COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	1	9	9	7	-	1	3	4	5	6

COMPANY NAME

CONCEPCION INDUSTRIAL
CORPORATION

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

308 SEN. GIL PUYAT AVENUE
MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, if Applicable
AFS	CRMD	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
sec_cic@cic.ph	87721819	+639178424881

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
27	Third Wed. of July (Actual Meeting: July 27, 2023)	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Omar C. Taccad	omar.taccad@cic.ph	87721819	+639985843327

CONTACT PERSON's ADDRESS

Km. 20 East Service Road South Super Highway, Alabang, Muntinlupa City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

Belen, Ronalyn

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Sent: WednesdayMarch 27 2024 11:39 am
To: CIC Tax
Cc: CIC Tax
Subject: Your BIR AFS eSubmission uploads were received

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Transaction Code: **AFS-0-QTMQZYP309KCB97K7MX41NNMS09HGLBE7B**
Submission Date/Time: **Mar 27, 2024 11:39 AM**
Company TIN: **005-029-401**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
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CONCEPCION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

Isla Lipana & Co., the independent auditor, appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippines Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Raul Joseph Concepcion
Chairman of the Board and Chief Executive Officer

Rajan Komarasu
Chief Finance and Operating Officer

Signed this 26th day of March 2024

CONCEPCION INDUSTRIAL CORPORATION
308 Sen. Gil Puyat Ave., Makati, Metro Manila
Tel. No. +632 8 772 181P ex No. +632 8 809 1819
www.cic.ph I www.concepcion.ph

Signed in the presence of:

MA. ANNUNCIATA A. TRANGCO
#2020/186

CHARINA ROSE VENTURA
2020288

ACKNOWLEDGEMENT

Republic of the Philippines)
MUNTINLUPA CITY) SS

Before me, a notary public for and in the MUNTINLUPA CITY this MAR 26 2024 personally appeared.

Name	Evidence of Competent Identity
RAUL JOSEPH A. CONCEPCION	P6306423A issued on 06 March 2018
RAJAN KOMARASU	NCR-2022-03-004041 issued on Jan. 24, 2023

Known to me to be the same persons who execute the foregoing Statement of Management Responsibility, consisting of one (1) page, and they acknowledge to me that they executed the same as their free and voluntary act and deed.

IN WITNESS WHEREOF, I have unto set my hand and affixed my notarial seal this MAR 26 2024.

Doc No. 574
Page No. 103
Book No. 36
Series of 2024

PATRICIO L. BONCAYAO, JR.
Notary Public
2nd Floor, KLC Bldg., Rotonda,
Alabang, Muntinlupa City
MCLE Compliance No. VII-0015578
Issued on 04-13-22; Valid until 4-14-2025
IBP Lifetime No. 019651; 11-06-15; Pasay City
PTR No. 10474126; 01-02-24; Muntinlupa City
NC-24-016; Muntinlupa City until 12-31-25
TIN: 137-734-581
Roll No. 33796
Tel. No. 8800-70-16
patricio_boncayao_lawoffice@yahoo.com.ph

Independent Auditor's Report

To the Board of Directors and Shareholders of
Concepcion Industrial Corporation
308 Gil Puyat Avenue
Makati City

Report on the Audits of the Separate Financial Statements

Our Opinion

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of Concepcion Industrial Corporation (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).

What we have audited

The separate financial statements of the Company comprise:

- the statements of financial position as at December 31, 2023 and 2022;
- the statements of total comprehensive income for the years ended December 31, 2023 and 2022;
- the statements of changes in equity for the years ended December 31, 2023 and 2022;
- the statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the financial statements, including material accounting policy information.

Basis for our Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Separate Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audits of the separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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.

Auditor's Responsibilities for the Audits 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the 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 audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 18 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

Isla Lipana & Co.

Imelda Ronnie de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 12, 2024 at Makati City
T.I.N. 152-015-095
BIR A.N. 08-000745-044-2021, issued on September 16, 2021; effective until September 15, 2024
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 26, 2024

Concepcion Industrial Corporation

Statements of Financial Position
December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents	2	110,136,989	163,688,583
Receivables	3	424,764,807	284,559,220
Prepayments and other current assets	4	23,118,733	22,862,273
Subscription receivable	1, 9	-	20,000,000
Total current assets		558,020,529	491,110,076
Non-current assets			
Investments in subsidiaries and an associate	5	4,001,677,714	3,954,802,714
Investment property	7	40,254,900	40,254,900
Property and equipment, net	6	63,910	117,683
Total non-current assets		4,041,996,524	3,995,175,297
Total assets		4,600,017,053	4,486,285,373
Liabilities and Equity			
Current liabilities			
Accrued expenses and other current liabilities	8	68,896,336	46,825,526
Provision	10	18,220,000	-
Due to related parties	9	1,426,699	1,272,891
Total current liabilities		88,543,035	48,098,417
Non-current liability			
Retirement benefit obligation	14	23,457,779	21,647,266
Total liabilities		112,000,814	69,745,683
Equity			
Share capital	12	407,263,891	407,263,891
Share premium	12	993,243,008	993,243,008
Treasury shares	12	(241,464,664)	(241,464,664)
Retained earnings	12	3,326,412,998	3,254,802,730
Other comprehensive income	14	2,561,006	2,694,725
Total equity		4,488,016,239	4,416,539,690
Total liabilities and equity		4,600,017,053	4,486,285,373

The notes on pages 1 to 28 are integral part of these separate financial statements.

Concepcion Industrial Corporation

Statements of Total Comprehensive Income
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Income			
Dividend income	5, 9	368,838,848	551,235,123
Interest income	2, 9	5,151,639	3,906,363
Miscellaneous income, net		183,842	211,863
Total income		374,174,329	555,353,349
Expenses			
Personnel costs		(52,945,390)	(32,600,823)
Professional fees		(19,674,777)	(7,408,323)
Contingency	10	(11,775,500)	(2,444,499)
Advertising and promotion		(3,544,400)	(614,679)
Taxes and licenses		(3,056,257)	(2,351,752)
Company events		(2,898,931)	(13,338,646)
Outside services		(1,667,611)	(6,138,946)
Rent and utilities		(1,212,162)	(1,188,494)
Registration		(846,421)	(830,818)
Insurance		(259,655)	(250,727)
Supplies		(69,337)	(181,914)
Others		(5,638,883)	(7,244,332)
Total expenses		(103,589,324)	(74,593,953)
Income before income tax		270,585,005	480,759,396
Income tax expense	11	(18,491)	(8,440)
Net income for the year		270,566,514	480,750,956
Other comprehensive loss that will not be subsequently reclassified to profit or loss			
Remeasurement loss of retirement benefit obligation	14	(133,719)	(3,795,180)
Total comprehensive income for the year		270,432,795	476,955,776
Earnings per share - basic and diluted	13	0.68	1.20

The notes on pages 1 to 28 are integral part of these separate financial statements.

Concepcion Industrial Corporation

Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Share capital (Note 12)	Share premium (Note 12)	Treasury shares (Note 12)	Retained earnings (Note 12)	Other comprehensive income (Note 14)	Total
Balances as at January 1, 2022	407,263,891	993,243,008	(172,108,440)	3,175,906,865	6,489,905	4,410,795,229
Comprehensive income						
Net income for the year	-	-	-	480,750,956	-	480,750,956
Remeasurement loss on retirement benefit	-	-	-	-	(3,795,180)	(3,795,180)
Total comprehensive income for the year	-	-	-	480,750,956	(3,795,180)	476,955,776
Transactions with owners						
Cash dividends declared	-	-	-	(401,855,091)	-	(401,855,091)
Acquisition of treasury shares	-	-	(69,356,224)	-	-	(69,356,224)
Total transactions with owners	-	-	(69,356,224)	(401,855,091)	-	(471,211,315)
Balances as at December 31, 2022	407,263,891	993,243,008	(241,464,664)	3,254,802,730	2,694,725	4,416,539,690
Comprehensive income						
Net income for the year	-	-	-	270,566,514	-	270,566,514
Remeasurement loss on retirement benefit	-	-	-	-	(133,719)	(133,719)
Total comprehensive income for the year	-	-	-	270,566,514	(133,719)	270,432,795
Transaction with owners						
Cash dividends declared	-	-	-	(198,956,246)	-	(198,956,246)
Balances as at December 31, 2023	407,263,891	993,243,008	(241,464,664)	3,326,412,998	2,561,006	4,488,016,239

The notes on pages 1 to 28 are integral part of these separate financial statements.

Concepcion Industrial Corporation

Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(All amount in Philippine Peso)

	Notes	2023	2022
Cash flows from operating activities			
Income before income tax		270,585,005	480,759,396
Adjustments for:			
Dividend income	5, 9	(368,838,848)	(551,235,123)
Provision for contingencies	10	11,775,500	2,444,499
Interest income on bank deposits and short-term placements	2	(4,120,007)	(3,290,931)
Retirement benefit expense	14	1,676,794	1,383,120
Interest income on due from related party	9	(1,031,632)	(615,432)
Depreciation and amortization	6	53,773	154,197
Loss on disposal of property and equipment		-	16,728
Operating loss before changes in working capital		(89,899,415)	(70,383,546)
Changes in working capital:			
Receivables		4,220,222	(2,091,218)
Prepayments and other current assets		(274,951)	(3,295,846)
Accrued expenses and other current liabilities		28,515,310	5,283,497
Due to related parties		153,807	(281,690)
Cash absorbed by operations		(57,285,027)	(70,768,803)
Interest received from bank deposits	2	104,128	2,332
Net cash used in operating activities		(57,180,899)	(70,766,471)
Cash flows from investing activities			
Dividends received	5, 9	368,838,848	551,235,123
Loan to a related party	9	(144,000,000)	(277,500,000)
Payment on shares subscription	1, 9	(26,875,000)	-
Interest received from short-term placements	2	3,899,201	3,395,354
Interest received on due from related party	9	722,502	319,715
Additions to property and equipment	6	-	(161,321)
Net cash provided by investing activities		202,585,551	277,288,871
Cash flows from financing activities			
Cash distributions of profits	9	(198,956,246)	(401,855,091)
Acquisitions of treasury shares	12	-	(69,356,224)
Net cash used in financing activities		(198,956,246)	(471,211,315)
Net decrease in cash and cash equivalents		(53,551,594)	(264,688,915)
Cash and cash equivalents as at January 1		163,688,583	428,377,498
Cash and cash equivalents as at December 31	2	110,136,989	163,688,583

The notes on pages 1 to 28 are integral part of these separate financial statements.

Concepcion Industrial Corporation

Notes to the Separate Financial Statements
As at and for the years ended December 31, 2023 and 2022
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

1 General Information

1.1 Registration and business

Concepcion Industrial Corporation (the Parent Company or CIC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 17, 1997 primarily to carry on business as a holding company, including but not limited to the acquisition by purchase, exchange, assignment, gift, importation or otherwise, and to hold, own and use for investment or otherwise, and to sell, assign, transfer, exchange, mortgage, pledge, traffic or otherwise to enjoy and dispose of real and personal property of every kind and description, including land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock or other securities or obligations, created, negotiated or issued by any corporation, association, or other entity, foreign or domestic, and while the owner thereof, to exercise all the rights, powers and privileges of ownership, including the right to receive, collect, and dispose of, any and all dividends, rentals, interest and income derived therefrom and generally perform acts or things designed to promote, protect, preserve, improve or enhance the value of any such land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock, securities or obligations to the extent permitted by law without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company. CIC's subsidiaries are incorporated and operating in the Philippines.

CIC is one of the Philippines' most established and leading suppliers of air conditioners products and solutions, refrigerators and consumer appliances, such as laundry, kitchen and small domestic appliances. The Company has expanded its business beyond being a trusted expert in air conditioning and refrigeration, towards becoming a complete consumer and commercial solutions company with a range of products and aftermarket services across multiple international and Philippine brands including Carrier, Toshiba, Condura, Kelvinator, Midea and Otis. These solutions are designed to serve a wide array of customers from individuals and families living in residences, to thousands of people spread across various verticals like high rise residential towers, office buildings, shopping malls, factories, hotels, hospitals, transportation and entertainment facilities. These solutions are also designed to meet a variety of diverse needs, such as reliability, durability, comfort, energy efficiency, environmental impact, ease of use, and aesthetic appeal at varying price points with customized features to match user requirements. Moreover, the Company continues to develop these technologies to meet the ever-changing needs of its customers. In addition, the Company offers an array of aftermarket services such as periodic maintenance, parts supply, repairs, and other services intended to support its products through their entire life cycle. Moving beyond products, CIC invests heavily in strengthening its relationship with its customers through the development of various technology platforms and applications designed to ensure a better fit between the product and service offerings to the customer's lifestyle.

The Company's primary shareholders are Foresight Realty & Development Corp., Hyland Realty & Development Corp., and Horizons Realty Inc., entities registered and doing business in the Philippines, which have equally divided equity over the Parent Company. These companies are beneficially owned by Filipino individuals.

The Company's shares are publicly traded in the Philippine Stock Exchange. Accordingly, the Company is considered a public company under the Implementing Rules and Regulations of the Securities Regulation Code (SRC), which, among others, defines a public corporation as any corporation with a class of equity securities listed on an exchange, or with assets in excess of P50 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities.

As at December 31, 2023 and 2022, the Company has at least 15 shareholders each holding 100 or more shares with certain securities still held by nominees and brokers and have not been dislodged as at report date. The Company's registered office address, which is also its principal place of business, is located at 308 Gil Puyat Avenue, Makati City. As at December 31, 2023 and 2022, the Company has two (2) regular employees.

1.2 Significant business developments

Cortex Technologies Corporation (CTC)

On December 19, 2019, the BOD approved the proposed increase in authorized share capital of CTC from 200 million shares to 450 million shares at P1 par value per share. The application for the increase in share capital was filed with the SEC on November 3, 2021. On July 17, 2020 and February 2, 2021, the Company received deposit for future stock subscription from CIC amounting to P15.6 million and P20 million, respectively, the shares of which were issued to CIC subsequently in November 2021 and April 2023, respectively. On November 30, 2023, CIC paid P26.8 million to fully pay the P62.5 million subscription.

On July 30, 2021, CTC acquired 33% ownership interest in Teko Solutions Pte. Ltd. (Teko SG) for 1USD. Teko SG is a company incorporated in Singapore. Its purpose is to be a holding company for the regional expansion of Teko across Southeast Asia. As at December 31, 2023, Teko SG has not started commercial operations.

On September 29, 2023, CIC entered into a Distribution Agreement with JS Global Trading HK Limited, a Hongkong limited liability company. JS Global with its principal office at Sheung Wan, Hongkong, has granted the exclusive right to sell and distribute the products of JS Global brand “Shark” and “Ninja” in the Philippines through CIC’s wholly owned subsidiary and appointed distribution arm, CTC.

Teko Solutions Asia Inc. (Teko)

On December 19, 2019, Teko’s BOD approved the issuance of 127,500 shares of preferred stock to CTC at an issue price equal to the par value, payable by applying or offsetting an equivalent amount of the outstanding advances due and payable by Teko to CTC. CTC and Teko’s shareholders are in the process of finalizing the terms and conditions regarding the issuance of shares and the offsetting of advances. Hence, the balance of CTC’s deposit for future stock subscription was recorded as a liability as at December 31, 2019. The shares were issued on February 3, 2020.

On January 16, 2020, CTC paid the remaining subscription price of the 127,500 preferred shares amounting to P1,063.

On October 1, 2020, one of the shareholders of Teko sold 1,831 shares of its ordinary shares to the CTC for a consideration of P6,066 increasing its ownership to 16,581 shares or 58% ownership. As at December 31, 2023 and 2022, transfer of share certificates is on hold and is awaiting the release of Certificate Authorizing Registration (CAR) from the Bureau of Internal Revenue (BIR).

Tenex Services, Inc. (Tenex)

On July 2, 2020, Tenex issued the 15,500 stock subscription which was considered as a non-cash transaction in the statements of cash flows. Subsequent issuance of the additional shares did not change the Alstra’s ownership at 49%.

On July 1, 2022, Alstra purchased 9,300,000 additional shares of stock in Tenex for a total purchase price of P9.3 million. These shares represent 31% of the issued and outstanding capital stock of Tenex. Consequent to this purchase, the equity of Alstra in Tenex increased from 49% to 80%. Tenex became a subsidiary of CIC upon the increase in ownership.

On March 25, 2024, the Audit and Risk Oversight Committee endorsed to CIC's BOD to approve and authorize the issuance of the consolidated and separate financial statements of CIC as at and for the year ended December 31, 2023.

The BOD approved and authorized the issuance of the consolidated and separate financial statements of CIC as at and for the year ended December 31, 2023 on March 26, 2024.

2 Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2023	2022
Cash on hand	20,000	20,000
Cash in banks	1,016,989	1,668,583
Short term placements	109,100,000	162,000,000
	110,136,989	163,688,583

Cash in banks earn interest at the prevailing bank deposit rates while cash equivalents represent short-term placements that earn an average interest of 4.85% and 2.75% in 2023 and 2022, respectively. Interest income earned from cash and cash equivalents for the year ended December 31, 2023 amounted to P4,120,007 (2022 - P3,290,931).

3 Receivables

Receivables as at December 31 consist of:

	Note	2023	2022
Due from related parties	9	423,058,692	279,760,739
Advances to suppliers		571,429	4,464,348
Accrued interest		404,678	288,000
Advances to employees		25,208	22,833
Others		704,800	23,300
		424,764,807	284,559,220

Advances to suppliers represent claims for goods yet to be delivered or services yet to be rendered.

Accrued interest represents the amount earned by the Company's short-term placement for the month of December and is normally credited to its account in the subsequent month.

Other receivables represent services paid in advance in 2023 (2022 - security deposit to HMO provider).

4 Prepayments and other current assets

Details of prepayments and other current assets as at December 31 are as follows:

	2023	2022
Input value added tax (VAT), net of output VAT	16,880,174	16,474,611
Prepaid taxes	5,004,690	4,571,315
Prepaid expenses	1,233,869	1,816,347
Balance at December 31	23,118,733	22,862,273

Prepaid expenses include payments made for insurances and subscriptions expected to be used within 12 months after reporting date.

5 Investments in subsidiaries and an associate

Investments in subsidiaries, with direct ownership, and an associate as at December 31 consist of:

	Country of incorporation	Percentage of ownership	2023	2022
Subsidiaries				
Concepcion-Carrier Air Conditioning Company (CCAC)	Philippines	60	1,445,879,634	1,445,879,634
Concepcion Durables, Inc. (CDI)	Philippines	100	1,022,848,080	1,022,848,080
Alstra	Philippines	100	1,040,450,000	1,040,450,000
CTC	Philippines	100	262,500,000	215,625,000
Concepcion Business Services, Inc. (CBSI)	Philippines	100	120,000,000	120,000,000
			3,891,677,714	3,844,802,714
Associate				
Concepcion Midea, Inc. (CMI)	Philippines	40	110,000,000	110,000,000
			4,001,677,714	3,954,802,714

As at December 31, 2023 and 2022, the following were considered subsidiaries of the Company through indirect ownership:

	Country of incorporation	Percentage of indirect ownership 2023	2022	Year of Acquisition
Subsidiaries				
Concepcion-Otis Philippines Inc. (COPI)	Philippines	51	51	2014
Teko Solutions Asia, Inc. (Teko)	Philippines	58	58	2018
Tenex	Philippines	80	80	2022

5.1 Subsidiaries with direct ownership

5.1.1 CCAC

CCAC engages in the manufacture, sale, distribution, installation, and service of HVAC products and services for residential, commercial, and industrial use.

The following are the summarized financial information of CCAC as at and for the years ended December 31 (in thousands):

	2023	2022
Current assets	5,675,801	5,397,248
Non-current assets	859,462	820,413
Current liabilities	(2,527,710)	(2,397,898)
Non-current liabilities	(473,108)	(431,068)
Total equity	(3,534,445)	(3,388,695)
Revenue	8,993,594	7,666,532
Net income for the year	582,732	433,576
Other comprehensive income (loss)	(6,982)	4,860
Total comprehensive income	575,750	438,436
Cash provided by operating activities	1,093,871	116,876
Cash used in investing activities	(46,137)	(25,783)
Cash used in financing activities	(616,114)	(649,251)

For the year ended December 31, 2023, the Company earned from its investment in CCAC dividends amounting to P258 million (2022 - P303.1 million) (Note 9).

5.1.2 CDI

CDI engages primarily in the manufacture, distribution and sales of refrigeration equipment, including Condura and Kelvinator brands of refrigerators and freezers. Since 2020, CDI has expanded its product portfolio from small domestic appliances such as rice cooker, coffee maker, juicer to kitchen and laundry appliances.

For the year ended December 31, 2023, the Company earned dividend from its investment in CDI amounting to P64.9 million (2022 - P207.3 million) (Note 9).

5.1.3 CBSI

CBSI's primary business purpose is to consolidate support services across CIC and its subsidiaries and affiliates particularly in the areas of Finance, Human Resources, Information and Communications Technology, Legal and Compliance, as well as Facilities Management. In 2020, CBSI introduced online platforms to allow other subsidiaries to sell directly to consumers.

5.1.4 CTC

CTC engages in the research, development and commercialization of new and emerging technologies. CTC also develops strategic partnerships and identifies potential local and international acquisitions to develop solutions that are aligned with CIC's broader vision of building better lives and businesses and owning the home. CTC works across the enterprise to help facilitate innovation and maintain CIC's position as a market leader. On September 29, 2023, CTC was appointed as the distribution arm of CIC for its strategic partnership with JS Global to market and sell home appliances branded under "Shark" and "Ninja".

5.1.5 Alstra

Alstra was organized primarily as a holding company to make investments in solutions for buildings and the industrial markets. It is also engaged in the business of installation, construction, maintenance and supply of equipment for mechanical, electrical, plumbing and fire protection services, facilities management, civil construction, technology services, electronics, devices and equipment in relation to building services and other building solutions-related services, among others.

For the year ended December 31, 2023, the Company earned dividend from its investment in Alstra amounting to P45.9 million (2022 - P40.8 million) (Note 9).

5.2 Investment in an associate

CMI

CMI is a joint venture between Midea Electric Trading (Singapore) Co. Pte. Ltd. (Midea), and CIC and CCAC. CMI's primary purpose is to introduce Midea brand products in the Philippine market as a supplier of a full range of appliances such as air conditioners, refrigerators, laundry and kitchen appliances. CMI also distributes Toshiba brand such as refrigerator, laundry and kitchen appliances since 2019. This will not only expand the Company's multi-brand offering to the Philippine market but will also allow its expansion to the wider white goods market. Established in 1968, Midea is a leading global white goods and air conditioning systems manufacturer, with operations around the world. Midea is a Global Fortune 500 company and has joint venture agreement with Carrier Corporation in selected countries.

The following are the summarized financial information of CMI as at and for the years ended December 31 (in thousands):

	2023	2022
Current assets	1,936,479	1,460,127
Non-current assets	112,202	95,663
Current liabilities	(1,857,302)	(1,384,063)
Non-current liabilities	(33,942)	(31,371)
Total equity	(157,437)	(140,356)
Revenue	3,545,336	2,649,732
Net income (loss) for the year	18,106	(59,505)
Other comprehensive income (loss)	(1,025)	2,165
Total comprehensive income (loss)	17,081	(57,340)
Cash provided by operating activities	19,697	25,766
Cash used in investing activities	(1,975)	(6,829)
Cash used in financing activity	(34,889)	(26,747)

5.3 Subsidiaries and an associate with indirect ownership

5.3.1 COPI (Subsidiary)

COPI is a joint venture between Alstra Inc., a wholly owned subsidiary of CIC, and Otis Elevator Company (Philippines). COPI sells, installs and provides services to Otis brand elevators and escalators in the Philippines. Its solutions include engineering design, supply and installation, project management, testing and commissioning, service repairs and parts, retrofit services on vertical transportation equipment. Otis is the world's leading brand for elevator and escalator equipment, installation and service.

As at December 31, 2023 and 2022, the Company effectively owns 51% of COPI through Alstra which holds 51% of COPI's common shares.

The following are the summarized financial information of COPI as at and for the years ended December 31 (in thousands):

	2023	2022
Current assets	1,124,331	954,054
Non-current assets	29,591	49,072
Current liabilities	(751,261)	(616,158)
Non-current liabilities	(4,613)	(3,653)
Total equity	(398,048)	(383,315)
Revenue	1,122,537	1,000,272
Net income for the year	106,234	96,184
Other comprehensive income (loss)	(1,501)	167
Total comprehensive income	104,733	96,351
Cash provided by operating activities	88,462	111,589
Cash used in investing activities	(521)	(1,068)
Cash used in financing activities	(103,230)	(93,783)

5.3.2 Teko (Subsidiary)

Teko is focused on building and operating a platform to provide appliance repair and maintenance services. It leverages information technology solutions and innovative business models to transform the appliance services market.

The following are the summarized financial information of Teko as at and for the years ended December 31 (in thousands):

	2023	2022
Current assets	17,643	15,361
Non-current assets	14,023	13,919
Current liabilities	(73,401)	(69,762)
Non-current liabilities	(3,386)	(2,632)
Total capital deficiency	45,121	43,114
Revenue	52,551	34,364
Net loss for the year	(2,214)	(15,450)
Other comprehensive income	206	656
Total comprehensive loss	(2,007)	(14,794)
Cash provided by (used in) operating activities	457	(20,203)
Cash used in investing activities	(88)	(431)
Cash provided by (used in) financing activities	(1,417)	17,040

5.3.3 Tenex (Subsidiary)

On April 25, 2019, Tenex Services, Inc. (Tenex), was incorporated primarily to undertake and transact all kinds of business relating to installation, servicing sale and distribution of heating, ventilation and air conditioning systems and products, and such other activities related thereto, such as but not limited to construction and mechanical maintenance services.

On July 1, 2022, Alstra Inc., a wholly owned subsidiary of CIC, purchased from Mr. Joey P. Penaflor 31% of the subscribed capital of Tenex equivalent to 9.3 million shares with par value of P1 per share or P9.3 million.

The effective percentage of ownership of Alstra Inc. in Tenex increased from 49% to 80% resulting in the adoption of the accounting method from equity to cost method and the change in classification of investment from associate to subsidiary.

The following are the summarized financial information of Tenex as at and for the years ended December 31 (in thousands):

	2023	2022
Current assets	105,030	83,627
Non-current assets	789	1,345
Current liabilities	(86,444)	(68,129)
Non-current liabilities	(450)	(580)
Total equity	(18,925)	(16,263)
Revenue	161,229	62,295
Net income (loss) for the year	1,981	(1,938)
Other comprehensive income	681	438
Total comprehensive income (loss)	2,662	(1,500)
Cash provided by (used in) operating activities	(13,601)	3,579
Cash used in investing activities	(561)	(149)
Cash provided by financing activities	(189)	(1,137)

5.3.4 Teko SG (Associate)

Teko SG is a company incorporated in Singapore. Its purpose of business is to be a holding company for the regional expansion of Teko across Southeast Asia.

Teko SG has not yet started commercial operations. As at and for the years ended December 31, 2023 and 2022, the transactions and balances of Teko SG are limited to cash and equity of USD3. No additional transaction was made in 2023.

6 Property and equipment, net

Details and movements of property and equipment, net as at and for the years ended December 31 are as follows:

	Furniture, fixtures and office equipment	Leasehold improvements	Transportation equipment	Total
Cost				
At January 1 and December 31, 2023	606,165	199,190	260,746	1,066,101
Accumulated depreciation				
At January 1, 2023	488,482	199,190	260,746	948,418
Depreciation and amortization	53,773	-	-	53,773
At December 31, 2023	542,255	199,190	260,746	1,002,191
Net book values as at December 31, 2023	63,910	-	-	63,910
Cost				
At January 1, 2022	526,093	199,190	260,746	986,029
Addition	161,321	-	-	161,321
Disposal	(81,249)	-	-	(81,249)
At December 31, 2022	606,165	199,190	260,746	1,066,101
Accumulated depreciation				
At January 1, 2022	478,163	199,190	181,389	858,742
Depreciation and amortization	74,840	-	79,357	154,197
Disposal	(64,521)	-	-	(64,521)
At December 31, 2022	488,482	199,190	260,746	948,418
Net book values as at December 31, 2022	117,683	-	-	117,683

The cost of fully depreciated assets still in use at December 31, 2023 and 2022 amounted to P904,780.

In 2022, the disposal pertains to a transfer of a computer hardware to a former key management personnel and was treated as a non-cash activity for cash flows purposes.

7 Investment property

As at December 31, 2023 and 2022, the Company's investment property consists of parcel of land that it acquired in Davao City, which is held for capital appreciation.

The estimated fair value of the investment property as at December 31, 2023 and 2022 amounted to P37,520,000, based on the recent selling price per square meter.

In 2018 and 2019, the Company paid a total of P2,734,900 to a sub-contractor for direct costs related to planned construction of an investment property which is booked as construction in progress under the investment property account. There were no further costs incurred in 2023 and 2022.

There was no income earned related to the property for the years ended December 31, 2023 and 2022. Further, direct operating expense amounting to P30,720 for the investment property was incurred in 2023 and 2022.

8 Accrued expenses and other current liabilities

Accrued expenses and other current liabilities as at December 31 consist of:

	2023	2022
Accrued bonuses	29,720,320	12,875,048
Accrued outside services	21,692,560	25,452,668
Benefits of directors, officers and employees	10,232,839	3,380,024
Accrued legal and professional fees	5,898,250	2,692,565
Payable to suppliers	-	999,939
Payable to government and other regulatory agencies	716,252	609,119
Other liabilities	636,115	816,163
	68,896,336	46,825,526

Payable to suppliers pertain to the Company's events in 2022.

9 Related party transactions

In the normal course of business, the Company transacts with other companies, which are considered related parties under Philippine Accounting Standards (PAS) 24, *"Related Party Disclosures."*

The table below summarizes the Company's transactions and balances with its related parties for the years ended December 31.

Related party	2023 Transactions	2023 Outstanding receivable (payable)	2022 Transactions	2022 Outstanding receivable (payable)	Terms and conditions
Due from related parties					
Shareholders					
Reimbursements	140,755	597,626	367,610	613,196	Receivables are collectible in cash within 30 to 90 days from billing date. These receivables are unsecured and non-interest bearing.
Subsidiaries					
Dividend income	368,838,848	-	551,235,123	-	These are unsecured and non-interest bearing receivable in cash within 12 months upon declaration of subsidiary (Note 5).
Loan	144,000,000	421,500,000	277,500,000	277,500,000	These are receivable in cash within 12 months. These receivables are unsecured and interest bearing.
Interest	1,031,632	604,847	615,432	295,717	These are interest related to loans and receivable in cash within 30 days.
Reimbursements	20,890,528	356,219	22,662,854	204,452	Receivables are collectible in cash within 30 to 90 days from billing date. These receivables are unsecured and non-interest bearing.
Additional stock subscription (CTC)	26,875,000	-	-	20,000,000	Refer to Note 1.
Associate					
Reimbursements to an associate	1,337,535	-	1,467,399	1,147,374	Receivables are collectible in cash within 30 to 90 days from billing date. These receivables are unsecured and non-interest bearing.
		423,058,692		299,760,739	
Due to related parties					
Shareholders					
Dividend declaration	198,956,246	-	401,855,091	-	These are payable in cash within 12 months from reporting date (Note 12).
Reimbursements from shareholders		(1,156,739)	1,156,739	(1,156,739)	These are payable in cash and are due upon demand. These are non-interest bearing and not covered by any guarantee.
Subsidiaries					
Reimbursements from subsidiary	2,249,459	(269,960)	17,701,375	(116,152)	These are payable in cash and are due within 30 to 60 days from date of each transaction.
Purchase of goods	272,250	-	-	-	These are non-interest bearing and not covered by any guarantee.
Associate					
Reimbursements from associate	-	-	12,836	-	These are payable in cash and are due within 30 to 60 days from date of each transaction. These are non-interest bearing and not covered by any guarantee.
		(1,426,699)		(1,272,891)	
Key management personnel					
Directors' fees	6,553,158	(9,505,316)	1,917,832	(2,952,158)	These are payable in cash and are due within 30 to 60 days from date of each transaction. These are non-interest bearing and not covered by any guarantee. These are payable to directors in cash before end of April of the subsequent year with corresponded BOD's approval. These are non-interest bearing and not covered by any guarantee.
Salaries and wages	9,312,714	(3,008,723)	8,869,251	(2,865,450)	These are payable to employees in cash within 30 days from date of each transaction. These are non-interest bearing and not covered by any guarantee.
Retirement benefits	895,453	(23,298,958)	852,813	(21,336,671)	Refer to Note 14.

Reimbursements pertain to cross-charges to subsidiaries which are billed at 1% mark up. The amount presented is the total gross receipts, net of direct expenses.

Balances due from related parties are fully recoverable with no impairment loss recognized (Note 3). Balances due are settled/collected at gross (Note 17.4).

10 Provision

Details and movements in provision for contingencies as at December 31 follow:

	2023	2022
Beginning	-	-
Provisions	11,775,501	-
Other	6,444,499	-
Ending	18,220,000	-

Provision for contingencies pertains to provision for assessments.

11 Income taxes

Corporate Recovery and Tax Incentives for Enterprises (CREATE)

On March 26, 2021, Republic Act No. 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises or CREATE Act, was signed into law. The CREATE Act took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation. Among the salient provisions of CREATE include changes to the corporate income tax as follows:

- Regular corporate income tax (CIT) rate of 25% (from 30%) shall be applicable to all other domestic and foreign corporations from July 1, 2020;
- RCIT rate of 20% (from 30%) shall be applicable to domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated) from July 1, 2020; and
- For the period beginning July 1, 2020 until June 30, 2023, the MCIT rate shall be 1%, instead of 2%.

For the year ended December 31, 2023, the Company applied RCIT rate of 25% and MCIT rate of 1.5% (2022 - 25% and 1%).

Realization of the future benefits related to the deferred income tax assets is dependent on many factors, including the Company's ability to generate taxable income in the future. The Company's management has considered these factors in arriving at its conclusion not to recognize deferred income tax assets as at December 31, 2023 and 2022. Details of unrecognized deferred income tax assets as at December 31 are as follows:

	2023	2022
Deferred tax assets		
Net operating loss carry-over (NOLCO)	78,119,734	64,035,924
Accrued expenses	14,010,910	7,881,312
Accrued bonuses	7,430,080	3,218,762
Retirement benefit obligation	5,864,445	5,411,817
Minimum corporate income tax (MCIT)	30,668	23,065
	105,455,837	80,570,880

The National Internal Revenue Code (NIRC) of 1997 provided for the introduction of NOLCO privilege, which can be carried over for the three (3) succeeding taxable periods immediately following the period of such loss.

On September 11, 2020, Republic Act (R.A.) No. 11494, otherwise known as "Bayanihan to Recover as One Act", was passed into law to strengthen the government's efforts in mitigating the effects of COVID-19 pandemic. Under R.A. No. 11494, NOLCO for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of NOLCO as at December 31 are as follows:

Year incurred	Year of expiration	2023	2022
2019	2022	-	136,293,406
2020	2025	116,494,195	116,494,195
2021	2026	80,542,128	80,542,128
2022	2025	59,107,375	59,107,375
2023	2026	56,335,238	-
		312,478,936	392,437,104
Expired during the year		-	(136,293,406)
Total NOLCO		312,478,936	256,143,698
Tax benefit at 25% tax rate		78,119,734	64,035,924

As provided under the Tax Reform Act of 1997, the Company shall pay the MCIT or the normal tax, whichever is higher. Any excess of MCIT over the normal income tax shall be carried forward on an annual basis and credited against the normal income tax for the next three (3) succeeding taxable years.

As at December 31, the details of MCIT are as follows:

Year incurred	Year of expiration	2023	2022
2019	2022	-	622,608
2020	2023	10,888	10,888
2021	2024	3,737	3,737
2022	2025	8,440	8,440
2023	2026	18,491	-
		41,556	645,673
Expired during the year		(10,888)	(622,608)
Total MCIT		30,668	23,065

Income tax expense for the year ended December 31, 2023 and 2022 represents MCIT.

Reconciliation of income tax expense computed at the statutory income tax rate to actual income tax expense for the years ended December 31 are as follows:

	2023	2022
Income tax at statutory rate of 25%	67,646,251	120,189,849
Add (Deduct) tax effects of:		
Unrecognized NOLCO	14,083,809	14,776,844
Movement in unrecognized deferred tax assets	10,760,114	3,094,431
Non-deductible expenses	749,540	570,390
MCIT directly charged to expense	18,491	8,440
Interest income subject to final tax	(1,030,002)	(822,733)
Non-taxable dividend income	(92,209,712)	(137,808,781)
Income tax expense at effective tax rate	18,491	8,440

12 Equity

12.1 Share capital, share premium and treasury shares

Details and movements of share capital as at December 31 are as follows:

	No. of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
January 1, 2022	401,855,091	407,263,891	993,243,008	(172,108,440)
Acquisition of treasury shares	(3,942,600)	-	-	(69,356,224)
December 31, 2022	397,912,491	407,263,891	993,243,008	(241,464,664)
Acquisition of treasury shares	-	-	-	-
December 31, 2023	397,912,491	407,263,891	993,243,008	(241,464,664)

Details of acquisition of treasury shares for the year ended December 31 follow:

Trade Date	Date Paid	Shares	Per share	Amount
January 1, 2022		5,408,800		172,108,440
2022				
April 13, 2022	April 20, 2022	200,000	19.56	3,912,000
May 10, 2022	May 13, 2022	395,500	18.99	7,511,500
May 16, 2022	May 19, 2022	21,500	18.00	387,000
May 16, 2022	May 19, 2022	77,000	18.50	1,424,500
May 18, 2022	May 23, 2022	269,600	18.94	5,106,224
July 21, 2022	July 26, 2022	300,000	18.24	5,472,000
August 17, 2022	August 22, 2022	1,176,000	17.00	19,992,000
September 02, 2022	September 07, 2022	751,500	17.00	12,775,500
September 02, 2022	September 07, 2022	751,500	17.00	12,775,500
		3,942,600		69,356,224
		9,351,400		241,464,664

On July 27, 2022, the BOD extended the share buyback program for another two years or until September 9, 2024. Out of the approved buyback of 300 million, total amount of shares repurchases was 168 million as at December 31, 2022.

On March 6 and 7, 2024 CIC repurchased additional shares of 1 million and 0.3 million shares, respectively, totaling to P15.6 million.

12.2 Retained earnings; subsequent event

Cash dividends declared for the years ended December 31 are as follows:

Date declared	Record date	Payment date	Per share	2023	2022
March 29, 2023	April 18, 2023	April 25, 2023	0.5	198,956,246	-
February 16, 2022	March 17, 2022	April 12, 2022	1.0	-	401,855,091

The Company annually performs an evaluation of the amount to be declared as dividends. Subsequently, on March 26, 2024, CIC's BOD declared cash dividends in the amount of P0.70 per share totaling to P277,629 for shareholders of record as at April 15, 2024 (after buyback of shares) which will be paid on April 26, 2024.

13 Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares, if any. There were no stock splits nor stock dividends that should be considered in determining issued ordinary shares.

Earnings per share for the years ended December 31 are calculated as follows:

	2023	2022
Net income for the year	270,566,514	480,750,956
Weighted average common shares - basic and diluted	397,912,491	400,161,134
Basic and diluted earnings per share	0.68	1.20

14 Retirement plan

The retirement plan established by CIC in 2014 is a non-contributory and of the defined benefit type which provides a retirement benefit ranging from twenty percent (20%) to one hundred twenty-five percent (125%) of basic monthly salary times number of years of service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan. This plan is in agreement with CCAC's retirement plan that was started on July 1, 1999 since most of the employees of CIC were absorbed from CCAC.

The principal annual actuarial assumptions used as at December 31 are as follows:

	2023	2022
Discount rate	6.71%	5.50%
Salary increase rate	3.70%	3.70%
Average expected future service years of plan members	9.30	10.30

The discount rate assumption is based on the theoretical spot yield curve calculated from the Bankers Association of the Philippines (BAP) PHP Bloomberg BVAL Reference Rates (BVAL) benchmark reference curve for the government securities market by stripping the coupons from government bonds to create virtual zero-coupon bonds as of the valuation date, and considering the estimated timing and amount of projected benefit payments.

The following are the details of the retirement benefit obligation and retirement benefit expense as at and for the years ended December 31:

	2023	2022
Retirement benefit obligation	23,457,779	21,647,266
Retirement benefit expense	1,676,794	1,383,120

Retirement benefit expense was recognized in the statement of total comprehensive income under personnel costs.

The movements of present value of the defined benefit obligation for the years ended December 31 are as follows:

	2023	2022
January 1	21,647,266	16,468,966
Current service cost	475,371	872,582
Interest cost	1,201,423	510,538
Remeasurement losses (gains)		
Changes in financial assumptions	(36,501)	(340,379)
Experience adjustments	170,220	4,135,559
December 31	23,457,779	21,647,266

The weighted average duration of the defined benefit obligation as at December 31, 2023 is 0.1 years (2022 - 0.6 years).

Details of retirement benefit expense for the years ended December 31 are as follows:

	2023	2022
Current service cost	475,371	872,582
Interest expense	1,201,423	510,538
December 31	1,676,794	1,383,120

The movements of retirement benefit obligation recognized in the separate statements of financial position for the years ended December 31 are as follows:

	2023	2022
January 1	21,647,266	16,468,966
Retirement benefit expense	1,676,794	1,383,120
Remeasurement loss	133,719	3,795,180
December 31	23,457,779	21,647,266

The movements of other comprehensive gains recognized in the separate statements of financial position for the years ended December 31 are as follows:

	2023	2022
January 1	2,694,725	6,489,905
Remeasurement loss	(133,719)	(3,795,180)
December 31	2,561,006	2,694,725

Expected maturity analysis of undiscounted retirement benefits as at December 31 follow:

	2023	2022
Less than a year	23,289,896	22,604,722
More than 1 year up to 5 years	43,753	30,599
More than 5 years up to 10 years	75,426	48,195
	23,409,075	22,683,516

15 Financial risk and capital management

15.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the Company's management under policies approved by its BOD. These policies provide written principles for overall risk management. There are no changes in the Company's risk management plans for the years ended December 31, 2023 and 2022.

15.1.1 Market risk

(a) Foreign exchange risk

The Company is not exposed to significant foreign exchange risk since the Company has no transactions that are denominated in currencies other than the Philippine Peso, its functional currency.

(b) Price risk

The Company is not exposed to significant price risk due to the absence of material security investments and is not subject to commodity price risk.

(c) Cash flow and fair value interest risk

The Company is not significantly exposed to cash flow and fair value interest rate risks since its income and operating cash flows are substantially independent of changes in market interest rates on long-term borrowings and investments. Management believes that the related cash flow risk on short-term placements is relatively low due to immaterial changes on interest rates within the duration of these financial instruments.

15.1.2 Credit risk

Credit risk arises from cash for its deposits and short-term placements with banks, as well as credit exposure to outstanding receivables and due from related parties, except for advances to suppliers and advances to employees, which are classified as financial assets at amortized cost. For banks, the Company only has existing arrangements with either universal or commercial banks, which are considered top tier banks in terms of capitalization as categorized by the Philippine Banking System (Note 2).

Advances to employees consist of cash and product loans obtained from the Company which are payable through salary deduction.

While cash and cash equivalents are subject to the impairment requirements of PFRS 9, the identified impairment loss was immaterial.

Moreover, the Company's outstanding receivables and due from related parties which are measured at amortized cost are subject to the expected credit loss model. Based on the Company's analysis, it has a degree of concentration of credit risk since a significant portion of its receivables is attributed only to few debtors, primarily related parties, which are either subsidiaries or entities under common control. The Company's assessment resulted to a conclusion that the expected credit loss is close to zero percent (0%) as potential default and non-payment, considering both historical and forward-looking information, resulted to be remote as these entities have certain common management personnel and with no history of default and strong financial position to settle maturing obligations as they fall due.

As at December 31, 2023 and 2022, outstanding receivables and due from related parties are considered current with no balances identified as past due or impaired.

The maximum exposure to credit risk at reporting date is the carrying values of each financial asset as presented in the separate statement of financial position.

15.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet its operating cash requirements. The Company monitors liquidity reserve on the basis of expected cash flows and seeks to collect amounts due from related parties on a timely basis to ensure availability of funds.

The Company's financial liabilities consist of accrued expenses and other current liabilities (excluding payable to government and other regulatory agencies) and due to related parties. Entire balance of financial liabilities is due within 12 months from reporting date. The amounts disclosed are the contractual undiscounted cash flows which equal their carrying amounts as the impact of discounting is not significant due to its short-term nature. Management expects to settle these obligations in accordance with their maturity dates.

15.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is the total equity as shown in the separate statements of financial position, excluding other comprehensive income.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. The Company is not subject to externally imposed capitalization requirements other than required public float of at least 20% of issued and outstanding shares, exclusive of any treasury shares. The Company is compliant with this requirement as at December 31, 2023 and 2022.

15.3 Fair value estimation of financial assets and liabilities

Due to the short-term nature of the transactions, the carrying values of each financial asset and liability including cash and cash equivalents, accrued expenses and other current liabilities excluding payable to government and other regulatory agencies and due to/from related parties as at the reporting dates approximate their fair values. The Company does not hold financial instruments traded in active market which might be affected by quoted market prices at reporting date. In addition, the Company has no financial assets or liabilities that are measured and carried at fair value in the separate statements of financial position.

16 Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

16.1 Critical judgments in applying the Company's accounting policies

16.1.1 Impairment of investments in subsidiaries and an associate

Investments in subsidiaries and an associate are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Determining the value in use of assets requires the estimation of cash flows expected to be generated in maintaining and ultimate disposition of such investments. The results of operations of each subsidiary and the carrying values of the assets could be materially affected by updates in assumptions and judgments used in the cash flow projections driven by significant changes in business operations and strategies of each subsidiary and associate. Correspondingly, these may significantly affect the Company's investment balance with any provision or write-off directly charged to the statement of total comprehensive income through profit or loss. Accordingly, in the absence of any indicators identified and assessment of subsidiaries and associates' operations, the Company did not recognize any provision for impairment on its investments. The details of investments in subsidiaries and an associate are shown in Note 5.

16.1.2 Impairment of receivables

Due from related parties and outstanding receivables are assessed based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's history, existing market conditions as well as forward looking information. As a result of their assessment, the Company did not recognize any provision for impairment of receivables given that the expected credit loss rate is close to zero percent (0%). Details for the analysis are discussed in Note 15.1.2.

16.1.3 Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business.

The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. Further, recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied.

The Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will allow all or part of its deferred income tax assets to be utilized during the periods in which these are expected to be recovered. The components of unrecognized deferred income tax assets are shown in Note 11.

16.2 Critical accounting estimates and assumptions

16.2.1 Provision for retirement benefits

The determination of the Company's retirement obligation and benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. These assumptions, as described in Note 14, include among others, discount rate and salary increase rate. One or more of the actuarial assumptions may differ significantly and as a result, the actuarial present value of the pension benefit obligation estimated at the reporting date may differ significantly from the amount reported.

The impact on equity and pre-tax profit of potential changes in the discount rate and salary increase rate in the amount of defined benefit obligation as at December 31 are presented below:

	2023		2022	
	%	Impact	%	Impact
Decrease due to 100 basis point (bps) increase in discount rate	(0.1%)	(25,101)	(0.6%)	(126,431)
Increase due to 100 bps decrease in discount rate	0.1%	30,918	0.6%	132,967
Increase due to 100 bps increase in salary increase rate	0.1%	31,579	0.6%	134,077
Decrease due to 100 bps decrease in salary increase rate	(0.1%)	(25,981)	(0.6%)	(129,857)
Increase due to zero attrition rates	(0.1%)	(18,699)	0.0%	(6,109)

17 Summary of material accounting policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

17.1 Basis of preparation

The separate financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, PAS, and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The Company also prepares consolidated financial statements, which include the Company and its subsidiaries, namely CCAC, CDI, CBSI, COPI, CTC, Alstra, Teko, and Tenex. These separate financial statements should be read together with the Company's consolidated financial statements, in order to obtain full information on the financial position, results of operations and changes in financial position of the Company as a whole. The consolidated financial statements of the Company can be obtained from the SEC or from the Company's website: http://www.cic.ph.

These separate financial statements have been prepared under the historical cost convention.

The preparation of these separate financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 16.

Changes in accounting policy and disclosures

(a) New and amendment to existing standards and interpretations adopted by the Company

The Company has applied the following amendments for the first time for their annual reporting period commencing January 1, 2023:

- Disclosure of accounting policies - Amendments to PAS 1 and PFRS Practice Statement 2

  PAS 1, *"Presentation of Financial Statements"* was amended to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

  The effects of adoption of amendments to PAS 1 and PFRS Practice Statement 2 as at January 1, 2023 are considered in the Summary of material accounting policies (Note 17).

- Deferred tax related to assets and liabilities arising from a single transaction - Amendments to PAS 12

  The amendments to PAS 12, *"Income Taxes"* require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

  - right-of-use assets and lease liabilities, and
  - decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

  The cumulative effect of recognising these adjustments is recognised in the opening balance of retained earnings, or another component of equity, as appropriate. PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

  The adoption did not have any impact on the amounts recognized in prior periods and is not expected to significantly affect the current or future periods.

(b) New standards, amendments and interpretations not yet adopted by the Company

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2023, reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

17.2 Cash and cash equivalents

Cash and cash equivalents, which are carried at amortized cost, include deposits held at call with banks and other short-term highly liquid investments with original maturities of three (3) months or less from the date of acquisition.

17.3 Receivables

Receivables are amounts due from debtors in the ordinary course of business. Receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment, if any. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Other receivables generally arise from transactions outside the usual operating activities of the Company. Collateral is not normally obtained. The non-current other receivables are due and payable upon retirement of the employees transferred from a subsidiary to the Company.

The Company's financial assets that are subject to expected credit loss model include only financial assets measured at amortized cost. The Company applies the 12-month ECL approach to measure expected credit losses. To measure the expected credit losses, the receivables have been companied based on shared credit risk characteristics. The expected loss rates are based on the qualitative and quantitative assessment for the Companies receivables. Inputs used in determining the expected credit loss rates include the historical loss rates, reflecting current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their obligation. The Company has identified that inflation rate is the most relevant macroeconomic factor that must be considered in calculating their expected credit loss rate. Qualitatively, the Company assesses any changes in the credit risk for the receivables to determine whether impairment should be measured using the lifetime ECL. Changes in credit risk may include the following: significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. In determining the amount of provision, the expected credit loss rate is applied to the gross carrying amount of the receivable.

The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of loss is recognized within expenses in profit or loss. When a receivable remains uncollectible after the Company has exerted all legal remedies, it is written off against the allowance account for receivables. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversal of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of the amounts previously written off are credited to operating expenses in profit or loss.

17.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity. The Company recognizes a financial instrument in the statements of financial position, when and only when, the Company becomes a party to the contractual provisions of the instrument.

(a) Classification

The Company only holds financial assets and liabilities at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(c) Derecognition

A financial asset is derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. Where 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.

17.5 Investments in subsidiaries and an associate

17.5.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date on which control ceases.

The Company applies the acquisition method to account for business combinations that are not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred from the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is not accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Investments in subsidiaries are stated at cost less impairment in value, if any, in the separate financial statements. Under this method, investments are recognized at cost and income from investment is recognized in profit or loss only to the extent that the investor receives distribution from accumulated profits of the investee company arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment. Dividends or distributions of profits are recognized when the right to receive dividends or distributions has been established.

Investment in subsidiary is derecognized upon disposal or loss of control over a subsidiary. Any gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized through profit or loss. Upon loss of control, the investment account is measured at fair value and any difference between carrying amount and the fair value of investment is recognized in profit or loss.

17.5.2 Associate

An associate is an entity over which the Company has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investment in an associate is accounted for at cost following the provisions of PAS 27, Separate Financial Statements. This investment is stated at cost less impairment in value, if any, in the Company's financial statements. Under this method, the Company recognizes income from the investment only to the extent that the Company receives distribution from accumulated profits of the associate arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

The Company recognizes dividend income from investment in profit and loss when its right to receive dividends has been established.

Investment in associate is derecognized upon disposal or loss of significant influence over an associate. Any gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in profit or loss. Upon loss of significant influence, the investment account is measured at fair value, any difference between carrying amount and the fair value of investment is recognized in profit or loss.

17.6 Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and amortization and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation and amortization is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives (in years):

Leasehold improvements	5 or lease term whichever is shorter
Transportation equipment	5
Furnitures, fixtures and office equipment	2 to 5

Major renovations are depreciated over the remaining useful life of the related asset.

17.7 Investment property

Investment property, consisting of a parcel of land, is recognized at cost less impairment, if any. Land is not depreciated. Investment property is recognized as an asset, when it is probable that the future economic benefits that are associated with the investment property will flow to the Company and cost of the investment can be measured reliably. The cost of investment property includes costs incurred initially to acquire the asset and costs incurred subsequently to add to, replace part of, or service a property.

Investment property is tested for impairment once indicators of impairment are present. The carrying amount of the investment property is written down immediately to its recoverable amount if the former is greater than its estimated recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For purposes of assessing impairment of the investment property, fair value less cost to sell is based on the best information available to reflect the amount that the Company would obtain, at the reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the cost of disposal. In determining this amount, the Company considers the outcome of recent transaction for similar property within the same location. In assessing the value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no further economic benefit is expected from its use or disposal. Any gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized through profit or loss in the year of disposal.

17.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that have definite useful life are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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. Value in use requires the Company to make estimates of future cash flows to be derived from the particular asset, and to discount them using a pre-tax market rate that reflect current assessments of the time value of money and the risks specific to the asset. For purposes of assessing impairment, assets are assessed at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increase should not exceed the carrying amount that would have been determined had not the impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment is recognized immediately to profit or loss.

17.9 Current and deferred income tax

Income tax expense for the period normally comprise of current and deferred income tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (NOLCO) and unused tax credits (MCIT), to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The Company reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

17.10 Leases

The Company is the lessee

(a) Measurement of lease liabilities

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(b) Measurement of right-of-use assets

Right-of-use assets are generally amortized over the shorter of the asset's useful life of between three (3) to (ten) 10 years and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is amortized over the underlying asset's useful life.

(c) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the BPI Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(d) Residual value guarantees

The Company provides residual value guarantees for some lease contracts. The Company initially estimates and recognizes amounts expected to be payable under residual value guarantees as part of the lease liability.

(e) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

17.11 Provision and contingencies

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small. Provisions are derecognized when the obligation is settled, cancelled or has expired.

Provisions are measured at the present value of the expenditures expected to be required to settle the present obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense in the separate statement of total comprehensive income.

17.12 Equity

17.12.1 Share capital

The Company's share capital is composed of common shares stated at par value. The amount of proceeds from the issuance or sale of common shares representing the aggregate par value is credited to share capital. Proceeds in excess of the aggregate par value of common shares, if any, are credited to share premium. After initial measurement, share capital and share premium are carried at historical cost and are classified as equity in the separate statements of financial position.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Additional capital received from potential shareholders for which no share capital is issued is recorded as deposit for future shares subscription. These are classified as part of equity if and only if all of the following elements are present:

- The unissued authorized share capital of the Company is insufficient to cover the amount of shares indicated in the contract;
- There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- There is shareholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been filed with the SEC.

Otherwise, the deposits are presented as liability.

17.12.2.Treasury shares

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

17.12.3 Retained earnings

Retained earnings include current and prior years' results of operations, net of transactions with shareholders and dividends declared, if any.

(a) Cash dividends

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's BOD.

(b) Stock dividends

Dividend distribution to the Company's shareholders is recognized as an addition to share capital in the Company's financial statements in the period in which the dividends are approved by the Company's BOD.

17.13 Employee benefits

17.13.1 Retirement benefit obligation

The retirement plan of the Company is a non-contributory and of the defined benefit type. The liability recognized in the statements of financial position in respect of the defined benefit retirement plan is the present value of the defined benefit obligation at the reporting date.

The defined benefit obligation is calculated annually by independent actuary using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement obligation.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income (loss) during the period in which they are incurred.

Past service costs are recognized immediately in profit or loss.

17.13.2 Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to present value. The related liability is derecognized when the obligation is discharged or cancelled.

17.13.3 Short-term employee benefits

The Company recognizes a liability and an expense for short-term employee benefits which include salaries, social security contributions, paid sick and vacation leaves, and bonuses. Bonuses are based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation. The related liability is derecognized when the obligation is settled, cancelled or has expired.

17.14 Earnings per share

17.14.1 Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Company and held as treasury shares. In a capitalization or bonus issue or a share split, common shares are issued to existing shareholders for no additional consideration. Therefore, the number of common shares outstanding is increased without an increase in resources. The number of common shares outstanding before the event is adjusted for the proportionate change in the number of common shares outstanding as if the event had occurred at the beginning of the earliest period presented.

17.14.2 Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. As at report date, the Company has no dilutive potential common shares.

17.15 Income and expense recognition

17.15.1 Income

The Company recognizes income when the amount of income can be reliably measured, it is possible that future economic benefits will flow into the entity and specific criteria have been met. Interest income is recognized on a time-proportion basis using the effective interest method. Other income is recognized when earned or realized. In relation to the Company's nature of operations, income mainly pertains to dividends declared by subsidiaries and associate, which is recognized when the right to receive payment is established.

17.15.2 Expenses

Expenses are charged to operations when incurred.

17.16 Subsequent events

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

18 Supplementary information required by the Bureau of Internal Revenue (BIR)

The following information required by Revenue Regulation (RR) No. 15-2010 is presented for purposes of filing with the BIR and is not required in the basic financial statements.

18.1 Output VAT

The Company is VAT-registered and output VAT declared for the year ended December 31, 2023 amounted to P3,010,078 based on gross receipts of P28,094,065. The gross receipts mainly represent collection of income from services to related parties presented as miscellaneous income, net of direct expenses.

18.2 Input VAT

Movements in input VAT for the year ended December 31, 2023 are as follows:

Beginning balance	16,805,906
Domestic purchase of services	3,001,063
Domestic purchase of goods	43,676
Output VAT applied	
From current year income	(3,010,078)
Total input VAT	16,840,567

18.3 Importations

The Company had no import transactions that are subject to customs duties and tariffs for the year ended December 31, 2023.

18.4 Documentary stamp tax

The Company paid P32,412 documentary stamp taxes for the year ended December 31, 2023.

18.5 All other local and national taxes

All other local and national taxes paid and accrued for the year and lodged under taxes and licenses in the separate statement of total comprehensive income include the following:

	Total
Real property tax	33,720
Business permit	20,154
Community tax	1,814
Others	10,525
	66,213

18.6 Withholding taxes

Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2023 consist of:

	Paid	Accrued	Total
Final withholding tax	9,529,182	-	9,529,182
Withholding tax on compensation	9,207,868	482,022	9,689,890
Expanded withholding tax	979,683	49,453	1,029,136
Fringe benefit tax	489,878	171,437	661,315
	20,206,611	702,912	20,909,523

18.7 Tax cases and assessments

On February 20, 2023 the Company received Preliminary Assessment Notice (PAN) from BIR pursuant to Letter of Authority No. eLA201700044566 dated July 22, 2021.

On March 29, 2023, the Company received a Final Assessment Notice (FAN) & Formal Letter of Demand related to 2020 LOA, which has been settled for P4,022,625 on July 5, 2023.

As at December 31, 2023, the Company has two (2) open tax assessments pursuant to Letter of Authority No. eLA202200044576 and No. eLA202200044477 covering the calendar years 2021 and 2022, respectively.