables*	35,483,193	35,483,193	28,101,531	28,101,531
Rental and security deposits	1,440,778	1,440,778	1,440,778	1,440,778
	<b>₱867,166,070</b>	<b>₱867,166,070</b>	<b>₱887,182,262</b>	<b>₱887,182,262</b>

\*Net of allowance for impairment losses in the aggregate amount of ₱203.1 million and ₱197.2 million as at December 31, 2023 and 2022, respectively.



	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Liabilities</b>				
Trade and other payables**:				
Accrued expenses	<b>₱3,468,940</b>	<b>₱3,468,940</b>	₱3,260,121	₱3,260,121
Trade payables	<b>459,644</b>	<b>459,644</b>	896,372	896,372
Others	<b>113,772</b>	<b>113,772</b>	79,630	79,630
Lease liability	<b>18,673,792</b>	<b>18,673,792</b>	26,033,364	26,033,364
Dividends payable	<b>6,554,030</b>	<b>6,554,030</b>	6,554,030	6,554,030
	<b>₱29,270,178</b>	<b>₱29,270,178</b>	<b>₱36,823,517</b>	<b>₱36,823,517</b>

\*\* Excludes statutory payables amounting to ₱5.9 million and ₱6.0 million as at December 31, 2023 and 2022, respectively.

*Cash and Cash Equivalents, Investment Securities at Amortized Cost, Receivables, Trade and Other Payables (Excluding Statutory Payables) and Dividends Payable.* Due to the relatively short-term maturities of the financial assets and liabilities, the fair values approximate the carrying amounts at initial recognition.

*Rental and Security Deposits.* Fair values of security deposits are based on the present value of the expected future cash flows using the discount rate of 1.21%. These are categorized under Level 2 of the fair value measurements hierarchy for financial instruments.

*Lease Liability.* The fair value of lease liability was determined based on Level 2 in which the inputs are based on the discounted interest rate of the prevailing comparable instrument in the market.

For the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

### Capital Management

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

The Company competes in an industry where opportunities for growth still abound. Projects are selected if their expected returns are higher than cost of capital. Funding is sourced from a combination of retained earnings, debt and new capital. The Company aims for flexibility in the capital structure to meet changing conditions and adapt with minimum cost and delay. It looks at solvency through cash flows from its subsidiaries.

	2023	2022
Total liabilities	<b>₱41,967,345</b>	₱49,171,418
Total equity	<b>1,288,389,201</b>	1,306,419,731
Debt-equity ratio	<b>0.03:1.00</b>	0.04:1.00

The Company is not subject to externally imposed capital requirements.

**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
Paxys, Inc.  
15th Floor, 6750 Ayala Office Tower  
Ayala Avenue, Makati City

We have audited the accompanying separate financial statements of Paxys, Inc. (the Company) as at and for the years ended December 31, 2023 and 2022, on which we have rendered our report dated March 18, 2024.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 496 stockholders owning 100 or more shares each as at December 31, 2023.

**REYES TACANDONG & Co.**

  
MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until April 13, 2024

BIR Accreditation No. 08-005144-012-2023

Valid until January 24, 2026

PTR No. 10072412

Issued January 2, 2024, Makati City

March 18, 2024  
Makati City, Metro Manila