



Premiere Horizon <premierehorizon@gmail.com>

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Mon, Apr 15, 2024 at 11:10 PM

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SEC Registration No: 0000147584
Company Name: PREMIERE HORIZON ALLIANCE CORPORATION
Document Code: AFS

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Premiere Corporation <phac1705@gmail.com>

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Hi PREMIERE HORIZON ALLIANCE CORPORATION,

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Submission Date/Time: **Apr 15, 2024 10:56 PM**

Company TIN: **002-727-376**

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1 message

no-reply@bir.gov.ph <no-reply@bir.gov.ph>
To: phalliancecorp@gmail.com

Mon, Apr 15, 2024 at 1:26 AM

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Thank you for filing your Return through eFPS.

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From,

Bureau of Internal Revenue

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 002-727-376-000
Name	: PREMIERE HORIZON ALLIANCE CORPORATION
RDO	: 043
Form Type	: 1702
Reference No.	: 462400059177603
Amount Payable / (Over Remittance)	: -3782434.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2023
Date Filed	: 04/15/2024
Tax Type	: IT

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Premiere Horizon Alliance Corporation (the Parent)** 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 to cease operations, or has no realistic alternative to do so.

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

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

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

Emmanuel G. Herbosa
Chairman of the Board

Engenio T. Tan
President & CEO

Brandon Benito P. Leong
Treasurer

Signed this 12th day of April 2024

SUBSCRIBED AND SWORN to before me
this 15 APR 2024 at PASIG CITY.
Affiant exhibits to me her/his _____
with No. _____ as strong proof of
her/his identity.

FERDINAND D. AYAHAO
Notary Public

For and in Pasig City and the Municipality of Pateros
Appointment No.96 (2/24-2025) valid until 12/31/2025
MCLE Exemption No. VIII-BEP003234, until 04/14/28
Roll No. 46377; IBP L.N 02459; OR. 535886; 06/21/2001
TIN 123-011-785; PTR 1634583AA; 01/03/24; Pasig City
Unit 5, West Tower PSE, Exchange Road
Ortigas Center, Pasig City Tel.+632-86314090

DOC. NO: 409
PAGE NO. 53
BOOK NO. 37
SERIALS OF 2024



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Premiere Horizon Alliance Corporation
Unit E-1705, 17F, East Tower
Philippine Stock Exchange Center, Exchange Road
Ortigas Center, Pasig City

Opinion

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

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2023 and 2022, and its separate financial performance and its separate cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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



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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatements when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of 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 risks of material misstatements of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 the auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

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

BIR Accreditation No. 08-005144-005-2022

Valid until October 16, 2025

PTR No. 10072405

Issued January 2, 2024, Makati City

April 12, 2024

Makati City, Metro Manila

PREMIERE HORIZON ALLIANCE CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2023	2022
ASSETS			
Current Assets			
Cash	4	P45,351,218	P1,647,366
Receivables	5	489,595,740	489,658,749
Dividends receivable	13	5,450,000	5,450,000
Due from related parties	13	88,553,501	27,551,639
Other current assets	6	15,895,348	12,799,218
Total Current Assets		644,845,807	537,106,972
Noncurrent Assets			
Investments in subsidiaries	9	1,451,743,810	1,451,743,810
Property and equipment	7	3,260,794	5,043,310
Film rights	8	2,433,010	2,838,511
Total Noncurrent Assets		1,457,437,614	1,459,625,631
TOTAL ASSETS		P2,102,283,421	P1,996,732,603
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term loans	10	P133,968,862	P300,254,632
Accounts and other payables	11	246,221,317	318,048,650
Due to related parties	13	321,704,345	396,356,707
Dividends payable	16	39,800,000	39,800,000
Total Current Liabilities		741,694,524	1,054,459,989
Noncurrent Liabilities			
Retirement liability	12	1,207,985	1,886,046
Deferred tax liability	15	259,796	25,062
Total Noncurrent Liabilities		1,467,781	1,911,108
Total Liabilities		743,162,305	1,056,371,097
Equity			
Capital stock	16	1,414,348,522	1,007,496,826
Additional paid-in capital	16	582,882,376	452,689,833
Deficit		(638,889,166)	(519,900,337)
Cumulative remeasurement gains on retirement liability	12	779,384	75,184
Total Equity		1,359,121,116	940,361,506
TOTAL LIABILITIES AND EQUITY		P2,102,283,421	P1,996,732,603

See accompanying Notes to Separate Financial Statements.

PREMIERE HORIZON ALLIANCE CORPORATION
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	2023	2022
EXPENSES			
Professional and legal fees		₱46,141,987	₱31,272,764
Commitment fees	16	12,500,000	18,420,003
Personnel costs		3,402,624	5,000,612
Transportation and travel		2,878,120	3,156,860
Depreciation	7	2,427,637	3,297,679
Entertainment, amusement and representation		2,180,000	4,675,500
Taxes and licenses		1,655,192	2,675,291
Utilities		947,628	1,030,201
Rent		801,606	801,513
Communication		584,351	702,748
Office supplies		201,545	228,919
Trainings and seminar		176,296	116,822
Insurance		160,395	327,093
Repairs and maintenance		156,687	170,377
Others		115,816	655,184
		74,329,884	72,531,566
OTHER INCOME (CHARGES)			
Interest expense	10	(51,018,448)	(58,837,006)
Interest income	4	6,866,321	13,955
Impairment losses	14	(405,501)	(65,184,956)
Others		–	202,796
		(44,557,628)	(123,805,211)
LOSS BEFORE INCOME TAX		118,887,512	196,336,777
PROVISION FOR CURRENT INCOME TAX	15	101,317	2,028
NET LOSS		118,988,829	196,338,805
OTHER COMPREHENSIVE INCOME			
<i>Not to be reclassified to profit or loss in subsequent years:</i>			
Remeasurement gain on defined benefit obligation - net of deferred tax	12	704,200	–
TOTAL COMPREHENSIVE LOSS		₱118,284,629	₱196,338,805
Basic and Diluted Loss Per Share	16	(₱0.023)	(₱0.042)

See accompanying Notes to Separate Financial Statements.

PREMIERE HORIZON ALLIANCE CORPORATION
SEPARATE STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31	
	Note	2023	2022
CAPITAL STOCK - ₱0.25 par value			
	16		
Balance at beginning of year		₱1,007,496,826	₱800,650,526
Collection of subscription receivable		406,851,696	53,891,798
Additional subscription		–	152,954,502
		1,414,348,522	1,007,496,826
ADDITIONAL PAID-IN CAPITAL			
	16		
Balance at beginning of year		452,689,833	139,697,050
Collection of subscription receivable		130,192,543	17,245,376
Additions		–	297,099,865
Stock issuance costs		–	(1,352,458)
Balance at end of year		582,882,376	452,689,833
DEFICIT			
Balance at beginning of year		(519,900,337)	(323,561,532)
Net loss		(118,988,829)	(196,338,805)
Balance at end of year		(638,889,166)	(519,900,337)
CUMULATIVE REMEASUREMENT GAINS ON RETIREMENT LIABILITY			
	12		
Balance at beginning of year		75,184	75,184
Net remeasurement gain		704,200	–
Balance at end of year		779,384	75,184
		₱1,359,121,116	₱940,361,506

See accompanying Notes to Separate Financial Statements.

PREMIERE HORIZON ALLIANCE CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(P118,887,512)	(P196,336,777)
Adjustments for:			
Interest expense	10	51,018,448	58,837,006
Interest income	4	(6,866,321)	(13,955)
Depreciation	7	2,427,637	3,297,679
Impairment losses	14	405,501	65,184,956
Retirement benefits cost	12	260,873	334,829
Operating loss before working capital changes		(71,641,374)	(68,696,262)
Decrease (increase) in:			
Receivables		63,009	(52,998,378)
Other current assets		(3,197,447)	59,723,663
Decrease in accounts and other payables		(71,639,210)	65,797,129
Net cash generated from (used for) operations		(146,415,022)	3,826,152
Interest received		6,866,321	13,955
Retirement benefits paid	12	–	(279,700)
Net cash provided by (used in) operating activities		(139,548,701)	3,560,407
CASH FLOWS FROM INVESTING ACTIVITIES			
Additional advances to related parties	13	(61,001,862)	(2,941,300)
Acquisitions of property and equipment	7	(645,121)	(2,215,336)
Net cash used in investing activities		(61,646,983)	(5,156,636)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Collection of subscription receivable	16	537,044,239	71,137,174
Availment of short-term loans	18	15,000,000	120,700,000
Stock issuance costs		–	(1,352,458)
Payments of:			
Short-term loans	18	(181,285,770)	(68,500,000)
Due to related parties	18	(74,652,362)	–
Interest		(51,018,448)	(58,837,006)
Obligations under finance lease	18	(188,123)	(526,646)
Due to related parties	18	–	(63,573,393)
Net cash provided by (used in) financing activities		244,899,536	(952,329)
NET INCREASE (DECREASE) IN CASH		43,703,852	(2,548,558)
CASH AT BEGINNING OF YEAR		1,647,366	4,195,924
CASH AT END OF YEAR	4	P45,351,218	P1,647,366

See accompanying Notes to Separate Financial Statements.

PREMIERE HORIZON ALLIANCE CORPORATION
NOTES TO SEPARATE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

1. General Information

Corporate Information

Premiere Horizon Alliance Corporation (PHA or the Company), was registered with the Philippine Securities and Exchange Commission (SEC) on January 13, 1988 and listed in the Philippine Stock Exchange (PSE) on May 5, 1997. The Company's primary and secondary purpose is to engage in business activities relating to entertainment, gaming, hotel, and leisure and to expand to mining and real estate industries, respectively.

On August 10, 2016, the SEC approved the change in the Company's primary purpose to that of an investment holding company and the secondary purpose to engaging in business activities relating to entertainment, gaming, hotel, and leisure.

The Company's registered address and principal place of business is at Unit E-1705, 17F, East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City.

As at December 31, 2023 and 2022, the subsidiaries of the Company, which are all incorporated in the Philippines, are as follows:

	Industry	Percentage of Ownership		
		Direct	Indirect	Total
West Palawan Premiere Development Corp. (WPP)	Real estate	100	–	100
Treasure Cove at Nagtabon Beach, Inc. (TCNBI)	Real estate	–	100	100
Premiere Georesources and Development Inc. (PGDI)	Mining	69	–	69
Pyramid Hill Mining & Industrial Corp. (PHMIC)	Mining	–	68	68
Palawan Star Mining Ventures, Inc. (PSMVI)	Mining	–	68	68
Goshen Land Capital, Inc. (GLCI)	Real estate	55	–	55
Concepts Unplugged: Business Environment Solutions (CUBES), Inc.*	Management , investment and/or technical solutions	51	–	51
Premiere Horizon Business Services, Inc. (PHBSI)*	Human resource management	100	–	100
PH Mining and Development Corporation (PHMDC)*	Mining	100	–	100
PH Agriforest Corporation (PHAC)*	Forestry	100	–	100
PH Big Bounty Entertainment, Inc. (PBBEI)*	Amusement	100	–	100
Digiwave Solutions Incorporated (DSI)*	Information technology	100	–	100
Premiere e-Teleservices, Inc. (PeTI)	Entertainment	100	–	100

*Non-operating

Corporate Developments

In 2021, a new investor group subscribed to 2,803,030,303 shares, equivalent to 55% ownership in PHA at ₱0.33 a share for ₱925.0 million. PHA received ₱371.1 million of the subscription as at December 31, 2022 (see Note 18). Part of the arrangement was the infusion of the shares of SquidPay Technology, Inc. (SPTI) with the intention of making SPTI a subsidiary.

On October 13, 2022, the BOD decided it will no longer pursue the acquisition of SPTI. In February 2023, the BOD approved a call for payment on all unpaid subscriptions.

On May 11, 2023, of the 1,457,756,130 shares considered delinquent after a 30 days-compliance period, 1,389,802,253 were sold to a private investor for ₱344.8 million (see Note 18).

Approval of the Separate Financial Statements

The separate financial statements as at and for the years ended December 31, 2023 and 2022 were approved and authorized for issuance by the Board of Directors (BOD) on April 12, 2024.

2. Summary of Material Accounting Policy Information

Basis of Preparation and Statements of Compliance

The separate financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

The Company also prepares and issues consolidated financial statements for the same period in accordance with PFRS. In the consolidated financial statements, the subsidiary undertakings have been fully consolidated. Users of these separate financial statements should read them together with the consolidated financial statements in order to obtain full information on the consolidated financial position, consolidated financial performance and consolidated cash flows of PHA and its subsidiaries. The consolidated financial statements may be obtained at the Company's registered office address and at the SEC.

Measurement Bases

The separate financial statements are presented in Philippine Peso (Peso), the Company's functional currency. All amounts are rounded to the nearest Peso unless otherwise stated.

The separate financial statements of the Company have been prepared on a historical cost basis except for retirement liability which measured at the present value of defined benefit obligation.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values are included in Note 17, *Financial Instruments*.

Adoption of Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant amendments to PFRS effective January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty." An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

The adoption of the foregoing amendments to PFRS did not have any material effect on the separate financial statements. Additional disclosures were included in the notes to separate financial statements, as applicable.

Amendments to PFRS in Issue But Not Yet Effective

Relevant amendments to PFRS which are not yet effective for the year ended December 31, 2023 and have not been applied in preparing the separate financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback* – The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS 15, *Revenue from Contracts with Customers*, to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use (ROU) asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Group shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS is not expected to have any material effect on the separate financial statements of the Company. Additional disclosures will be included in the separate financial statements, as applicable.

Financial Instruments

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

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

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

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transactions price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference.

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

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

There were no reclassifications of financial assets in 2023 and 2022.

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at December 31, 2023 and 2022, the Company does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

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

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

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

Classified under this category are the Company's cash, receivables (excluding advances to officers and employees), dividends receivable, due from related parties, note receivable and security deposits (presented as part of "Other current assets" account).

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

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

As at December 31, 2023 and 2022, classified under this category are the Company's short-term loans, accounts and other payables (excluding statutory payables), due to related parties, and dividend payable.

Impairment of Financial Assets at Amortized Cost

The Company records an allowance for expected credit loss (ECL) on financial assets at amortized cost based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company measures loss allowances at an amount equivalent to the 12-month ECL for financial assets on which credit risk has not increased significantly since initial recognition or that are determined to have low credit risk at reporting date. Otherwise, impairment loss will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at reporting date with the risk of a default occurring on the financial instrument on the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort. In addition, the Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at reversal date.

A financial asset is written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Derecognition of Financial Assets and Liabilities

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

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

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

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

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount is reported in the separate statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the separate statement of financial position.

Classification of Financial Instrument between Liability and Equity

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

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

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

Other Current Assets

This account mainly consists of excess of input value-added tax (VAT) over output VAT, creditable withholding taxes (CWT) and prepayments.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the taxation authority is included as part of “Other current assets” account in the separate statement of financial position.

CWTs. CWTs represent the amount withheld by the Company’s customers in relation to its income. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWTs are stated at its net realizable amount.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to profit or loss in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

Each part of the property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is computed on the straight-line basis over the estimated useful lives of the depreciable assets. The depreciation periods for property and equipment, based on the above policies, are as follows:

<u>Asset Type</u>	<u>Number of Years</u>
Office space	10
Office space improvements	5
Furniture and fixtures	5
Office equipment	5
Transportation equipment	5

The estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation is consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated assets are retained in the accounts until these are no longer in use.

Film Rights

Film rights include the unamortized cost of completed theatrical films and television projects and film rights acquired. Film rights principally consist of direct production costs, production overhead, development and pre-production costs and are stated at cost less accumulated amortization and any impairment in value. Amortization of film and television production costs starts when a film is released and revenues on that film are recognized. Amortization is made in proportion to the actual income earned during the year as against total estimated income. The total estimated income is subject to periodic evaluation by management based on actual income generated from those films.

Investments in Subsidiaries

Investments in subsidiaries are accounted for using the cost method. A subsidiary is an entity controlled by the Company. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to elements evidencing control.

Under the cost method, the Company recognizes income from the investment only to the extent that the Company received distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a reduction of the cost of the investment.

An assessment of the carrying amount of the investment is performed when there is an indication that the investment has been impaired.

Impairment of Nonfinancial Assets

Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued/subscribed. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Equity component of convertible instruments are also included in additional paid-in capital.

Incremental costs directly attributable to the issue of new capital stock are recognized as a deduction, net of tax, from the equity under "Stock issuance costs" account.

Subscriptions Receivable

Subscriptions receivable pertain to the uncollected consideration from the subscribed shares.

Deficit

Deficit represents the cumulative balance of the Company's results of operations, net of dividends declared to date.

Cumulative Remeasurement Gains on Retirement Liability

This pertains to accumulated remeasurement gains on retirement liability, which are not recognized in profit or loss. Remeasurement gain or loss when earned or incurred during the year are classified as other comprehensive income or loss and presented after net income in the separate statement of comprehensive income. The cumulative remeasurement gains or losses are separately presented in the equity section of the separate statement of financial position.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

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

The following specific recognition criteria must also be met before revenue is recognized.

Interest Income. Interest income is recognized as the interest accrues using the effective interest rate.

Other Income. Income from other sources is recognized when earned.

Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Expenses are recognized in profit or loss when incurred.

Short-term Leases - Company as a Lessee

The Company applies the short-term lease recognition exemption to its short-term leases of commercial spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain purchase option). Lease payments on short-term leases are recognized as expense on a straight line basis over the lease term.

Employee Benefits

Short-term Benefits. The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Company has an unfunded, non-contributory defined benefit plan covering all qualified employees. The cost of providing benefits under the defined benefit plan is actuarially determined using projected unit credit method which reflects services rendered by employees to the date of valuation and incorporate assumptions concerning employees' projected salaries.

The retirement liability is the aggregate of the present value of the retirement liability which is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Interest on the defined benefit liability
- Remeasurements of defined benefit liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Interest on the defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability. Interest on the defined benefit liability is recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which these arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in the profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognized the related restructuring costs.

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

Income Taxes

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

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

- When it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity as other comprehensive income.

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Company plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Related Parties and Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or a member of the key management personnel of the reporting entity. Parties are also considered to be related if they are subject to common control or common significant influence.

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties.

Related party transactions are considered material and/or significant if i) these transactions amount to 10% or higher of the total assets, or ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the total assets. Details of transactions entered into by the Company with related parties are reviewed in accordance with the Company's related party transactions policy.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net profit or loss for the year, after recognition of the dividend requirement of preferred shares, as applicable, by the weighted average number of issued and outstanding common shares during the year, after giving retroactive effect to any stock dividends declared during the year.

Diluted EPS is computed by dividing net profit or loss for the year by the weighted average number of issued and outstanding common shares during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an anti-dilutive effect on EPS.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are made using the best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period these arise.

Contingencies

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

Events after the Reporting Date

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

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the separate financial statements in accordance with PFRS requires management to exercise judgment, make estimates and use assumptions that affect amounts of assets, liabilities, income and expenses reported in the separate financial statements. The judgment, estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the separate financial statements. While management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

Judgment

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

Evaluating Contingencies. There are ongoing legal proceedings involving the Company which management believes would not have a material adverse impact on the Company's financial position and results of operations. The estimate of probable costs for the resolution of possible claims have been developed in consultation with legal counsel handling the Company's defense in these matters and is based upon an analysis of potential results (see Note 19).

Estimates and Assumptions

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

Determining Impairment of Receivables, Dividends Receivable, and Due from Related Parties. The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selected inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Company did not recognize provision for ECL in 2023. Provision for impairment loss on note receivable and due from related parties aggregated to ₱64.8 million in 2022 (see Note 14). The carrying amounts of receivables (excluding advances to officers and employees), dividends receivable, and due from related parties, including details of the related allowances for impairment losses, are disclosed in Notes 5 and 13.

Estimating the Useful Lives of Property and Equipment. The Company estimates the useful lives of the property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There were no changes in the estimated useful lives of property and equipment in 2023 and 2022. The carrying amounts of property and equipment are disclosed in Note 7.

Determining the Impairment of Nonfinancial Assets. The Company assesses whether there are any indicators of impairment for all nonfinancial assets at each reporting date. Investments in subsidiaries and property and equipment are reviewed for impairment when there are indicators that the carrying amounts may not be recoverable. Film rights are reviewed annually for impairment while it is still not yet available for use. Determining the value in use of these nonfinancial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the separate financial statements. Future events could cause the Company to conclude that such nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's separate financial statements.

Provision for impairment loss amounted to ₱405,501 in 2023 and 2022. The carrying amounts of investments in subsidiaries, property and equipment, film rights, and other assets (excluding security deposits) are disclosed in Notes 6, 7, 8 and 9.

Determining the Retirement Benefits Cost. The cost of defined benefit pension plans and present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Retirement liability amounted to ₱1.2 million and ₱1.9 million as at December 31, 2023 and 2022, respectively (see Note 12).

Assessing the Realizability of Deferred Tax Assets. The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The amount of deferred income tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future tax planning strategies to which the deferred tax assets can be utilized.

As at December 31, 2023 and 2022, no deferred tax assets were recognized for NOLCO, excess MCIT over RCIT and other deductible temporary differences (see Note 15). Management believes that it is not probable that sufficient taxable income will be available to allow all these deferred tax assets to be utilized.

4. Cash

This account consists of:

	2023	2022
Cash on hand	P130,680	P130,680
Cash in banks	45,220,538	1,516,686
	P45,351,218	P1,647,366

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

Interest income arises from the following:

	Note	2023	2022
Due from related parties	13	P6,754,434	P-
Cash in banks		111,887	13,955
		P6,866,321	P13,955

5. Receivables

This account consists of:

	Note	2023	2022
Receivables from related parties	13	P490,023,721	P490,070,651
Advances to officers and employees		197,807	213,885
		490,221,528	490,284,536
Less allowance for ECL		625,788	625,788
		P489,595,740	P489,658,748

Receivable from related parties include the consideration from the sale of investment properties with a total area of 499.99 hectares to WPP, for a total consideration of P449.0 million, payable on installment basis in three years ending 2021 (see Note 13).

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures that are liquidated 30 days from the date the cash advances are made.

Movements in the allowance for ECL are as follows:

	Note	2023	2022
Balance at beginning of year		P625,788	P625,788
Provision	14	-	29,181,818
Write-off		-	(29,181,818)
		P625,788	P625,788

6. Other Current Assets

These accounts consist of:

	2023	2022
Input VAT - net of allowance for impairment loss	P11,081,183	P7,749,666
CWTs	3,782,434	3,883,750
Security deposits	852,022	852,022
Prepayments	179,709	313,780
	P15,895,348	P12,799,218

The Company recognized an impairment loss on input VAT amounting to P39,637 in 2022 (see Note 14). This was also written-off in the same year.

Security deposits pertain to the deposits paid by the Company to certain lessors at the inception of the lease contracts to be refunded at the end of the lease term.

Prepayments include prepaid insurance and rent which will be amortized within three to 12 months at the end of the financial reporting date.

7. Property and Equipment

The movements of this account are as follows:

	2023					
	Office Space	Office Space Improvements	Furniture and Fixtures	Office Equipment	Transportation Equipment	Total
Cost						
Balance at beginning of year	P13,881,990	P6,719,078	P1,349,731	P2,195,302	P23,568,038	P47,714,139
Additions	-	-	-	29,370	615,751	645,121
Balance at end of year	13,881,990	6,719,078	1,349,731	2,224,672	24,183,789	48,359,260
Accumulated Depreciation						
Balance at beginning of year	11,452,642	6,719,078	1,349,731	1,779,990	21,369,388	42,670,829
Depreciation	1,041,149	-	-	97,250	1,289,238	2,427,637
Balance at end of year	12,493,791	6,719,078	1,349,731	1,877,240	22,658,626	45,098,466
Carrying Amount	P1,388,199	P-	P-	P347,432	P1,525,163	P3,260,794

	2022					
	Office Space	Office Space Improvements	Furniture and Fixtures	Office Equipment	Transportation Equipment	Total
Cost						
Balance at beginning of year	P13,881,990	P6,719,078	P1,349,731	P1,841,371	P21,706,633	P45,498,803
Additions	-	-	-	353,931	1,861,405	2,215,336
Balance at end of year	13,881,990	6,719,078	1,349,731	2,195,302	23,568,038	47,714,139
Accumulated Depreciation						
Balance at beginning of year	9,847,698	6,719,078	1,349,731	1,693,117	19,763,526	39,373,150
Depreciation	1,604,944	-	-	86,873	1,605,862	3,297,679
Balance at end of year	11,452,642	6,719,078	1,349,731	1,779,990	21,369,388	42,670,829
Carrying Amount	P2,429,348	P-	P-	P415,312	P2,198,650	P5,043,310

8. Film Rights

The movements of this account are as follows:

	Note	2023	2022
Cost			
Balance at beginning and end of year		₱59,641,480	₱59,641,480
Accumulated Impairment Losses			
Balance at beginning of year		56,802,969	56,397,468
Impairment	14	405,501	405,501
Balance at end of year		57,208,470	56,802,969
Carrying Amount		₱2,433,010	₱2,838,511

Film rights pertain to the unamortized cost of completed theatrical films and television projects and film rights acquired by the Company when it was still active in the entertainment business.

In assessing the impairment of film rights, the Company uses the income approach - discounted cash flow method, which assumes that the going rate per film of ₱0.8 million declines by 10.00% per year as observed in the price trends from 1998 up to the current year.

9. Investments in Subsidiaries

As at December 31, 2023 and 2022, details of investments in subsidiaries accounted for under the cost method are as follow:

WPP	₱440,000,000
GLCI	427,000,000
PGDI	403,707,804
DSI	179,786,001
CUBES	79,879,414
PHMDC	3,062,500
PBBEI	1,250,005
PeTI	62,500
PHBSI	62,500
PHAC	62,500
	1,534,873,224
Allowance for impairment losses	83,129,414
	₱1,451,743,810

WPP

WPP is incorporated for the purpose of acquiring by purchase, lease, donation, or otherwise and own, use, improve, develop, subdivide, sell mortgage, exchange, lease, develop and hold for investment or otherwise real estate of all kinds.

WPP's subsidiary, TCNBI, is engaged in the business of owning and operating hotels and other resort developments.

GLCI

GLCI is a real estate developer based in Baguio City and develops innovative master planned communities of low to mid rise residential and commercial condominium including dormitories.

PGDI

PGDI is primarily engaged into mining related services such as hauling and excavation for mining companies.

PGDI's subsidiaries, PHMIC and PSMVI, are holders of Mineral Production Sharing Agreements (MPSAs) covering approximately 10,384 hectares, containing probable commercial quality limestone deposits located in the mineralized area of Southern Palawan. As at December 31, 2023, PHMIC and PSMVI are under exploration stage and in the process of renewing their exploration period subject to evaluation and approval of the Mines and Geosciences Bureau (MGB) upon submission of requirements.

DSI

DSI previously operated e-Games stations with its primary purpose to carry out information technology and other related businesses.

CUBES

CUBES is primarily engaged in providing management, investment, and/or technical solutions to commercial, industrial, and other types of enterprises. In May 2017, CUBES operation was discontinued and was put on hold due to operational issues. As of December 31, 2023, CUBES has not yet resumed its operations, and management is currently assessing its options whether to continue its operations or sell its equipment to prospective buyers.

PHMDC, PBBEI, PeTI, PHBSI and PHAC are engaged in the business activities relating to entertainment, gaming and human resources management consultant. As at December 31, 2023, these subsidiaries have not started commercial operations.

Details of the allowance for impairment are as follows:

	CUBES	PHBSI	PeTI	PHMDC	PHAC	Total
Balance at beginning and end of year	₱79,879,414	₱62,500	₱62,500	₱3,062,500	₱62,500	₱83,129,414

10. Short-term Loans

This account consists of:

	Note	2023	2022
Third parties		96,568,862	256,729,732
Shareholders and officers	13	37,400,000	34,025,000
Banks		–	9,500,000
		133,968,862	300,254,732

Short-term loans are unsecured and were obtained to finance the working capital requirements of the Company. These are payable within 180 to 360 days with interest rates ranging from 6.0% to 12.0% per annum.

Short-term loans are unsecured and were obtained to finance the working capital requirements of the Company.

Details of interest expense are as follows:

	Note	2023	2021
Share lending agreement	16	₱29,970,180	₱31,006,694
Short-term loans		21,048,268	27,830,312
		₱51,018,448	₱58,837,006

11. Accounts and Other Payables

This account consists of:

	Note	2023	2022
Accrued expenses		₱151,580,025	₱126,744,029
Accounts payable		40,699,604	38,649,128
Capital gains tax payable		26,940,000	26,940,000
Advances from officers and shareholders	13	16,719,600	116,550,000
Statutory liabilities		10,282,088	8,977,370
Obligations under finance lease		–	188,123
		₱246,221,317	₱318,048,650

Accrued expenses pertains to accrual of interest, salaries and benefits, professional fees and other taxes which are expected to be settled within 12 months from the end of the reporting period.

Accounts payable arises from regular transactions with contractors and suppliers. These are noninterest-bearing and are normally settled on a 15 to 60-day terms.

Advances from officers and shareholder represents additional funds from the Company's officers and shareholders to be used in its ongoing projects (see Note 13).

Statutory liabilities pertain to withholding taxes and other amounts payable to the Philippine Government. These are noninterest-bearing and are generally settled in 30 to 45 days.

12. Retirement Liability

The Group has an unfunded non-contributory defined benefit plan covering all regular employees. Benefits are based on the employee's years of service and final plan salary.

Under the existing regulatory framework, Republic Act 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Retirement benefit cost recognized as part of "Personnel costs" in the separate statements of comprehensive income consists of:

	2023	2022
Interest expense on defined benefit obligation	₱134,664	₱91,912
Service cost	126,209	242,917
	₱260,873	₱334,829

Remeasurement gains on defined benefit obligation recognized in 2023 under OCI in the separate statements of comprehensive income:

Actuarial gains (losses) due to:	
Experience adjustments	₱1,124,043
Changes in financial assumptions	(185,109)
Remeasurement gains on defined benefit obligation	938,934
Income tax effect	(234,734)
Remeasurement gains	₱704,200

Cumulative remeasurement gains recognized in other comprehensive income follows:

	2023		
	Cumulative Remeasurement Gains	Deferred Tax	Net
Balance at beginning of year	₱100,246	(₱25,062)	₱75,184
Remeasurement gains	939,934	(234,734)	704,200
Balance at end of year	1,040,180	(259,796)	₱779,384

	2022		
	Cumulative Remeasurement Gains	Deferred Tax	Net
Balance at beginning and end of year	₱100,246	(₱25,062)	₱75,184

Changes in the present value of the defined benefit obligation are as follows:

	2023	2022
Balance at beginning of year	₱1,886,046	₱1,830,917
Actuarial losses (gains) due to:		
Experience adjustments	(1,124,043)	-
Changes in financial assumptions	185,109	-
Interest expense on defined benefit obligation	134,664	91,912
Service cost	126,209	242,917
Benefits paid	-	(279,700)
	₱1,207,985	₱1,886,046

The cost of defined benefit pension plans as well as the present value of the pension liabilities is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used to determine pension for the Company are as follows:

	2023	2022
Discount rate	6.06%	7.14%
Salary increase rate	5.00%	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease)	Effect on the retirement benefit obligation	
		2023	2022
Discount rate	+100bps	(P172,547)	(P312,525)
	-100bps	205,396	378,442
Salary increase	+100bps	205,524	286,443
	-100bps	(175,672)	(243,508)

The Company does not have a formal retirement plan where its retirement obligations could have been funded.

As at December 31, 2023, the Company has no expected benefit payments in the next 12 months.

13. Related Party Transactions

In the ordinary course of business, the Company has transactions with related parties which consist mainly of extension or availment of noninterest-bearing advances and interest-bearing short-term and long-term loans.

Transactions and outstanding balances with related parties are as follows:

Relationship	Nature of Transaction	Note	Year	Transaction Amounts	Outstanding Balance	Terms and Conditions
Receivables						
Subsidiaries	Sale of land	5	2023	P-	P449,000,000	Unsecured and noninterest-bearing; Due and demandable
			2022	-	449,000,000	
	Interest receivable		2023	-	625,788	Unsecured and noninterest-bearing; Due and demandable
			2022	-	625,788	
Officers and shareholders	Advances	2023	46,930	40,397,933	Unsecured and noninterest-bearing; Due and demandable	
		2022	23,860,424	40,444,863		
			2023		490,023,721	
			2022		490,070,651	
Less allowance for ECL		2023		625,788		
		2022		625,788		
Net		2023		P489,397,933		
		2022		489,444,863		
Dividends Receivable						
Subsidiaries	Cash dividends	2023	P-	P5,450,000	Unsecured and noninterest-bearing; Due and demandable	
		2022	-	5,450,000		
Note Receivable						
Subsidiary	Note receivable	2023	P-	P35,558,000	Unsecured and subjected to 8% interest per annum	
		2022	-	35,558,000		
Less allowance for ECL		2023		35,558,000		
		2022		35,558,000		
Net		2023		P-		
		2022		-		

Relationship	Nature of Transaction	Note	Year	Transaction Amounts	Outstanding Balance	Terms and Conditions
Due from Related Parties						
Subsidiaries	Cash advances		2023	₱61,001,862	₱102,882,233	Unsecured and noninterest-bearing; Due and demandable
			2022	2,941,300	41,880,371	
Less allowance for ECL			2023		14,328,732	
			2022		14,328,732	
Net			2023		₱88,553,501	
			2022		27,551,639	
Short-term Loans						
Officers and shareholders		10	2023	₱3,375,000	₱37,400,000	Unsecured and subjected to 6% interest per annum; 180 to 360 days
			2022	–	34,025,000	
Trade and Other Payables						
Officers and shareholders	Advances	13	2023	₱99,830,400	₱16,719,600	Unsecured and subjected to 6% interest per annum; 180 to 360 days
			2022	–	116,550,000	
Due to Related Parties						
Subsidiaries	Cash advances		2023	₱74,652,362	₱321,704,345	Unsecured and noninterest-bearing; Due and demandable
			2022	48,573,393	396,356,707	

The Company, in the ordinary course of business, has entered into transactions with its related parties which consists mainly of the following:

- In December 2017, the Company sold its investment property located in Bacungan, Puerto Princesa, Palawan to WPP for a total consideration of ₱449.0 million which remain outstanding as at December 31, 2023 and 2022 (see Note 5).
- In December 2017, the BOD of PHBSI and PHAFC declared cash dividends payable to its stockholders of record as of date. Dividends receivables of the Company from both subsidiaries amounted to ₱5.5 million as of December 31, 2023 and 2022.
- The Company has extended a loan to CUBES. The loan is due and payable on demand and bear an interest of 8.00% per annum. The Company waived interest on this loan. In 2022, the Company provided the outstanding balance of ₱35.6 million with full impairment (see Note 14).
- In 2023, the Company charged interest income on its due from related parties amounting to ₱6.8 million (see Note 4).

Summary of allowance for impairment losses on related party balances as at December 31, 2023 and 2022 is as follows:

	Note	
Allowance for impairment losses on:		
Note receivable		₱35,558,000
Due from related parties		14,328,732
Receivables	5	625,787
		₱50,512,519

Impairment assessment on related party receivables is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates. Settlement of the outstanding balances normally occur in cash, unless otherwise stated.

Compensation of Company's Key Management Personnel

Compensation of the Company's key management personnel consists of short-term employee benefits amounting to ₱17.6 million and ₱31.8 million in 2023 and 2022, respectively. There are no post-employment benefits in 2023 and 2022. There are no agreements between the Company and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Company's retirement plan.

14. Impairment Losses

This account consists of:

	Note	2023	2021
Film rights	8	₱405,501	₱405,501
Note receivable	13	–	35,558,000
Receivables from related parties	5	–	29,181,818
Input VAT	6	–	39,637
		₱405,501	₱65,184,956

15. Income Taxes

The provision for income tax pertains to MCIT in 2023 and 2022.

The reconciliation of benefit from income tax computed at the statutory income tax rate to the provision for income tax follows:

	2023	2022
Benefit from income tax at statutory tax rate	(₱29,721,878)	(₱49,084,194)
Change in unrecognized deferred tax assets	28,893,908	11,709,216
Tax effects of:		
Nondeductible expense	957,259	8,668,159
Income subjected to final tax	(27,972)	(3,489)
Expired NOLCO and MCIT	–	29,050,451
Stock issuance cost	–	(338,115)
	₱101,317	₱2,028

As at December 31, 2023 and 2022, the Company's deferred tax liability arises from actuarial gains on retirement liability amounting to ₱259,796 and ₱25,062, respectively.

The Company did not recognize deferred tax assets on the following temporary differences, NOLCO and excess MCIT over RCIT because the management believes that it is not probable that sufficient future taxable income will be available to allow part of the deferred tax assets to be utilized:

	2023	2022
NOLCO	₱490,620,100	₱376,116,111
Allowance for impairment losses on:		
Investments in subsidiaries	83,129,414	83,129,414
Film rights	56,802,969	56,397,468
Note receivable	35,559,000	35,559,000
Due from related parties	14,328,732	14,328,732
Receivables	625,788	625,788
Input VAT	39,637	39,637
Other noncurrent assets	662,061	662,061
Retirement liability	1,782,160	1,716,942
Excess MCIT over RCIT	227,282	125,965

The details of the Company's unused NOLCO which can be claimed as deduction from future taxable income during the stated validity are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Valid Until
2023	₱-	₱114,503,989	₱-	₱114,503,989	2026
2022	127,377,788	-	-	127,377,788	2025
2021	120,338,515	-	-	120,338,515	2026
2020	128,399,808	-	-	128,399,808	2025
	₱376,116,111	₱114,503,989	₱-	₱490,620,100	

The details of the Company's excess MCIT over RCIT which can be claimed as deduction against income tax liability during the stated validity are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Valid Until
2023	₱	₱101,317	₱-	₱101,317	2026
2022	2,028	-	-	2,028	2025
2021	123,937	-	-	123,937	2024
	₱125,965	₱-	₱-	₱227,282	

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

Under the CREATE Act, the RCIT of domestic corporations was reduced from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. MCIT was changed from 2% to 1% of gross income for a period of three years up to June 30, 2023.

The rate of MCIT reverted to 2% based on gross income starting July 1, 2023. The impact of the revision is accounted for in 2023, if any.

16. Equity

Capital Stock

The details and movements of the Company's number of common shares follow:

	2023		2022	
	Number of Shares	Amount	Number of Shares	Amount
Authorized - ₱0.25 par value per share				
Balance at beginning of year	6,000,000,000	₱1,500,000,000	6,000,000,000	₱1,500,000,000
Increase in authorized capital stock	-	-	-	-
	6,000,000,000	₱1,500,000,000	6,000,000,000	₱1,500,000,000
Issued and Fully Paid				
Balance at beginning of year	3,456,388,489	₱864,097,122	2,557,147,557	₱639,286,889
Shares fully paid during the year	2,184,017,129	546,004,282	287,422,924	71,855,731
Additional subscription	-	-	611,818,008	152,954,502
Balance at end of year	5,640,405,618	1,410,101,404	3,456,388,489	864,097,122
Subscribed but Not Yet Fully Paid				
Balance at beginning of year	2,251,971,015	562,992,754	2,539,393,939	634,848,485
Shares fully paid during the year	(2,184,017,129)	(546,004,282)	(287,422,924)	(71,855,731)
Balance at end of year	67,953,886	16,988,472	2,251,971,015	562,992,754
Less subscriptions receivable				
Balance at beginning of year		419,593,050		473,484,848
Collection		(406,851,696)		(53,891,798)
Balance at end of year		12,741,354		419,593,050
	5,708,359,504	4,247,118	5,708,359,504	143,399,704
Issued and Subscribed	5,708,359,504	₱1,414,348,522	5,708,359,504	₱1,007,496,826

On May 2, 1997, the Company had its shares listed at the Philippine Stock Exchange, where 520.0 million common shares were offered at ₱1.00 a share. The Company has 145 and 141 existing shareholders as at December 31, 2023 and 2022, respectively.

Share Subscription Agreement

On October 29, 2020, the Company entered into a Memorandum of Agreement with an investor group for an equity infusion through a subscription of 2,803,030,303 shares or 55% ownership in the Company at ₱0.33 per share for ₱925.0 million. Of the consideration, ₱300.0 million was in cash and the balance of ₱625.00 million was a combination of cash and/or infusion of SPTI shares over a period of two years, with the intent of making SPTI a subsidiary of the Company. The Company received ₱371.1 million from the subscription.

On October 13, 2022, the BOD decided that it will no longer pursue its planned acquisition of 33% of SPTI.

Of the 2,803,030,303 shares subscribed by the investor group, 1,678,372,199 shares remained unpaid, with unpaid subscriptions of ₱553.9 million. In February 2023, the BOD approved a call for payment on the remaining unpaid shares. After a 30 days-compliance period, 1,457,756,139 shares with unpaid balance of ₱357.3 million were considered delinquent shares. On April 11, 2023, the BOD authorized the sale of the delinquent shares at a public auction on May 11, 2023.

Of the delinquent shares, 1,389,802,253 were sold to a private investor for ₱344.8 million. These were fully collected on July 7, 2023.

Additional Paid-in Capital

Additional paid-in capital includes paid-in capital in excess of par amounting to ₱564.2 million and ₱434.0 million as at December 31, 2023 and 2022, respectively, and the equity component of the issued convertible loans amounting to ₱18.7 million as at December 31, 2023 and 2022.

Subscription Receivable

Movements in subscription receivable, which is treated as a deduction against capital stock and APIC, are as follows:

	2023			2022		
	Capital Stock	APIC	Total	Capital Stock	APIC	Total
Balance at beginning of year	₱419,593,050	₱134,269,776	₱553,862,826	₱473,484,848	₱151,515,152	₱625,000,000
Collection	(406,851,696)	(130,292,543)	(537,144,239)	(53,891,798)	(17,245,376)	(71,137,174)
Balance at end of year	₱12,741,354	₱3,977,233	₱16,718,587	₱419,593,050	₱134,269,776	₱553,862,826

Share Lending Agreement

On July 20, 2021, the BOD of the Company approved a Put Option Agreement with LDA Capital Limited (LDA) for an equity financing of up to ₱2.5 billion over the next 36 months.

In August 2021, the Company sent a Put Option Notice (PON) to LDA for 190,000,000 listed shares. A group of stockholders (Share Lender) lent 210,000,000 shares to the Company. From the total shares, 190,000,000 shares were used as the Collateral Shares for the PON. The remaining 20,000,000 shares were transferred to an Options Shares Securities Account of LDA to satisfy the Company's obligations to sell options shares and to secure the payment of any portion of the commitment fee.

In consideration for the lending of shares by the Share Lender to LDA on behalf of the Company pursuant to the Put Option Agreement, the Company shall pay the Share Lender a lending fee equivalent to 18.0% per annum based on the market prices of the shares at the time of transfer. The lending fees accrued and recognized as part of "Interest expense" account amounted to ₱30.0 million and ₱31.0 million in 2023 and 2022, respectively (see Note 10).

On October 15, 2021, LDA subscribed to 70,835,000 new primary shares of the Company at a subscription price of ₱1.01 per share. The subscription price of ₱71.4 million was fully paid and recognized as "Deposit for future stock subscription" pending the finalization of the terms and conditions of the subscription.

In 2022, the "Deposit for future stock subscription" was converted as equity.

In 2023 and 2022, the Group recognized commitment fees to LDA amounting to ₱12.5 million and ₱18.4 million, respectively.

Deposit for Future Stock Subscription

In 2021, the convertible notes holders exercised their rights to convert the principal of ₱354.0 million and accrued interest of ₱24.7 million to equity of the Company at a conversion price of ₱0.70 a share, equivalent to 540,938,008 shares. The amount was initially recognized as "Deposit for future stock subscription" and was issued on March 22, 2022 when the SEC issued the Certificate of Approval of Valuation of shares.

On November 17, 2021, the BOD approved the increase in the Company's increase in authorized capital stock from ₱1.5 billion divided into 6,000,000,000 common shares at ₱0.25 par value a share to ₱2.5 billion divided into 10,000,000,000 shares at ₱0.25 par value a share. This was ratified by the shareholders on December 17, 2021.

As at report date, the application for the increase in authorized capital stock has yet to be filed with the SEC.

Dividends Payable

Dividend payable amounting to ₱39.8 million pertains to the dividends declared on March 20, 2018. This includes property dividends consisting of 268,000,000 shares of PGDI with fair value of ₱36.8 million and cash dividends of ₱3.0 million. As at reporting date, the SEC approval on the property and cash dividends is still pending.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains strong credit standing and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Company considers its equity as capital. The Company is not subject to externally imposed capital requirements.

No changes were made in the Company's capital management objectives, policies or processes in 2023 and 2022.

Basic/Diluted EPS

Basic earnings per share is calculated by dividing the net loss of the Company for the year over the weighted average number of common shares outstanding during the year.

	2023	2022
Net loss	(₱118,988,829)	(₱196,338,805)
Weighted average number of outstanding common shares*	5,162,222,637	4,703,359,131
Basic and Diluted Loss Per Share	(₱0.023)	(₱0.042)

**The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions and new subscriptions during the year.*

The weighted average number of common shares outstanding are computed as follows:

	2023	2022
Number of shares at beginning of year	4,703,359,131	2,587,197,970
Weighted average number of shares issued during the year	458,863,506	2,116,161,161
	5,162,222,637	4,703,359,131

Diluted EPS is computed similar to the computation of the basic EPS except that the loss and the weighted average number of shares outstanding should be adjusted for the effects of all dilutive potential common shares. The effect of the conversion option of the convertible loans is anti-dilutive in 2023 and 2022. Thus, the basic and diluted EPS are the same in 2023 and 2022.

17. Financial Instruments

Financial Risk Management Objectives and Policies

The Company's principal financial assets and financial liabilities comprise of cash in banks, receivables (excluding advances to officers and employees), security deposits, short-term loans, and due to and from related parties. The main purpose of these financial assets and financial liabilities is to finance the Company's operations.

The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The main risks arising from the Company's financial assets and financial liabilities are liquidity risk and credit risk. Exposure to these risks arises in the normal course of business activities. The Company's BOD reviews and approves actions for managing each of these risks which are summarized below:

Liquidity Risk. Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Company's inability to meet its obligations when they become due without incurring unacceptable losses or costs.

The major liquidity risk confronting the Company pertains to the daily calls on its available cash resources in respect of claims arising from trade and other payables and the maturity of loans payable. In this regard, the Company maintains a level of cash deemed sufficient to finance its operations.

To manage its liquidity risk from maturing liabilities, the Company has undertaken various initiatives as discussed in Note 1.

The following table summarizes the maturity profile of the Company's financial liabilities as at December 31, 2023 and 2022 based on contractual undiscounted cash flows. The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Company can be required to pay.

	2023			Total
	<120 days	121-360 days	>360 days	
Financial Liabilities				
Accounts and other payables*	₱192,279,629	₱-	₱-	₱192,279,629
Short-term loans	133,968,862	-	-	133,968,862
Due to related parties	321,704,345	-	-	321,704,345
	₱647,952,836	₱-	₱-	₱647,952,836

* Excluding statutory and other nonfinancial liabilities amounting to ₱53.9 million

	2022			Total
	<120 days	121-361 days	>360 days	
Financial Liabilities				
Accounts and other payables*	₱165,393,157	₱-	₱-	₱165,769,403
Short-term loans	300,254,632	-	-	300,254,632
Due to related parties	396,356,707	-	-	396,598,657
	₱862,622,692	₱-	₱-	₱862,622,692

* Excluding statutory and other nonfinancial liabilities amounting to ₱152.7 million

Credit Risk. Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Company's credit risks are primarily attributable to cash in banks, receivable, due from related parties and security deposits. The Company's receivables (excluding advances to officers and employees) and due from related parties are monitored on an ongoing basis.

With respect to credit risk arising from cash in banks, receivables, due from related parties, and other noncurrent assets, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The credit quality of the Company's financial assets are as follows:

	2023						
	Neither Past Due nor Impaired			Total	Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	₱-				
Cash in banks	₱45,220,538	₱-	₱45,220,538	₱-	₱-	₱45,220,538	
Receivables							
Trade	-	449,000,000	449,000,000	-	625,788	449,625,788	
Others	-	40,595,740	40,595,740	-	-	40,595,740	
Other current assets							
Security deposits	-	852,022	852,022	-	-	852,022	
	₱45,220,538	₱490,447,762	₱535,668,300	₱-	₱625,788	₱536,294,088	

	2022						
	Neither Past Due nor Impaired			Total	Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	₱-				
Cash in banks	₱1,516,686	₱-	₱1,516,686	₱-	₱-	₱1,516,686	
Receivables							
Trade	-	449,000,000	449,000,000	-	625,788	449,625,788	
Others	-	40,658,749	40,658,749	-	-	40,658,749	
Other current assets							
Security deposits	-	852,022	852,022	-	-	852,022	
	₱1,516,686	₱490,510,771	₱492,027,457	₱-	₱625,788	₱492,653,245	

The Company has determined that the credit quality of all neither past nor impaired financial assets as of December 31, 2023 and 2022 are classified as high grade based on the following:

- Cash - based on the financial and credit standing of the counterparty.
- Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment.
- Security deposits - based on the credit standing/reputation of counterparty.

The table below shows the Company's aging analysis of financial assets.

2023						
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		<120 days	121-360 days	>360 days		
Cash in banks	₱45,220,538	₱-	₱-	₱-	₱-	₱45,220,538
Receivables						
Trade	-	-	-	449,000,000	625,788	449,625,788
Others	40,595,740	-	-	-	-	40,595,740
Other current assets						
Security deposits	852,022	-	-	-	-	852,022
	₱86,668,300	₱-	₱-	₱449,000,000	₱625,788	₱536,294,088

2022						
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		<120 days	121-360 days	>360 days		
Cash in banks	₱1,516,686	₱-	₱-	₱-	₱-	₱1,516,686
Receivables						
Trade	-	-	-	449,000,000	625,788	449,625,788
Others	40,658,749	-	-	-	-	40,658,749
Other current assets						
Security deposits	852,022	-	-	-	-	852,022
	₱43,027,457	₱-	₱-	₱449,000,000	₱625,788	₱492,653,245

18. Supplemental Disclosure of Cash Flow Information

Changes in Liabilities Arising from Financing Activities

2023						
Balance at beginning of year	Noncash Transactions			Cash Transactions		Balance at end of year
	Conversion	Interest Accretion		Proceeds	Payments	
Short-term loans	₱300,254,632	₱-	₱-	₱15,000,000	(₱181,285,770)	₱133,968,862
Due to related parties	396,356,707	-	-	-	(74,652,362)	321,704,345
Obligations under finance lease	188,123	-	-	-	(188,123)	-
Interest payable	34,189,739	-	51,018,448	-	(51,018,448)	34,189,739
	₱730,989,201	₱-	₱51,018,448	₱15,000,000	(₱307,144,703)	₱489,862,946

2022						
Balance at beginning of year	Noncash Transactions			Cash Transactions		Balance at end of year
	Conversion	Interest Accretion		Proceeds	Payments	
Short-term loans	₱248,054,632	₱-	₱-	₱120,700,000	(₱68,500,000)	₱300,254,632
Due to related parties	444,930,100	15,000,000	-	-	(63,573,393)	396,356,707
Obligations under finance lease	714,769	-	-	-	(526,646)	188,123
Deposit for future stock subscription	465,231,457	(465,231,457)	-	-	-	-
Interest payable	34,189,739	-	58,837,006	-	(58,837,006)	34,189,739
	₱1,193,120,697	(₱450,231,457)	₱58,837,006	₱120,700,000	(₱191,437,045)	₱730,989,201

19. Contingencies

The Company is involved in legal proceedings relating to transactions with stockholders and former officers and compliance with corporate rules and regulations. Management, in consultation with its legal counsels, believes that the outcome of these proceedings will not have material adverse effect on the financial position and performance of the Company.



**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION**

The Stockholders and the Board of Directors
Premiere Horizon Alliance Corporation
Unit E-1705, 17F, East Tower
Philippine Stock Exchange Center, Exchange Road
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Premiere Horizon Alliance Corporation (the Company) as at and for the years ended December 31, 2023 and 2022, and have issued our report thereon dated April 12, 2024. Our audits were made for the purpose of forming an opinion on the separate financial statements taken as a whole. The accompanying supplementary schedule of retained earnings available for dividend declaration for the year ended December 31, 2023 is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not part of the separate financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the separate financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the separate financial statements taken as a whole.

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

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

BIR Accreditation No. 08-005144-005-2022

Valid until October 16, 2025

PTR No. 10072405

Issued January 2, 2024, Makati City

April 12, 2024

Makati City, Metro Manila

PREMIERE HORIZON ALLIANCE CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2023

	Amount
Unappropriated retained earnings, beginning of reporting period	(₱519,900,337)
Net loss for the current year	(118,988,829)
Total retained earnings, end of the reporting period available for dividend	(₱638,889,166)