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**Interim Condensed Consolidated Financial Statements (Unaudited) as of March 31, 2022, and 2021 and Notes to Consolidated Financial Statements**

**Supplementary Schedules to Interim Condensed Consolidated Financial Statements as of March 31, 2022 (Annex 68-J, SRC Rule 68)**

**Management Discussion and Analysis of Financial Condition and Results of Operations as of March 31, 2022 as compared with the financial condition and results of operations as of March 31, 2021**

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# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

### QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended  
Mar 31, 2022
2. SEC Identification Number  
A200110402
3. BIR Tax Identification No.  
213-054-503-000
4. Exact name of issuer as specified in its charter  
SBS PHILIPPINES CORPORATION
5. Province, country or other jurisdiction of incorporation or organization  
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
10 RESTHAVEN STREET, SAN FRANCISCO DEL MONTE, QUEZON CITY  
Postal Code  
1105
8. Issuer's telephone number, including area code  
+6363283711111
9. Former name or former address, and former fiscal year, if changed since last report  
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES	1,549,999,999

11. Are any or all of registrant's securities listed on a Stock Exchange?  
Yes      No  
If yes, state the name of such stock exchange and the classes of securities listed therein:  
PHILIPPINE STOCK EXCHANGE COMMON SHARES
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes No

(b) has been subject to such filing requirements for the past ninety (90) days

Yes No

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



## SBS Philippines Corporation

### SBS

**PSE Disclosure Form 17-2 - Quarterly Report**  
**References: SRC Rule 17 and**  
**Sections 17.2 and 17.8 of the Revised Disclosure Rules**

For the period ended	Mar 31, 2022
Currency (indicate units, if applicable)	Philippine Peso

#### Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2022	Dec 31, 2021
Current Assets	1,613,897,037	1,616,580,187
Total Assets	7,966,195,297	7,924,457,816
Current Liabilities	1,450,348,878	1,436,006,059
Total Liabilities	1,464,157,156	1,449,814,337
Retained Earnings/(Deficit)	1,980,720,932	1,949,747,184
Stockholders' Equity	6,502,038,141	6,474,643,479
Stockholders' Equity - Parent	5,773,515,138	5,742,541,390
Book Value per Share	3.72	3.7

**Income Statement**

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	292,064,996	183,931,776	292,064,996	183,931,776
Gross Expense	227,873,365	150,128,882	227,873,365	150,128,882
Non-Operating Income	0	0	0	0
Non-Operating Expense	24,059,520	50,240,835	24,059,520	50,240,835
Income/(Loss) Before Tax	40,132,111	-16,437,941	40,132,111	-16,437,941
Income Tax Expense	12,737,449	-4,607	12,737,449	-4,607
Net Income/(Loss) After Tax	27,394,662	-20,838,347	27,394,662	-20,838,347
Net Income Attributable to Parent Equity Holder	30,973,748	-15,872,256	30,973,748	-15,872,256
Earnings/(Loss) Per Share (Basic)	0.02	-0.01	0.02	-0.01
Earnings/(Loss) Per Share (Diluted)	0.02	-0.01	0.02	-0.01

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.15	0.44
Earnings/(Loss) Per Share (Diluted)	0.15	0.44

**Other Relevant Information**

The Net Loss After Tax for the period ended March 31, 2021 of Php 20,838,347, is inclusive of the Net Loss from continuing operations of Php 16,433,334 and the Net Loss after tax from discontinued operations amounting to Php 4,405,013.

Earnings Per Share (Basic and Diluted) is based on the Net Profit for the period attributable to Shareholders of SBS Philippines Corporation (the Parent Company), divided by the total number of outstanding shares.

**Filed on behalf by:**

<b>Name</b>	JOSE FIDEL ACUNA
<b>Designation</b>	CORPORATE INFORMATION OFFICER

# COVER SHEET

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(Company's Full Name)

S	B	S		P	H	I	L	I	P	P	I	N	E	S		C	O	R	P	O	R	A	T	I	O	N			
(	F	O	R	M	E	R	L	Y		S	Y	T	E	N	G	C	O		P	H	I	L	I	P	P	I	N	E	S
C	O	R	P	O	R	A	T	I	O	N	)																		

( Business Address : No. Street City / Town / Province )

N	O	.		1	0		R	E	S	T	H	A	V	E	N		S	T	R	E	E	T		S	A	N		
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C	I	T	Y																									

FORM TYPE

17-Q

Department Requiring the Report

M S R D

Secondary License Type, If Applicable

## COMPANY INFORMATION

Company's Email Address

ir@sbsph.com

Company's Telephone Numbers

8 3 7 1 - 1 1 1 1

Mobile Number

No. of Stockholders

11

Annual Meeting

Month/Day

Last Friday of June

Fiscal Year

Month/Day

12/31

## CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

GERRY D. TAN

Email Address

[g.tan@sbsph.com](mailto:g.tan@sbsph.com)

Telephone Number's

(02) 8371-1111

Contact Person's Address

10 Resthaven Street, San Francisco del Monte, Quezon City

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **31 March 2022**
2. Commission identification number **A200110402**
3. BIR Tax Identification No **213-054-503-000**
4. Exact name of issuer as specified in its charter **SBS PHILIPPINES CORPORATION**
5. **Philippines**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. **No. 10 Resthaven Street,**  
**San Francisco Del Monte, Quezon City** **1105**  
Address of issuer's principal office Postal Code
8. **(632) 8371-1111**  
Issuer's telephone number, including area code
9. **N/A**  
Former Name/Address/Fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of stock as of 31 March 2022
<b>Common Shares</b>	<b>1,549,999,999</b>

11. Are any or all of the securities listed on a Stock Exchange?

Yes [☒] No [☐]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**PHILIPPINE STOCK EXCHANGE**

**COMMON SHARES**

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [☒] No [☐]

- (b) has been subject to such filing requirements for the past ninety (90) days.

Yes [☒] No [☐]

## PART I- FINANCIAL INFORMATION

### Item 1. Financial Statements.

The unaudited consolidated financial statements SBS Philippines Corporations ("SBS") and its subsidiaries as of and for the period ended March 31, 2022 (with comparative figures as of December 31, 2021 and for the period ended March 31, 2021) and Selected Notes to the Financial Statements are hereto attached as **Annex "A"**.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required by Part III, Paragraph (A)(2)(b) of 'Annex C, as amended' is attached hereto as **Annex "B"**.

## PART II- OTHER INFORMATION

### Outlook On Economic Position


The Company expects an improvement in business condition among its customers for the second quarter 2022 as compared to the same quarter of the prior year with the increase in mobility and manufacturing activities in many areas of the country. On quarter to quarter basis, the Company projects the second quarter to be lower than the first quarter due to the seasonal aspect of the business.

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized in Quezon City on 03 May 2022.



**GERRY D. TAN**  
President & Chief Executive Officer



**AYLENE Y. SYTENGCO**  
Chief Finance Officer & Treasurer



**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
*(A Subsidiary of Anesys Holdings Corporation)*  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2022 AND DECEMBER 31, 2021**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>March 31, 2022</u> <u>(Unaudited)</u>	<u>December 31, 2021</u> <u>(Audited)</u>
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash	1	226,114,744	P 250,220,189
Trade and other receivables – net	3	501,093,727	456,318,578
Inventories – net	1	768,023,601	776,372,902
Prepayments and other current assets	5	<u>118,664,965</u>	<u>133,668,518</u>
Total Current Assets		<u>1,613,897,037</u>	<u>1,616,580,187</u>
<b>NON-CURRENT ASSETS</b>			
Investments in associates	4	2,834,526,453	2,843,727,038
Property and equipment – net	6	49,651,193	43,171,978
Right-of-use assets – net	7	19,299,668	25,732,891
Investment properties – net	8	625,700,346	625,700,346
Deferred tax assets – net		3,507,037	1,479,920
Other non-current assets	5	<u>2,819,613,563</u>	<u>2,768,065,456</u>
Total Non-current Assets		<u>6,352,298,260</u>	<u>6,307,877,629</u>
<b>TOTAL ASSETS</b>		<b><u>P 7,966,195,297</u></b>	<b><u>P 7,924,457,816</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Loans payable	10	<b>P 1,143,984,212</b>	P 1,211,079,144
Trade and other payables	9	289,745,712	220,932,189
Income tax payable		<u>16,618,954</u>	<u>3,994,726</u>
Total Current Liabilities		<u>1,450,348,878</u>	<u>1,436,006,059</u>
<b>NON-CURRENT LIABILITIES</b>			
Security deposit		5,212,253	5,212,253
Post-employment defined benefit obligation	10	<u>8,596,025</u>	<u>8,596,025</u>
Total Non-current Liabilities		<u>13,808,278</u>	<u>13,808,278</u>
Total Liabilities		<u>1,464,157,156</u>	<u>1,449,814,337</u>
<b>EQUITY</b>			
Equity attributable to the shareholders of Parent Company:	14		
Capital stock		1,549,999,999	1,549,999,999
Additional paid-in capital		2,242,794,207	2,242,794,207
Revaluation reserves		( 3,391,771 )	( 3,391,771 )
Retained earnings		<u>1,984,112,703</u>	<u>1,953,138,955</u>
		5,773,515,138	5,742,541,390
Non-controlling interest		<u>728,523,003</u>	<u>732,102,089</u>
Total Equity		<u>6,502,038,141</u>	<u>6,474,643,479</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>P 7,966,195,297</u></b>	<b><u>P 7,924,457,816</u></b>

*See Selected Notes to Condensed Consolidated Financial Statements.*

**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
*(A Subsidiary of Anesys Holdings Corporation)*  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*  
**(UNAUDITED)**

	Notes	2022	2021
<b>SALE OF GOODS</b>		<b>P 288,667,395</b>	<b>P 174,084,196</b>
<b>COST OF GOODS SOLD</b>		<b>175,338,797</b>	<b>111,346,008</b>
<b>GROSS PROFIT</b>		<b>113,328,598</b>	<b>62,738,188</b>
<b>OTHER OPERATING INCOME (EXPENSES)</b>			
Other operating expenses		( 52,534,568 )	( 38,782,874 )
Other operating income	11	<u>3,397,601</u>	<u>9,847,580</u>
		( 49,136,967 )	( 28,935,294 )
<b>OPERATING PROFIT</b>		<b>64,191,631</b>	<b>33,802,894</b>
<b>EQUITY IN NET LOSSES OF ASSOCIATES</b>	4	( 9,200,585 )	( 21,270,698 )
<b>FINANCE COSTS - Net</b>		( 14,858,935 )	( 28,970,137 )
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>40,132,111</b>	( 16,437,941 )
<b>TAX EXPENSE (INCOME)</b>		<u>12,737,449</u>	( 4,607 )
<b>NET PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		<b>27,394,662</b>	( 16,433,334 )
<b>NET LOSS AFTER TAX FROM DISCONTINUED OPERATIONS</b>	20	<u>-</u>	( 4,405,013 )
<b>NET PROFIT (LOSS)</b>		<b>P 27,394,662</b>	( P 20,838,347 )
<b>Attributable to:</b>			
Shareholders of the Parent Company		<b>P 30,973,748</b>	( P 15,872,256 )
Non-controlling interest		( 3,579,086 )	( 4,966,091 )
		<b>P 27,394,662</b>	( P 20,838,347 )
<b>EARNINGS PER SHARE</b>	14		
<b>Basic and diluted earnings (loss) per share</b>			
From continuing operations		<b>P 0.020</b>	( P 0.010 )
From discontinued operations		<u>-</u>	( 0.003 )
		<b>P 0.020</b>	( P 0.013 )

*See Selected Notes to Condensed Consolidated Financial Statements.*

**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
*(A Subsidiary of Anesys Holdings Corporation)*  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*

	Attributable to Shareholders of the Parent Company						
	Capital Stock (see Note 14)	Additional Paid-in Capital (see Note 14)	Revaluation Reserves	Retained Earnings (see Note 14)	Total	Non-controlling Interest	Total
Balance at January 1, 2022 (audited)	P 1,549,999,999	P 2,242,794,207	( P 3,391,771 )	P 1,953,138,955	P 5,742,541,390	P 732,102,089	P 6,474,643,479
Total comprehensive income (loss) for the period	-	-	-	30,973,748	30,973,748	( 3,579,086 )	27,394,662
<b>Balance at March 31, 2022 (unaudited)</b>	<b><u>P 1,549,999,999</u></b>	<b><u>P 2,242,794,207</u></b>	<b><u>( P 3,391,771 )</u></b>	<b><u>P 1,984,112,703</u></b>	<b><u>P 5,773,515,138</u></b>	<b><u>P 728,523,003</u></b>	<b><u>P 6,502,038,141</u></b>
Balance at January 1, 2021 (audited)	P 1,549,999,999	P 2,242,794,207	( P 4,080,708 )	P 1,800,500,834	P 5,589,214,332	P 787,091,514	P 6,376,305,846
Total comprehensive loss for the year	-	-	-	( 15,872,256 )	( 15,872,256 )	( 4,966,091 )	( 20,838,347 )
Balance at March 31, 2021 (unaudited)	<u>P 1,549,999,999</u>	<u>P 2,242,794,207</u>	<u>( P 4,080,708 )</u>	<u>P 1,784,628,578</u>	<u>P 5,573,342,076</u>	<u>P 782,125,423</u>	<u>P 6,355,467,499</u>

*See Selected Notes to Condensed Consolidated Financial Statements.*

**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
*(A Subsidiary of Anesys Holdings Corporation)*  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*  
**(UNAUDITED)**

	Notes	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit (loss) before tax from continuing operations		P 40,132,111	( P 16,437,941 )
Loss before tax from discontinued operations		-	( 5,152,526 )
Adjustments for:			
Finance cost	7, 9, 10	14,858,935	29,328,976
Equity in net losses of associates	4	9,200,585	21,270,698
Depreciation and amortization	5, 6, 7	8,804,256	7,854,485
Unrealized foreign currency gains - net		( 1,186,492 )	( 860,458 )
Interest income		( 28,528 )	( 47,213 )
Operating profit before working capital changes		71,780,867	35,956,021
Decrease in inventories		8,349,301	32,297,427
Decrease (increase) in trade and other receivables		( 44,775,149 )	96,254,315
Decrease in prepayments and other assets		15,003,552	3,485,459
Increase (decrease) in trade and other payables		68,813,523	( 10,426,159 )
Cash generated from operations		119,172,094	157,567,063
Cash paid for income taxes		-	-
Net Cash From Operating Activities		119,172,094	157,567,063
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Advance payment for investment and asset acquisition	5	( 52,148,102 )	-
Acquisition of property and equipment	6	( 8,094,002 )	( 9,693,411 )
Interest received		28,528	47,213
Net Cash Used in Investing Activities		( 60,213,576 )	( 9,646,198 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Settlement of loans	10	( 217,000,000 )	( 217,000,000 )
Proceeds from avancement of loans	14	150,000,000	-
Interest paid		( 15,755,334 )	( 29,673,539 )
Payment of lease liabilities	7	-	( 6,945,543 )
Cash Used in Financing Activities		( 82,755,334 )	( 253,619,082 )
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH		( 308,629 )	3,557,575
NET DECREASE IN CASH		( 24,105,445 )	( 102,140,642 )
CASH AT BEGINNING OF PERIOD		250,220,189	238,420,167
CASH AT END OF PERIOD		P 226,114,744	P 136,279,525

*See Selected Notes to Condensed Consolidated Financial Statements*

**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SELECTED NOTES TO CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***1.1 Basis of Preparation of Condensed Consolidated Financial Statements***

*a) Presentation of Condensed Consolidated Financial Statements*

The condensed consolidated interim financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements do not include all of the information required for annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group as of and for the year ended December 31, 2021, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

*b) Functional and Presentation Currency*

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

Items included in the condensed consolidated financial statements of the Group are measured using its functional currency, the currency of the primary economic environment in which the Group operates.

***1.2 Changes in Significant Accounting Policies***

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted by the Group in its recent annual consolidated financial statements for the year ended December 31, 2021.

The policies have been consistently applied to all periods presented, unless otherwise stated.

**2. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Group's condensed consolidated interim financial statements in accordance with PAS 34 requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements. Actual results may vary from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the Group's recent annual consolidated financial statements as of and for the year ended December 31, 2021.

### 3. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	March 31, 2022 <u>(Unaudited)</u>	December 31, 2021 <u>(Audited)</u>
Non-trade receivable	12.7	<b>P 365,000,000</b>	P 365,000,000
Trade receivables	12.3	<b>128,138,198</b>	84,091,504
Other receivables		<u><b>8,349,374</b></u>	<u>7,620,919</u>
		<b>501,487,572</b>	456,712,423
Allowance for impairment	16.2	<u><b>(393,845)</b></u>	<u>(393,845)</u>
		<b><u>P 501,093,727</u></b>	<b><u>P 456,318,578</u></b>

Trade receivables are usually due within 30 to 60 days and do not bear any interest.

Non-trade receivable pertains to payments made to a third party in relation to a purchase of a certain property by an associate and will be collected upon consummation of the transaction, which is expected within the year (see Note 12.7). The Group received partial payments on these receivables based on the transfer certificate of titles already received by the associate.

All of the Group's trade and other receivables have been reviewed for indications of impairment. Certain trade receivables were assessed to have expected credit loss (ECL) using the provisional matrix as determined by management, hence, adequate amounts of allowance for impairment have been recognized (see Note 16.2). However, no additional allowance for credit losses was recognized for the period ended March 31, 2022 and 2021. For the non-trade receivables, no ECL was recognized as the counterparty is deemed to be of low credit risk based on the current status of the property purchase. Currently, the certificate authorizing registration of the property being purchased is currently in process and is expected to be released within the year.

#### 4. INVESTMENTS IN ASSOCIATES AND ACQUISITION OF ASSETS

##### 4.1 Investments in Associates

The components of the carrying values of investments in associates accounted for under the equity method are shown as follows:

	March 31, 2022 <u>(Unaudited)</u>	December 31, 2021 <u>(Audited)</u>
<i>Associates of both Parent Company and SBS Holdings:</i>		
Goldchester Holdings Corporation (GHC)	P 1,097,095,688	P 1,097,326,867
Smyte Phils. Holdings Corporation (SPHC)	280,957,288	281,330,984
Berny Philippines Holdings Corp (BPHC)	<u>221,220,149</u>	<u>221,258,473</u>
	<u>1,599,273,125</u>	<u>1,599,916,324</u>
<i>Associates of the Parent Company:</i>		
Cleon Phils. Holding Corporation (CPHC)	677,527,986	682,881,709
Lakerfield Phils. Holding Corporation (LPHC)	41,240,758	41,259,836
Ayschester Holdings Corporation (AHC)	21,999,328	22,708,981
I-Bonding Holdings Corporation (IBHC)	<u>8,734,449</u>	<u>8,745,666</u>
	<u>749,502,521</u>	<u>755,595,944</u>
<i>Associates of SBS Holdings and Enterprises Corporation (SBS Holdings):</i>		
Mansfield Holdings Corp (MFHC)	111,600,340	111,670,834
Joune Holding Limited (JoHL)	89,589,597	89,594,923
Orientalgems Holdings Corporation (OHC)	87,444,919	87,743,297
Scott Holdings Corp. (SHC)	45,810,924	45,876,246
Aresa Holdings Corp. (ARHC)	43,725,342	43,877,488
Urman Holdings Corporation (UHC)	33,625,339	33,632,994
Joine Holdings Corporation (JHC)	26,862,869	26,886,659
Icare Holding Corporation (ICHC)	22,864,277	23,013,716
Namia Holdings Corporation (NHC)	12,734,415	13,261,226
Morechester Phils. Inc. (MPI)	5,864,790	5,911,128
Aspar Holdings Corporation (ArHC)	3,554,615	3,561,388
Apschester Holdings Corporation (APHC)	1,071,929	1,326,787
Ineda Holdings Corporation (IHC)	1,001,451	1,003,315
Justfields Holdings Corporation (JuHC)	-	802,589
Asida Holdings Corp. (ASHC)	-	52,180
Syner Holdings Corporation (SyHC)	-	-
Milia Holdings Corporation (MHC)	-	-
Couts Holdings Corporation (CHC)	<u>-</u>	<u>-</u>
	<u>485,750,807</u>	<u>488,214,770</u>
	<u>P 2,834,526,453</u>	<u>P 2,843,727,038</u>

The Group recognized its share in the net losses of the investee companies in the total amount of P9.2 million and P21.3 million in 2022 and 2021, respectively, which are presented as Equity in Net Losses of Associates in the condensed consolidated statements of comprehensive income.

A reconciliation of the carrying amounts of investments in associates at the beginning and end of March 31, 2022 and December 31, 2021 is reported as follows:

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Balance at beginning of year	<b>P2,843,727,038</b>	P2,905,295,267
Additions	-	25,575,000
Reclassification	-	4,717,500
Equity in net losses (gains)	<b>( 9,200,585)</b>	( 91,860,729)
	<b><u>P2,834,526,453</u></b>	<b><u>P2,843,727,038</u></b>

The total amount of the assets, liabilities, revenues and net loss of these associates are reported in below and on the succeeding page.

	<u>Assets</u>	<u>Liabilities</u>	<u>Expenses</u>	<u>Net Loss</u>
<b>March 31, 2022:</b>				
CPHC	P 2,913,479,008	P 1,009,371,199	P 14,449,174	P 10,764,913
JuHC	2,499,434,713	2,542,820,619	22,074,901	16,556,027
GHC	1,593,042,486	477,436,804	818,350	613,746
CHC	1,579,565,046	1,656,254,548	10,348,638	7,761,405
SPHC	1,562,405,540	1,060,943,602	639,715	479,742
SyHC	1,186,457,530	1,189,674,623	9,968,672	7,476,380
OHC	1,086,164,424	930,852,623	1,029,020	771,636
BPHC	916,531,590	454,279	166,656	124,964
MHC	739,724,433	701,389,123	7,111,372	5,333,477
MFHC	627,168,731	1,611,666	414,685	310,998
JHC	457,128,186	334,705,449	108,165	81,097
AHC	392,953,604	299,322,489	1,097,723	2,838,613
APHC	365,714,968	363,836,715	1,159,176	868,688
ICHC	346,438,731	258,336,095	2,871,244	448,076
NHC	345,604,232	291,347,961	2,394,682	1,795,929
ARHC	315,318,567	55,145,391	895,013	671,222
LPHC	300,738,917	186,058,934	51,262	38,100
SHC	288,189,336	27,313,286	373,303	279,941
UHC	186,138,096	33,030,000	34,858	26,080
ASHC	183,697,609	197,025,271	384,192	288,056
MPI	159,568,313	136,089,839	272,627	204,427
ArHC	154,414,853	138,130,000	30,909	23,060
IBHC	136,519,800	85,050,155	66,265	65,982
IHC	25,412,854	20,217,500	11,009	8,211



	Assets	Liabilities	Expenses	Net Loss
December 31, 2021:				
CPHC	P 3,116,345,658	P 1,201,472,935	P 110,152,671	P 99,393,458
JuHC	2,502,410,508	2,523,721,669	84,251,046	67,700,424
GHC	1,590,660,539	474,236,524	3,544,113	3,077,863
CHC	1,577,897,541	1,644,238,482	45,556,806	37,927,399
SPHC	1,561,360,512	1,078,589,063	1,576,735	1,481,545
SyHC	1,187,689,236	1,180,937,787	42,218,358	31,687,367
OHC	1,088,184,068	931,843,376	2,502,189	4,504,984
BPHC	916,309,247	65,309	416,779	445,489
MHC	744,892,354	699,445,726	26,257,841	21,784,493
MFHC	626,041,699	69,965	1,020,146	1,852,528
JHC	456,837,374	334,306,499	449,061	412,184
AHC	397,307,838	296,373,413	7,527,980	12,062,797
APHC	366,874,464	363,837,765	7,538,206	6,671,188
ICHC	346,809,730	258,109,338	12,095,114	964,556
NHC	345,602,039	288,951,172	9,739,489	8,895,065
ARHC	315,937,263	54,869,112	3,011,838	2,871,769
LPHC	304,018,031	189,299,946	4,072,873	3,207,947
SHC	288,324,980	27,075,664	588,241	500,649
UHC	186,173,941	33,031,050	1,322,994	1,010,134
ASHC	174,976,396	187,919,954	1,360,778	1,413,881
MPI	159,695,188	135,933,130	639,412	552,027
ArHC	156,346,690	140,031,050	137,990	121,580
IBHC	138,238,097	86,702,471	262,601	225,154
IHC	25,424,867	20,218,550	58,400	51,543

#### 4.2 Acquisition of Assets

In previous years, Lence Holdings Corporation (LHC) acquired 100% ownership interest in Benesale. Benesale is a company incorporated in the Philippines and holds an investment property in the form of land. On July 10, 2019, Benesale received approval from Bureau of Internal Revenue to change its registered address and principal place of business from 24<sup>th</sup> Floor Net Lima Building, 5<sup>th</sup> Avenue corner 26<sup>th</sup> Street, Bonifacio Global City, Taguig to 10 Miller St. Brgy. Bungad San Francisco del Monte, Quezon City.

Benesale has no operations and its assets mainly pertain to the land where the Group's buildings, improvements and machinery recently acquired is located at Canlubang, Laguna. In accordance with Group's policy, the transaction is accounted by the Group as an asset acquisition since the transaction does not constitute an acquisition of a business.

Subsequent to the date of acquisition, any changes in the carrying value of the net assets acquired in the books of Benesale, including the expenses incurred in administering the property (i.e., property taxes), shall be updated in the books of the Group on a line-by-line basis, as if they are consolidated in a single entry. The difference shall be charged directly to profit or loss.

The entire purchase price of P175.0 million is included under Assets Held for Sale in the December 31, 2020 condensed consolidated statement of financial position. On June 17, 2021, the Parent Company and its subsidiary, SBS Holdings, had sold all its shareholdings in LHC to an external party. This event resulted to the deconsolidation of LHC, which also resulted in the derecognition of Benesale from the Group's condensed consolidated financial statements as of September 30, 2021.

## 5. PREPAYMENTS AND OTHER ASSETS

This account is composed of the following:

	<u>Note</u>	<b>March 31, 2021 (Unaudited)</b>	<b>December 31, 2021 (Audited)</b>
Current assets:			
Refundable deposits		<b>P 95,844,433</b>	P 100,844,433
Creditable withholding tax		<b>11,799,854</b>	11,483,740
Input VAT		<b>5,634,300</b>	12,164,206
Prepaid expenses		<u><b>5,386,378</b></u>	<u>9,176,139</u>
		<u><b>P 118,664,965</b></u>	<u>P 133,668,518</u>
Non-current assets:			
Investment subscriptions		<b>P 1,594,103,303</b>	P 1,541,955,200
Refundable deposits	12.2, 12.4	<b>1,217,364,797</b>	1,217,364,797
Computer software – net		<u><b>8,145,463</b></u>	<u>8,745,459</u>
		<u><b>P 2,819,613,563</b></u>	<u>P 2,768,065,456</u>

Refundable deposits include amounts paid to lessor of leased warehouses. These can be applied against unpaid rent or any damages against leased property. It also includes amounts deposited by the Group to certain related parties in relation to memorandums of agreement which may be refunded upon the happening of certain conditions (see Note 12.4).

Prepaid expenses pertain mainly to advance payments on real property taxes and insurance premiums. It also includes amounts paid to lessor of the leased warehouse. These can be applied against unpaid rent or any damages against leased property.

Investment subscription pertains to deposit for future subscription made by the Group in certain affiliate companies. However, such subscriptions are yet to be completed or executed as of March 31, 2022 and December 31, 2021.

Computer software pertains to the Enterprise Resource Planning system. The amortization of the computer software started only on July 2021, which is the date when compute software was deemed ready for intended use. Amortization of computer software is presented as part of Other Operating Expenses in the condensed consolidated statements of comprehensive income.

## 6. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of March 31, 2022 and December 31, 2021 are shown in the below.

		<u>Leasehold Improvements</u>	<u>Transportation and other Equipment</u>	<u>Furniture and Fixtures</u>	<u>Construction in Progress</u>	<u>Total</u>
March 31, 2022						
Cost	P	12,355,480	P 76,387,548	P 5,236,454	P 19,706,549	P 113,686,031
Accumulated depreciation and amortization	(	6,004,307)	( 52,955,372 )	( 5,075,159 )	-	( 64,034,838 )
Net carrying amount (unaudited)	<u>P</u>	<u>6,351,173</u>	<u>P 23,432,176</u>	<u>P 161,295</u>	<u>P 19,706,549</u>	<u>P 49,651,193</u>
December 31, 2021						
Cost	P	12,355,480	P 73,148,093	P 5,236,454	P 14,852,002	P 105,592,029
Accumulated depreciation and amortization	(	5,751,472)	( 51,623,264 )	( 5,045,315 )	-	( 62,420,051 )
Net carrying amount (audited)	<u>P</u>	<u>6,604,008</u>	<u>P 21,524,829</u>	<u>P 191,139</u>	<u>P 14,852,002</u>	<u>P 43,171,978</u>
January 1, 2021						
Cost	P	7,467,022	P 54,681,019	P 5,183,686	P 3,157,167	P 70,488,894
Accumulated depreciation and amortization	(	5,217,962)	( 47,541,728 )	( 4,849,607 )	-	( 57,609,297 )
Net carrying amount (audited)	<u>P</u>	<u>2,249,060</u>	<u>P 7,139,291</u>	<u>P 334,079</u>	<u>P 3,157,167</u>	<u>P 12,879,597</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of period is as follows:

		<u>Leasehold Improvements</u>	<u>Transportation and other Equipment</u>	<u>Furniture and Fixtures</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2022, net of accumulated depreciation and amortization (audited)	P	6,604,008	P 21,524,829	P 191,139	P 14,852,002	P 43,171,978
Additions	-		3,239,455	-	4,854,547	8,094,002
Depreciation and amortization charges for the period	(	252,835)	( 1,332,108 )	( 29,844 )	-	( 1,614,787 )
Balance at March 31, 2022, net of accumulated depreciation and amortization (unaudited)	<u>P</u>	<u>6,351,173</u>	<u>P 23,432,176</u>	<u>P 161,295</u>	<u>P 19,706,549</u>	<u>P 49,651,193</u>
Balance at January 1, 2021, net of accumulated depreciation and amortization (audited)	P	2,249,060	P 7,139,291	P 334,079	P 3,157,167	P 12,879,597
Additions		4,888,458	18,467,074	52,768	11,694,835	35,103,135
Depreciation and amortization charges for the year from:						
Continued operations	(	533,510)	( 4,081,536 )	( 195,708 )	-	( 4,810,754 )
Balance at December 31, 2021, net of accumulated depreciation and amortization (audited)	<u>P</u>	<u>6,604,008</u>	<u>P 21,524,829</u>	<u>P 191,139</u>	<u>P 14,852,002</u>	<u>P 43,171,978</u>

The amount of depreciation and amortization is presented under Other Operating Expenses in the condensed consolidated statements of comprehensive income.

Construction-in-progress pertains to accumulated costs incurred on warehouse facility and installation of solar panel being constructed as part of Group's expansion program. The percentage of completion of the construction in progress averages 86% on the warehouse and 100% completed for the solar panel, pending final inspection and approval of Manila Electric Company, as of March 31, 2022. The remaining ongoing project for warehouse is expected to be completed by the second quarter of 2022. The Solar Panel is retained as part of construction in progress since it is still subject to inspection and approval of operation by the power grid operator. Other than the remaining capital expenditures, there are no other capital commitments relating to the ongoing project.

As at March 31, 2022 and December 31, 2021, the gross carrying amount of the Group's fully depreciated property and equipment that are still in use is P43.7 million.

## 7. LEASES

The Group is a lessee under non-cancellable operating leases covering its warehouses and office space. The lease for warehouses has a term of two to four years, including the new leases entered into in 2019, while the lease for office space have lease term of four years. All leases have renewal options subject to mutual agreement of the parties. Generally, termination of lease contracts shall be communicated to the lessee by the lessor 30 days prior to the termination or expiration of the lease contract. With the exception of the lease of a two warehouse, which is a short-term lease, each lease is reflected in the condensed consolidated statements of financial position as a right-of-use asset and as lease liability. The Group classifies its right-of-use assets as a separate line item in the condensed consolidated statements of financial position.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over warehouses and offices, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group is to incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the condensed consolidated statements of financial position.

	Number of Right-of-use assets leased	Average Remaining lease term
Warehouses and related facilities	5	1 year
Office building	1	1 year

### 7.1 *Right-of-use Assets*

The carrying amounts of the Group's right-of-use assets as at March 31, 2022 and December 31, 2021 and the movements during those periods are as follows:

	<b>Warehouse and other related facilities</b>	<b>Office Building</b>	<b>Total</b>
March 31, 2022			
Balance at beginning of period (audited)	P 23,147,166	P 2,585,725	P 25,732,891
Depreciation and amortization	( 5,786,792)	( 646,431)	( 6,433,223)
Balance at end of period (unaudited)	<b><u>P 17,360,374</u></b>	<b><u>P 1,939,294</u></b>	<b><u>P 19,299,668</u></b>
December 31, 2021			
Balance at beginning of year (audited)	P 46,294,333	P 5,171,449	P 51,465,782
Depreciation and amortization	( 23,147,167)	( 2,585,724)	( 25,732,891)
Balance at end of year (audited)	<b><u>P 23,147,166</u></b>	<b><u>P 2,585,725</u></b>	<b><u>P 25,732,891</u></b>

Depreciation and amortization of right-of-use assets is presented as part of Other Operating Expenses in the condensed consolidated statements of comprehensive income.

### 7.2 *Lease Liabilities*

The Company's lease liabilities were fully paid as of December 31, 2021, hence there are no outstanding balances of lease liabilities as of March 31, 2022 and December 31, 2021, respectively.

The movement of lease liabilities in 2021 are as follows:

Balance at beginning of year	P 26,033,716
Interest accretion	930,543
Repayments of lease liabilities	( 26,964,259)
	<b><u>P -</u></b>

There was no lease liability transaction for the three month period ended March 31, 2022.

### 7.3 *Lease Payments Not Recognized as Liabilities*

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

The expenses relating to short-term leases is presented as Rentals under Other Operating Expenses in the condensed consolidated statement of comprehensive income.

## 8. INVESTMENT PROPERTIES

The Group's investment properties amounting to P625.7 million as of March 31, 2022 and December 31, 2021, represent parcels of land held primarily for capital appreciation but not for sale in the ordinary course of the business or use in the production or supply of goods or services or for administrative purposes.

The real property taxes on investment properties amounted to P1.7 million and P0.3 million as of March 31, 2022 and 2021, and were recognized and reported as part of Other Operating Expenses in the condensed consolidated statements of comprehensive income.

As determined by independent and SEC-accredited property appraisers, the total fair market values of these investment properties as of October 2021 amounted to P6.5 billion (see Note 19.3). The Group's management assessed that the latest appraisal made holds the same fair market values as of March 31, 2022 and December 31, 2021. It is the Group's policy to obtain an appraisal from an independent property appraiser every three years.

## 9. TRADE AND OTHER PAYABLES

This account consists of:

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Trust receipts payable	<b>P 196,935,482</b>	P 160,696,218
Accrued expenses and others	<b>19,323,215</b>	33,721,655
Trade payables	<b>73,416,745</b>	26,302,800
Output VAT payable	<b><u>70,270</u></b>	<u>211,516</u>
	<b><u>P 289,745,712</u></b>	<u>P 220,932,189</u>

The Group avails of trust receipt facilities with local banks that were used to finance the Group's purchases of inventories. These short-term trust receipts, which are secured by the related inventories whose values equal the amount of outstanding trust receipts, bear interests based on prevailing market interest rates of 2.3% in 2022 and 2.4% in 2021. Interest expense incurred on these transactions in the periods ended March 31, 2022 and 2021 amounted to P1.5 million and P1.0 million, respectively, and is presented as part of Interest expense under Finance Costs – Net in the condensed consolidated statements of comprehensive income.

Accrued expenses and other payables include the obligations relating to the accrual of professional fees, rentals, employee benefits and other liabilities that are expected to be settled within 12 months from the end of the reporting period.

## 10. LOANS PAYABLE

This account includes the following as at March 31, 2022 and December 31, 2021.

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Current	<b>P 1,143,984,212</b>	P 1,211,079,144
Non-current	<u>-</u>	<u>-</u>
	<b><u>P 1,143,984,212</u></b>	<b><u>P 1,211,079,144</u></b>

A reconciliation of the movements in the amount of loans payable at the beginning and end of March 31, 2022 and December 31, 2021 is shown below.

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Cash from financing activities:		
Balance at beginning of the period	<b>P 1,211,079,144</b>	P 2,173,181,712
Settlements during the period	<b>( 217,000,000)</b>	( 1,068,000,000)
Proceeds during the period	<b>150,000,000</b>	105,000,000
Additional debt issue cost	<b>( 1,763,939)</b>	( 7,462,500)
	<b>1,142,315,205</b>	1,202,719,212
Non-cash transaction		
from financing activities –		
Effect of debt issue cost	<u><b>1,669,007</b></u>	<u>8,359,932</u>
	<b><u>P 1,143,984,212</u></b>	<b><u>P 1,211,079,144</u></b>

Short-term loans are subject to interest rates ranging from 4.0% to 4.25% in 2022 and 4.1% to 4.25% in 2021, and are acquired for working capital requirements. On average, the short-term loans fall due every three to six months and are subject to roll over unless otherwise settled by the Group.

The long-term loan, which was originally acquired in April 2017, is subject to 4.8% interest annually and is payable in 12 equal quarterly payments beginning June 2019. The remaining balance of the loan are now classified as current loans.

The details of the non-current loans payable are as follows:

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Principal amount	<b>P 2,000,000,000</b>	P 2,000,000,000
Debt issue cost	<b>( 10,000,000)</b>	( 10,000,000)
Net amount	<b>1,990,000,000</b>	1,990,000,000
Settlements in prior years	<b>( 1,668,000,000)</b>	( 1,000,000,000)
Settlements during the period	<b>( 167,000,000)</b>	( 668,000,000)
Reclassification to current portion	<b>( 165,000,000)</b>	( 331,707,551)
Debt issue cost on current portion of loan	<b>-</b>	( 292,449)
Accumulated amortization of debt issue cost	<b>10,000,000</b>	10,000,000
	<b>P -</b>	P -

Interest expense incurred on these loans in 2022 and 2021, amounted to P14.3 million and P28.1 million, respectively, and is presented as part of Interest expense under Finance Costs – Net in the condensed consolidated statements of comprehensive income.

The long-term loan is secured by a property owned by one of its associates (see Note 12.4). Other outstanding loans were availed using its credit line facility wherein no collateral is needed.

## 11. OTHER OPERATING INCOME

The Group earns rental income from the leasing of property to third party tenants. The leased property is owned by JHC, for which the Group was granted a full right of usufruct to JHC's property (see Note 12.7). Income generated from the property amounted to P1.2 million and P1.0 million for the period ended March 31, 2022 and 2021, respectively (see Note 15.1).

The Group also earns income from consultancy services performed by SBS Holdings.

Other operating income also includes management fees from a service agreement with certain associates (see Note 12.3).



## 12. RELATED PARTY TRANSACTIONS

The Group's related parties include its Parent Company, related parties under common ownership and its key management personnel. The transactions with these related parties are discussed as follows.

Related Party Category	Note	Amount of Transactions		Receivables (Payables)	
		March 31, 2022	March 31, 2021	March 31, 2022	December 31, 2021
<b>Stockholders</b>					
Lease agreements	12.2	P 632,813	P 632,813	P -	P -
<b>Related Parties Under Common Ownership</b>					
Lease Agreements:	12.2				
Lease liabilities		4,017,857	6,821,312	-	-
Right-of-use assets		( 2,675,348 )	( 2,675,348 )	8,026,043	10,701,391
Security deposit		-	-	1,449,369	1,449,369
Purchase of goods	12.1	552,960	126,563	-	-
Sale of goods	12.1	-	-	-	-
Refundable deposit	12.4	-	-	315,000,000	315,000,000
<b>Associates</b>					
Lease Agreements:	12.4				
Lease liabilities		-	-	-	-
Right-of-use assets		( 3,065,013 )	( 3,065,013 )	9,165,038	12,220,050
Security deposit		-	-	3,201,300	3,201,300
Advances for investment and property purchase	12.7	-	-	365,000,000	365,000,000
Equity investment in associates	4	-	-	2,834,526,453	2,843,727,038
Shared business and management services	12.3	356,250	401,786	-	-
Refundable deposit	12.4	-	-	456,771,191	456,771,191
<b>Key Management Personnel –</b>					
Fees paid	12.6	4,189,356	3,312,250	-	-

The Company's outstanding receivables with related parties were subjected to impairment using the requirements of PFRS 9. These receivables have substantially the same risk characteristics as trade receivables. As such, the expected loss rates for trade receivables are a reasonable approximation of the loss rates for receivables from related parties. There were no impairment losses recognized for these receivables from related parties as of March 31, 2022 and December 31, 2021 [(see Note 16.2(b))].

### 12.1 Sale and Purchase of Goods

The Group purchased goods from certain related parties which are presented as part of Cost of Goods Sold in the condensed consolidated statements of comprehensive income. There are no outstanding payables as of March 31, 2022 and December 31, 2021.

### 12.2 Lease Agreements

The Group, as a lessee, entered into operating lease agreements with terms of two to four years, covering certain warehouses owned by certain related parties. The lease is renewable upon mutual agreement by both parties.

Related expenses from these transactions are recorded as part of Depreciation and amortization. There were no outstanding rentals as of March 31, 2022 and December 31, 2021. Deposits made on these lease agreements are presented as part of Refundable deposits under Prepayments and Other Current Assets in the condensed consolidated statements of financial position (see Note 5).

### ***12.3 Shared Business and Management Services***

SBS Holdings entered into a consultancy service agreement with certain related parties wherein the former shall provide certain administrative services for a fee. Such transaction is recognized as part of Consultancy Income in the 2020 condensed consolidated statement of comprehensive income. The outstanding balance as of March 31, 2022 and December 31, 2021, which are unsecured, noninterest-bearing and payable on demand, are presented as part of Trade receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 3).

The Group entered into a service agreement with certain associates wherein the former shall provide certain operational, management and administrative services for a fee. Management fees charged by the Parent Company are recognized under the Other Operating Income in the 2021 condensed consolidated statement of comprehensive income (see Note 11).

### ***12.4 Memorandum of Agreement***

In 2018, the Group entered into a memorandum of agreement with SPHC, an associate of SBS Holdings, wherein the Parent Company will assist in gathering investors to cover SPHC's increase in capitalization. As part of the agreement, SPHC also used its property as mortgage substitution to continue securing one of the Parent Company's loans (see Note 10). The related performance deposit amounting to P500.0 million is presented as part of Other Non-current Assets in the condensed consolidated statements of financial position (see Note 5). The amount will be refunded once the Parent Company has already gathered the investors. However, in 2019, as agreed by both parties, the performance obligation has been extended for another 12 months. In 2019, a portion of the deposit amounting to P46.3 million was collected and used in acquiring shares in SPHC (see Note 5). The related deposit amounting to P315.0 million, which is also presented under Other Non-current Assets in the condensed consolidated statements of financial position (see Note 5), may be refunded to the Group or may be used to exercise pre-emptive rights to subscribe to new unissued shares at par value upon BHC's application for an increase in authorized capital stock.

### ***12.5 Key Management Personnel***

Payments received by key management personnel pertain to service fees for the periods ended March 31, 2022 and 2021, which is presented under Other Operating Expenses and also as part of Cost of services under Cost of Sales and Services in the condensed consolidated statements of comprehensive income. There was no outstanding balance as of March 31, 2022 and December 31, 2021.

### ***12.6 Others***

In 2018, the Group made certain noninterest-bearing advance payments to a third party on behalf of an associate, representing transactions costs incurred for the associate's purchase of certain property owned by the third party. These costs, amounting to P775.0 million, shall be reimbursed in full to the Group upon completion of the transaction. In 2019, the Group received partial settlement amounting to P139.2 million. However, in 2020, there has been some delay in the processing of the sale of properties due to COVID-19, which had slowed down the document processing of many establishments and government agencies. As agreed by both parties, the settlement has been extended, and the transaction is expected to be completed by June 2021. As of September 30, 2021, the Company received additional payment of P172.7 million. The remaining balance is presented as Non-trade receivable under Trade and Other Receivables in the condensed consolidated statements of financial position (see Note 3).

SBS Holdings holds a full right of usufruct over the real estate property of JHC. The usufruct includes collections of fees or service charges from third party tenants for the purpose of upkeep, maintenance, operation and management of such property. Revenue arising from this agreement presented as part Other Operating Income in the condensed consolidated statements of comprehensive income (see Note 11). In relation to such agreement, the Company also received security deposits from the tenants, which are to be returned to the counterparties at the end of the lease term. These security deposits are presented under Non-current liabilities section of the condensed consolidated statements of financial position.

## **13. SEGMENT REPORTING**

### ***13.1 Business Segments***

The Group's operating businesses are organized and managed separately according to the nature of products and services provided. In identifying its reportable operating segments, management generally follows the Group's two main revenue sources, which represent the products and services provided by the Group, namely Sale of Goods and Consultancy Income.

### 13.2 Analysis of Segment Information

The table below presents revenue and profit information regarding business segments of the Group for the periods ended March 31, 2022 and 2021.

	<u>Sale of Goods</u>	<u>Consultancy Income</u>	<u>Total</u>
<b><u>March 31, 2022</u></b>			
Revenues	P 288,667,395	P -	P 288,667,395
Cost	( 175,338,797 )	-	( 175,338,797 )
	<u>113,328,598</u>	<u>-</u>	<u>113,328,598</u>
Other operating expenses:			
Rental expense	4,650,670	-	4,650,670
Salaries and wages	9,697,709	-	9,697,709
Outside services	2,027,051	-	2,027,051
Transportation and travel	1,482,757	-	1,482,757
Insurance	2,226,441	-	2,226,441
Advertising and promotions	668,543	-	668,543
Commission	51,166	-	51,166
	<u>20,804,337</u>	<u>-</u>	<u>20,804,337</u>
<b>Segment profit before depreciation and amortization</b>	<b><u>P 92,524,261</u></b>	<b><u>P -</u></b>	<b><u>P 92,524,261</u></b>
<b><u>March 31, 2021</u></b>			
Revenues	P 174,084,196	P -	P 174,084,196
Cost	( 111,346,008 )	-	( 111,346,008 )
	<u>62,738,188</u>	<u>-</u>	<u>62,738,188</u>
Other operating expenses:			
Salaries and wages	8,589,563	-	8,589,563
Rental expense	4,017,857	-	4,017,857
Insurance	1,642,890	-	1,642,890
Outside services	1,580,267	-	1,580,267
Transportation and travel	1,159,530	-	1,159,530
Advertising and promotions	217,000	-	217,000
Commission	46,939	-	46,939
	<u>17,254,046</u>	<u>-</u>	<u>17,254,046</u>
<b>Segment profit before depreciation and amortization</b>	<b><u>P 45,484,142</u></b>	<b><u>P -</u></b>	<b><u>P 45,484,142</u></b>

Presented below is the Group's reconciliation of the components of reportable segments to the condensed consolidated statements of comprehensive income.

	<u>2022</u>	<u>2021</u>
Revenues –		
Total revenue of reportable segments	<b><u>P 288,667,395</u></b>	<b><u>P 174,084,196</u></b>
Costs and expenses:		
Total costs and expenses of reportable segments	<b>196,143,134</b>	128,600,054
Other costs and expenses from non-reportable segments	<b>19,528,374</b>	13,674,343
Depreciation and amortization	<b><u>8,804,256</u></b>	<u>7,854,485</u>
	<b><u>224,475,764</u></b>	<u>150,128,882</u>
Other operating income	<b><u>64,191,631</u></b>	<u>9,847,580</u>
Finance costs – net	<b>(<u>14,858,935</u>)</b>	<b>(<u>28,970,137</u>)</b>
Equity in net losses of associates	<b>(<u>9,200,585</u>)</b>	<b>(<u>21,270,698</u>)</b>
Gain on divestment of subsidiary	<u>-</u>	<u>-</u>
Profit (loss) before tax	<b><u>P 40,132,111</u></b>	<b><u>(P 16,437,941)</u></b>

The results of operations from the segments are used by management to analyze the Group's operation and to allow them to control and study the costs and expenses. It is also a management indicator on how to improve the Group's operation. Expenses are allocated through direct association of costs and expenses to operating segments.

## 14. EQUITY

### 14.1 Capital Stock

Capital stock consists of common shares with details shown below.

	<u>Shares</u>		<u>Amount</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Authorized - P1 par value	<b><u>1,550,000,000</u></b>	<u>1,550,000,000</u>	<b><u>P 1,550,000,000</u></b>	<u>P 1,550,000,000</u>
Subscribed, issued, outstanding at the end of the period	<b><u>1,549,999,999</u></b>	<u>1,549,999,999</u>	<b><u>P 1,549,999,999</u></b>	<u>P 1,549,999,999</u>

The authorized capital stock of the Parent Company is P1,550,000,000 consisting of 1,550,000,000 Common Shares with a par value of P1.00 per share. A total of 1,549,999,999 common shares are subscribed and outstanding as of March 31, 2022 and as of December 31, 2021.

On August 10, 2015, a total of 1,200,000,000 common shares of the Parent Company with par value of P1.00 per share were listed under the Main Board of the PSE. In addition, by way of an initial public offering (IPO), the Parent Company sold 420,000,000 shares of its common stock at an offer price of P2.75 per share on the same day. The IPO resulted in a recognition of Additional Paid-in Capital amounting to P698.4 million, net of IPO-related expenses amounting to P36.6 million.

As of March 31, 2022, the total number of registered stockholders based on the records of the Group's Stock and Transfer Agent is twelve (11). Such listed shares closed at P3.90 per share as of March 31, 2022.

#### ***14.2 Retained Earnings***

On June 25, 2021, the Parent Company approved the declaration of cash dividend amounting to P34.1 million, which was paid out within the year of declaration. For the current year, the Parent company did not declare any dividends as of March 31, 2022.

#### ***14.3 Earnings per Share***

Basic earnings (loss) per share are computed as follows:

	<u>2022</u>	<u>2021</u>
Net profit (loss) attributable to Parent Company	<b>P 30,973,748</b>	(P 15,872,256)
Divided by the weighted average number of outstanding common shares	<u><b>1,549,999,999</b></u>	<u>1,549,999,999</u>
Basic and diluted earnings (loss) per share		
Continuing operations	<b>P 0.020</b>	(P 0.010)
Discontinued operations	<u>-</u>	<u>(0.003)</u>
	<u><b>P 0.020</b></u>	<u>(P 0.013)</u>

#### ***14.4 Material Non-controlling Interest***

Non-controlling interest pertains to 55% ownership of minority stockholders in SBS Holdings. Despite loss of majority stockholding in SBS Holdings, the Parent Company determined that it has the ability to influence the majority of SBS Holdings' stockholdings as the next most significant stockholder of the subsidiary as of March 31, 2022 and December 31, 2021 is Anesy Holdings Corporation, the Ultimate Parent Company.

The financial information of SBS Holdings is presented below.

	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Net Income (Loss)</u>
<b>March 31, 2022:</b>				
SBS Holdings	<b>P 3,146,040,401</b>	<b>P 8,109,338</b>	<b>P 3,137,931,063</b>	<b>(P 6,462,776)</b>
<b>December 31, 2021:</b>				
SBS Holdings	P 3,152,069,708	7,675,869	3,152,069,708	(P 7,435,584)

SBS Holdings has original authorized capital stock 5,500,000,000 with a par value of P1. As at December 31, 2018, the Parent Company owns 2,000,311,897 common shares of SBS Holdings, representing 99% ownership of SBS Holdings' outstanding capital stock. In May 22, 2019, SBS Holdings' BOD and stockholders approved the increase in its authorized capital stock from 5,500,000,000 common shares with a par value of P1 per share to 17,290,000,000 with a par value of P1.0 per share. The increase in authorized capital stock was likewise approved by the SEC on November 18, 2019. As at March 31, 2022 and December 31, 2021, the Parent Company owns 2,255,000,000 of SBS Holdings' outstanding capital stock, representing 45% ownership. There were no dividend declarations made by SBS Holdings for the periods ended March 31, 2022 and December 31, 2021.

## **15. COMMITMENTS AND CONTINGENCIES**

### ***15.1 Operating Lease Commitments – Company as Lessor***

Certain real properties held or managed by the Group are leased to third parties under operating lease agreements. Currently, the lease agreements have a remaining lease term of less than one year, with an option to renew under terms and conditions to be agreed upon by the parties. Revenues from these agreements are presented as part of Other Operating Income in the condensed consolidated statements of comprehensive income (see Note 11).

In relation to the lease agreements, the Group also received security deposits from the lessees, which is to be returned to the counterparties at the end of the lease term. The security deposits are presented under Non-current liabilities section in the condensed consolidated statements of financial position even when the current remaining lease term is for one year as management believes a renewal of the lease terms with the lessees is fairly certain.

### ***15.2 Others***

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the condensed consolidated financial statements. As at March 31, 2022 and December 31, 2021, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's condensed consolidated financial statements.

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

The Group is exposed to a variety of financial risks which resulted from both its operating, investing and financing activities. The Group's risk exposures are managed in close coordination with the BOD who focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The most significant financial risks to which the Group is exposed to are described in the succeeding page.

### 16.1 Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. As at March 31, 2022 and December 31, 2021, the Group is exposed to changes in market interest rates through its loans payable (see Note 10) and cash in banks, which are subject to variable interest rates.

### 16.2 Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from selling goods to customers, granting advances to related parties and by placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the condensed consolidated statements of financial position or the detailed analysis provided in the notes to condensed consolidated financial statements as shown in the succeeding page.

		March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
	Notes		
Cash		P 226,114,744	P 250,220,189
Trade and other receivables	3	501,093,727	456,318,578
Refundable deposits	5	<u>1,313,209,230</u>	<u>1,318,209,230</u>
		<u>P 2,040,417,701</u>	<u>P 2,024,747,997</u>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

#### a) Cash

The credit risk for cash in banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

As part of the Group's policy, bank deposit is only maintained with reputable financial institutions. Cash in banks which is insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution, as provided for under Republic Act No. 9576, *Amendment to Charter of Philippine Deposit Insurance Corporation*, is still subject to credit risk.



*b) Trade and Other Receivables and Refundable deposits*

The Group applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. Advances to officers and employees have been assessed separately and individually wherein management determined that there is no required ECL to be recognized since collections are made on a monthly basis or through salary deductions within a period of one year or less.

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

The expected loss rates are based on the payment and aging profiles over a period of 36 months, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product and the inflation rate in the Philippines to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Accordingly, the Group recognized loss allowance equivalent to 0.5% and 0.8% of outstanding trade receivables as of March 31, 2022 and December 31, 2021. Management deems this estimate to be adequate and reflective of the Group's ability to collect from its customers based on a 36-month historical payment profile prior to the adoption of PFRS 9.

The Group's trade receivables are actively monitored to avoid significant concentrations of credit risk. In addition, the Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.

ECL allowance for refundable deposits and non-trade receivables, which are collectible from related parties were assessed based on general liquidity of the respective counterparties. No loss allowance was recognized on these financial assets as the collection is expected to be within the next 12 months based on the current standing of the counterparties and the current status of the related transactions.

### ***16.3 Liquidity Risk***

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

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are deposited in banks. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at March 31, 2022 and December 31, 2021, the Group's financial liabilities (except for lease liabilities) have contractual maturities as follows:

	Within 6 Months	6 to 12 Months	More than 1 Year
<b>March 31, 2022:</b>			
Loans payable	P 1,151,312,194	P -	P -
Trade and other payables	289,745,712	-	-
Security deposit	-	-	5,212,253
	<b><u>P 1,441,057,906</u></b>	<b><u>P -</u></b>	<b><u>P 5,212,253</u></b>
<b>December 31, 2021:</b>			
Loans payable	P 1,220,423,657	P -	P -
Trade and other payables	219,751,194	-	-
Security deposit	-	-	5,212,253
	<b><u>P 1,440,174,851</u></b>	<b><u>P -</u></b>	<b><u>P 5,212,253</u></b>

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

## 17. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern in order to provide adequate returns in the future to its stockholders and benefits for other stakeholders.

The Group monitors capital on the basis of the carrying amount of equity as presented on the condensed consolidated statements of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The debt-to-equity ratio as of March 31, 2022 and December 31, 2021 is presented below.

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Liabilities	<b>P 1,472,844,947</b>	P 1,449,814,337
Equity	<b><u>6,502,038,141</u></b>	<u>6,474,643,479</u>
Debt-to-equity ratio	<b><u>0.23 : 1.00</u></b>	<u>0.22 : 1.00</u>

## 18. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 18.1 Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

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

		March 31, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Notes	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
<b>Financial assets</b>					
Financial assets at amortized cost:					
Cash		P 226,114,744	P 226,114,744	P 250,220,189	P 250,220,189
Trade and other receivables	3	501,093,727	501,093,727	456,318,578	456,318,578
Refundable deposits	5	<u>1,313,209,230</u>	<u>1,313,209,230</u>	<u>1,318,209,230</u>	<u>1,318,209,230</u>
		<u>P 2,040,417,701</u>	<u>P 2,040,417,701</u>	<u>P 2,024,747,997</u>	<u>P 2,024,747,997</u>
<b>Financial liabilities</b>					
Financial liabilities at amortized cost:					
Loans payable	10	P 1,143,984,212	P 1,143,984,212	P 1,211,079,144	P 1,211,079,144
Trade and other payables	9	289,745,712	289,745,712	219,751,194	219,751,194
Security deposit		<u>5,212,253</u>	<u>5,212,253</u>	<u>5,212,253</u>	<u>5,212,253</u>
		<u>P 1,438,942,177</u>	<u>P 1,438,942,177</u>	<u>P 1,436,042,591</u>	<u>P 1,436,042,591</u>

A description of the Group's risk management objectives and policies for financial instruments is provided in Note 16.

For financial instruments with maturity of more than one year, management consider their carrying values to be equal their fair values as management assesses that the effect of discounting on these instruments is not material.

The Group has no financial instruments carried at fair value. For the Group's financial assets and financial liabilities as of March 31, 2022 and December 31, 2021 that are carried at amortized cost, management determined that the carrying amounts approximate or equal their fair values.

### 18.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set off financial instruments as of March 31, 2022 and December 31, 2021 and does not have relevant offsetting arrangements as of the end of the reporting periods. Currently, financial assets and financial liabilities are settled on a gross basis; however, if applicable, each party to the financial instrument will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties.

## 19. FAIR VALUE MEASUREMENT AND DISCLOSURES

### 19.1 Fair Value Hierarchy

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

The fair value hierarchy has the following levels:

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

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

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

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

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

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

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value as at March 31, 2022 and December 31, 2021 condensed consolidated statements of financial position but for which fair value is disclosed.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>March 31, 2022 (Unaudited)</b>				
<b><i>Financial assets:</i></b>				
Cash	P 226,114,744	P -	P -	P 226,114,744
Trade and other receivables	-	-	501,093,727	501,093,727
Refundable deposits	-	-	1,313,209,230	1,313,209,230
	<b><u>P 226,114,744</u></b>	<b><u>P -</u></b>	<b><u>P 1,814,302,957</u></b>	<b><u>P 2,040,417,701</u></b>
<b><i>Financial liabilities:</i></b>				
Loans payable	P -	P -	P 1,143,984,212	P 1,143,984,212
Trade and other payables	-	-	289,745,712	289,745,712
Security deposit	-	-	5,212,253	5,212,253
	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 1,438,942,177</u></b>	<b><u>P 1,438,942,177</u></b>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2021 (Audited)				
<i>Financial assets:</i>				
Cash	P 250,220,189	P -	P -	P 250,220,189
Trade and other receivables	-	-	456,318,578	456,318,578
Refundable deposits	<u>-</u>	<u>-</u>	<u>1,318,209,230</u>	<u>1,318,209,230</u>
	<u>P 250,220,189</u>	<u>P -</u>	<u>P 1,774,527,808</u>	<u>P 2,024,747,997</u>
<i>Financial liabilities:</i>				
Loans payable	P -	P -	P 1,211,079,144	P 1,211,079,144
Trade and other payables	-	-	219,751,194	219,751,194
Security deposit	<u>-</u>	<u>-</u>	<u>5,212,253</u>	<u>5,212,253</u>
	<u>P -</u>	<u>P -</u>	<u>P 1,436,042,591</u>	<u>P 1,436,042,591</u>

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

As of March 31, 2022 and December 31, 2021, the fair value of investment securities at amortized cost were based on the last transaction price nearest to (either prior or subsequent to) report date. This valuation technique is set out in PFRS 13 as Level 2 inputs.

### ***19.3 Fair Value Measurement for Non-financial Assets***

As determined by independent and SEC-accredited property appraisers, the total fair market values of these investment properties as of October 5, 2021, which are primarily determined with reference to current and most recent prices for similar properties within the same location and condition, amounted to P6.5 billion. Management determined that the appraisal made in 2021 remains valid; thus, these investment properties continue to hold the same fair market value as of March 31, 2022 and December 31, 2021 (see Note 8). The fair market values of investment properties are classified under Level 2.

**SBS PHILIPPINES CORPORATION AND SUBSIDIARY**  
*(A Subsidiary of Anesy Holdings Corporation)*  
**LIST OF SEC SUPPLEMENTARY SCHEDULES**  
**COVERED BY INDEPENDENT AUDITORS' REPORT**  
**March 31, 2022**

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**SBS PHILIPPINES CORPORATION AND SUBSIDIARY**  
**(A Subsidiary of Anesys Holdings Corporation)**  
**SEC Released Amended SRC Rule 68**

**Schedule A - Financial Assets (Financial Assets at Amortized Cost)**  
**March 31, 2022**  
**(Amounts in Philippine Pesos)**

Description	Number of shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Income received and accrued
Cash	-	P 226,114,744	P 28,528
Trade and other receivables	-	501,093,727	-
Refundable deposits	-	<u>1,313,209,230</u>	<u>-</u>
		<b><u>P 2,040,417,701</u></b>	<b><u>P 28,528</u></b>

**SBS PHILIPPINES CORPORATION AND SUBSIDIARY**  
*(A Subsidiary of Anesy Holdings Corporation)*  
SEC Released Amended SRC Rule 68

**Schedule A - Financial Assets (Financial Assets at Fair Value Through Profit or Loss)**  
**March 31, 2022**  
*(Amounts in Philippine Pesos)*

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
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**NOT APPLICABLE**



**SBS PHILIPPINES CORPORATION AND SUBSIDIARY**  
*(A Subsidiary of Anesy Holdings Corporation)*  
SEC Released Amended SRC Rule 68

**Schedule A - Financial Assets (Fair Value Through Other Comprehensive Income)**  
**March 31, 2022**  
*(Amounts in Philippine Pesos)*

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
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**NOT APPLICABLE**

**SBS PHILIPPINES CORPORATION AND SUBSIDIARY**  
*(A Subsidiary of Anesy Holdings Corporation)*  
**SEC Released Amended SRC Rule 68**

**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**

			Deductions		Ending Balance		
Name and Designation of debtor	Balance at beginning of period	Additions	Amounts paid	Amounts reclassified	Current	Non-current	Balance at end of period

**NOTHING TO REPORT**

**SBS PHILIPPINES CORPORATION AND SUBSIDIARY**  
***(A Subsidiary of Anesy Holdings Corporation)***  
**SEC Released Amended SRC Rule 68**

**Schedule C**

**Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements**

**March 31, 2022**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current
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**NOTHING TO REPORT**

**SBS PHILIPPINES CORPORATION AND SUBSIDIARY**  
*(A Subsidiary of Anesy Holdings Corporation)*  
SEC Released Amended SRC Rule 68

Schedule D - Long Term Debt  
March 31, 2022  
*(Amounts in Philippine Pesos)*

Title of Issue and type of obligation	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
<b>Term Loan</b>	P <u>165,000,000</u>	P <u>-</u>

**SBS PHILIPPINES CORPORATION AND SUBSIDIARY**  
*(A Subsidiary of Anesy Holdings Corporation)*  
SEC Released Amended SRC Rule 68

Schedule E - Indebtedness to Related Parties  
March 31, 2022  
*(Amounts in Philippine Pesos)*

Name and designation of debtor	Balance at beginning of period	Balance at end of period
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**NOTHING TO REPORT**

**SBS PHILIPPINES CORPORATION AND SUBSIDIARY**  
*(A Subsidiary of Anesys Holdings Corporation)*  
SEC Released Amended SRC Rule 68

**Schedule F - Guarantees of Securities of Other Issuers**  
**March 31, 2022**  
*(Amounts in Philippine Pesos)*

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
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**NOTHING TO REPORT**

**SBS PHILIPPINES CORPORATION AND SUBSIDIARY**  
**(A Subsidiary of Anesy Holdings Corporation)**  
**SEC Released Amended SRC Rule 68**

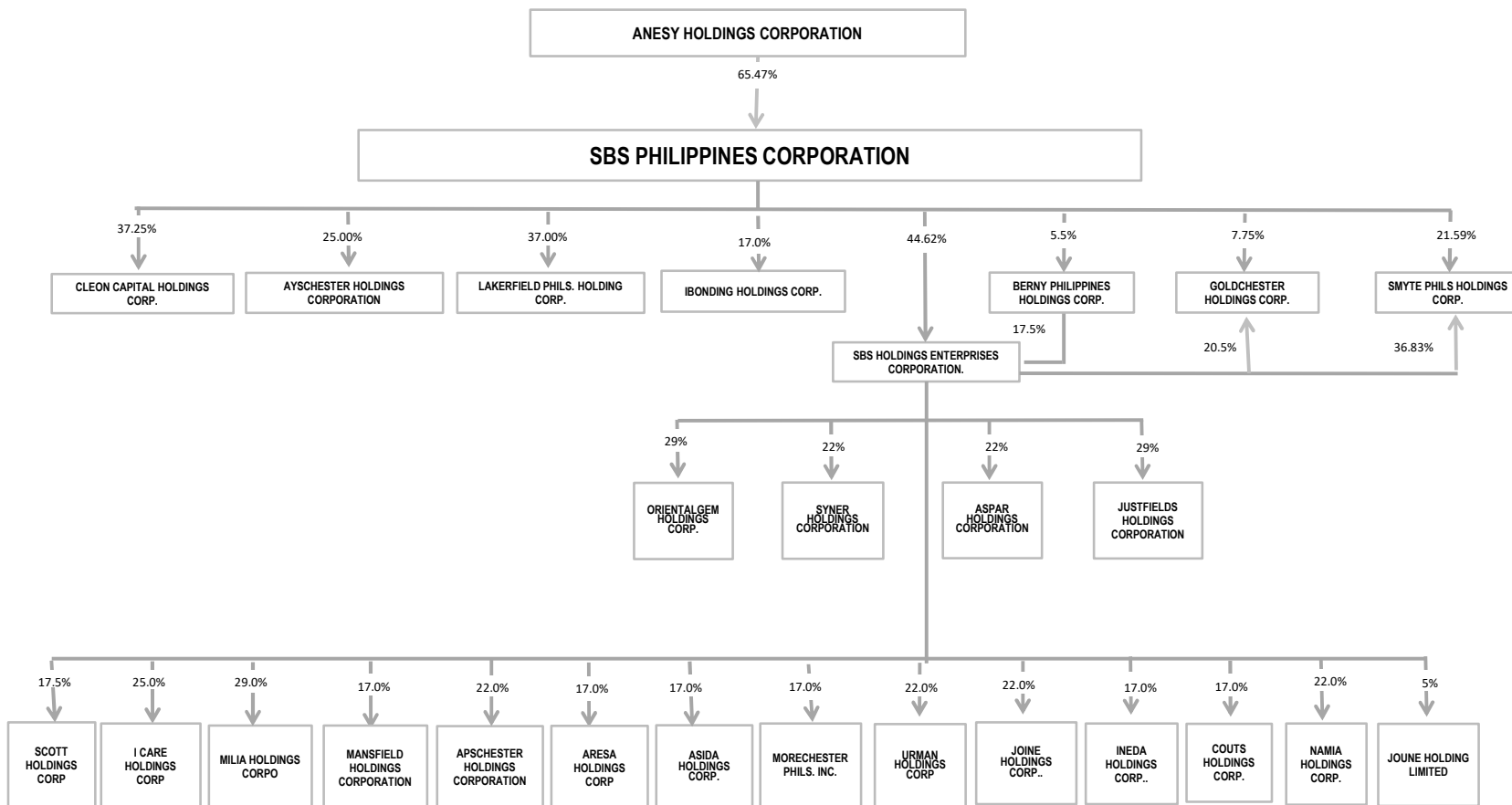
**Schedule G - Capital Stock**  
**March 31, 2022**  
**(Amounts in Philippine Pesos)**

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
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Common Shares - P1 par value	<u>1,550,000,000</u>	<u>1,549,999,999</u>	<u>-</u>	<u>1,111,137,572</u>	<u>70,039,643</u>	<u>368,822,784</u>
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# SBS PHILIPPINES CORPORATION AND SUBSIDIARIES

SHOWING THE RELATIONSHIPS BETWEEN AND AMONG COMPANIES IN THE GROUP





**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**Schedule of Financial Indicators for March 31, 2022 and 2021**

	2022	2021
<b>Liquidity Ratio <sup>1</sup></b>	<b>111.3%</b>	115.7%
<b>Debt to Equity Ratio <sup>2</sup></b>	<b>22.5%</b>	34.0%
<b>Asset to Equity Ratio <sup>3</sup></b>	<b>122.5%</b>	134.0%
<b>Return on Assets <sup>4</sup></b>	<b>0.3%</b>	-0.2%
<b>Return on Equity <sup>5</sup></b>	<b>0.4%</b>	-0.3%
<b>Cost to Income Ratio <sup>6</sup></b>	<b>18.2%</b>	22.3%
<b>Interest Cost Coverage Ratio <sup>7</sup></b>	<b>370.1%</b>	28.1%
<b>Earnings per Share <sup>8</sup></b>	<b>PHP 0.02</b>	(PHP 0.01)

*1/ Current Assets over Current Liabilities*

*2/ Total Liabilities over Equity*

*3/ Total Assets over Equity*

*4/ Net Income over Average Assets*

*5/ Net Income over Average Equity*

*6/ Cost and Expenses over Revenues*

*7/ EBIT over Interest Expense*

*8/ Net Income over Weighted Average Number of Common Outstanding Shares*

**PART II: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS  
AND RESULTS OF OPERATIONS**

*The following discussions should be read in conjunction with the Unaudited Consolidated Interim Financial Statements of the Company as of and for the period 31 March 2022 (with comparative figures as of 31 December 2021 and for the period ended 31 March 2021).*

**Results of Operations (1Q 2022 versus 1Q 2021)**

SBS Philippines Corporation ("SBS" or the "Company") and its subsidiary generated sales of P288.7 million in the first three months of 2022, up by 66% compared to previous comparable period of P174.1 million with higher volume sales across all segments. For the first quarter of 2022, the sale of industrial chemicals increased by 86% as manufacturing activities improved during the period while feeds and other veterinary and agricultural inputs increased by 77% compared to the same period in 2021 as the swine industry gradually recovers from the African Swine Fever that has affected the agricultural sector in the last two years.

The Company posted an 81% increase in its gross profit in the first three months of 2022 compared to the same period of the prior year consistent with the higher sales volume and complemented by improvement in gross margin of 3.3 percentage points due to favourable product mix.

Operating profit on a consolidated basis improved by 90% from P33.8 million to P64.2 million year on year with the Group decreasing its operating expenses to revenue ratio for the first quarter of 2022 compared to the same period last year. Meanwhile, equity in net losses of associates decreased from P21.3 million in the first quarter of 2021 to P9.2 million for the same period this year. For the first three months, net finance cost decreased by P14.1 million from P29.0 million in 2021 to P14.9 million in 2022 due to lower amount of outstanding loan in 2022 as compared to the same quarter of the prior year.

As a result of higher sales revenue, improvement in gross margin and lower net finance cost, the Group posted a net income of P27.4 million for the first quarter of 2022 versus a net loss of P20.8 million registered in 2021 of comparable period.

**Material Changes to the Statement of Comprehensive Income for the three months ended 31 March 2022 compared to the Statement of Comprehensive Income for the three months ended 31 March 2021.**

Sales revenue for the period increased by P114.6 million or 65.8% from P174.1 million in the first quarter of 2021 to P288.7 million of comparable period in 2022, despite the heightened restrictions imposed by authorities in January 2022 to control the Covid-19 Omicron variant. Business activity gradually increased in February and ramped up in March with the ease in mobility and commercial restrictions as Metro Manila and most of Luzon were placed under a more lenient Alert Level 1, resulting in higher sales volume of chemical products for the Company. Sales of Food ingredients segment contributed 28% of total revenue while Feeds, Veterinary and Agricultural inputs, Industrial Chemicals, Home and Personal Care, and Others segments contributed 26%, 22%, 10% and 14% of sales revenue, respectively. No revenue from consultancy services was registered during the first quarter of 2022 and 2021.

Cost of goods sold for the first three months increased by P64.0 million or 57.5% from P111.3 million in 2021 to P175.3 million in 2022, reflecting the increase in sales volume and favourable product mix.

Gross profit from operations increased by P50.6 million from P62.7 million posted in the first quarter of 2021 to P113.3 million of comparable period in 2022, consistent with increased sales and improvement in gross margin by 3.3 percentage points.

Other operating expenses increased by P13.8 million or 35.5% from P38.8 million posted in the first quarter of 2021 to P52.5 million in 2022 due to higher business taxes and manpower costs as a result of increased business activities.

Equity in net losses of associates decreased to P9.2 million in 2022 as compared to P21.3 million in the same period of 2021 due to lower interest payments serviced by the associate companies as result of lower levels of long term loans.

In the first three months of 2022, the net finance cost was cut down by P14.1 million or 48.7% as a result of lower outstanding debt for the period as compared to the prior year.

The Group's tax expense increased by P12.7 million in the first quarter of 2022 as compared to the same quarter of the prior year.

As a result of the foregoing, the Group realized a Net Income of P27.4 million for the first quarter of 2022, representing 9% net profitability. In the same period of 2021, the Group posted a Net Loss of P20.8 million with a loss of P16.4 million from continuing operations and P4.4 million losses incurred from discontinued operations.

## **Material Changes to the Statement of Financial Position as at 31 March 2022 Compared to the Statement of Financial Position as at 31 December 2021**

### **Assets**

As at 31 March 2022, total assets on consolidated basis amounted to P7,996.2 million, consisting of P1,613.9 million in current assets and P6,352.3 million in non-current assets. As at 31 December 2021, total assets amounted to P7,924.5 million, consisting of P1,616.6 million in current assets and P6,307.9 million in non-current assets.

Cash in banks decreased by 9.6% or P24.1 million from P250.2 million in 2021 to P226.1 million in 2022. For the first three months ended 31 March 2022, a total collection of P269.2 million were received comprising of P119.2 million from operations, P150.0 million proceeds from short-term loans and P0.03 million in interest income. Against this, a total of P293.3 million in disbursements were made consisting of the following: P217.0 million for settlement of loan; P52.1 million advance payment for investment in associates, P15.8 million for interest payment, P8.1 million for acquisition of property and equipment and P0.3 million in realized foreign exchange loss.

Trade and other receivables increased by P44.8 million or 9.8% from P456.3 million in 2021 to P501.1 million in 2022 due to higher sales volume for the quarter.

The inventory level went down by P8.3 million or 1.1% from P776.4 million in 2021 to P768.0 million in 2022 as the stock replenishments are delayed by supply chain disruption and tight shipping container availability from most of our suppliers' country of origin.

Prepayments and other current assets decreased by P15.0 million or 11.2% from P133.7 million in 2021 to P118.7 million as of March 31, 2022 with reduction in input VAT asset and prepaid expenses.

Investments in associates decreased to P2,834.5 million in the first quarter of 2022 from P2,843.7 million as at December 31, 2021 which corresponds to the equity net losses amounting to P9.2 million incurred by the Group on its investments in the associate companies.

Property and equipment value increased by P6.5 million or 15.0% to P49.7 million in 2022 from P43.2 million in 2021 as a result of additional acquisition of property and equipment in the amount of P8.1 million and partially offset by depreciation expense of P1.6 million during the period.

Other non-current assets increased by P51.5 million or 1.9% in 2022 due to additional deposits for investments in associates of P52.1 million.

Net deferred tax assets increased by P2.0 million in 2022, with the recognition of net loss for the period of the subsidiary.

Investment properties remain the same as at March 31, 2022 and December 31, 2021.

## **Liabilities**

The total liabilities as at 31 March 2022 amounted to P1,464.2 million, comprising of P1,450.3 million in current liabilities and P13.8 million in non-current liabilities. For 31 December 2021, the total liabilities amounted to P1,449.8 million comprised of P1,436.0 million in current liabilities and P13.8 million in non-current liabilities.

Current loans payable decreased by 5.5% or P67.1 million from P1,211.1 million in 2021 to P1,144.0 million as of first quarter 2022 with total settlement of P217.0 million made during the period, offset by proceeds from short term loans of P150.0 million.

A 5-year term loan of P2,000.0 million availed in 2017 at a fixed interest rate of 4.875% per annum, net of amortized debt issue cost has an outstanding balance of P165.0 million and is reflected as part of the current liabilities.

Trade and other payables increased by 31.1% or P68.8 million from P220.9 million in 2021 to P289.7 in the first quarter of 2022 with higher levels of importation and local trade purchases for the period to cope with increasing market demand.

Income tax payable as of March 31, 2022 amounted to P16.6 million as compared to P4.0 million as of December 31, 2021.

## **Total equity**

The total equity as at 31 March 2022 was P6,502.0 million, comprising of P1,550.0 million in capital stock, P2,242.8 million in additional paid in capital stock, P1,984.1 million in retained earnings, P3.4 million revaluation reserves and P728.5 million non-controlling interest in the subsidiaries. As of 31 December 2021, the total equity was P6,474.6 million, comprising of P1,550.0 million in capital stock, P2,242.8 million in additional paid in capital stock, P1,953.1 million in retained earnings, P3.4 million revaluation reserves and P732.1 million non-controlling interest in a subsidiary.

Retained earnings increased by P31.0 million from P1,953.1 million in 2021 to P1,984.1 million in 2022 on account of current period income of P31.0 million attributable to Company shareholders.

## **Liquidity and Capital Resources**

### *Net cash flows from operating activities*

As at March 31, 2022, the cash flows from operating activities resulted to a net inflow of P119.2 million. Cash receipts were mainly from operating profit, decrease in inventories and

prepayments, increase in trade and other payables and partially offset by increase in trade and other receivables.

*Net cash flows from investing activities*

The cash flow from investing activities resulted in a net outflow of P60.2 million due to advance payment for investment in associates and acquisition of equipment.

*Net cash flows used in financing activities*

The cash flow from financing activities resulted in a net outflow of P82.8 million. The cash outflow was due to settlement of bank loans and interest payment, while partially offset with proceeds of short term loan.

**Key Performance Indicators (31 March 2022 versus 31 March 2021)**

	2022	2021
<b>Liquidity Ratio <sup>1</sup></b>	<b>111.3%</b>	<b>115.7%</b>
<b>Debt to Equity Ratio <sup>2</sup></b>	<b>22.5%</b>	<b>34.0%</b>
<b>Asset to Equity Ratio <sup>3</sup></b>	<b>122.5%</b>	<b>134.0%</b>
<b>Return on Assets <sup>4</sup></b>	<b>0.3%</b>	<b>-0.2%</b>
<b>Return on Equity <sup>5</sup></b>	<b>0.4%</b>	<b>-0.3%</b>
<b>Cost to Income Ratio <sup>6</sup></b>	<b>18.2%</b>	<b>22.3%</b>
<b>Interest Cost Coverage Ratio<sup>7</sup></b>	<b>370.1%</b>	<b>28.1%</b>
<b>Earnings per Share <sup>8</sup></b>	<b>PHP 0.02</b>	<b>(PHP 0.01)</b>

<sup>1/</sup> *Current Assets over Current Liabilities*

<sup>2/</sup> *Total Liabilities over Equity*

<sup>3/</sup> *Total Assets over Equity*

<sup>4/</sup> *Net Income over Average Assets*

<sup>5/</sup> *Net Income over Average Equity*

<sup>6/</sup> *Cost and Expenses over Revenues*

<sup>7/</sup> *EBIT over Interest Expense*

<sup>8/</sup> *Net Income over Weighted Average Number of Common Outstanding Shares*

## **Other qualitative and quantitative factors**

**(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.**

The transition of the Covid-19 pandemic into an endemic situation will further open up the economy and support the business recovery across the country. Meanwhile the increasing energy cost is expected to drive up inflation in 2022, and could potentially result in higher operating cost and negatively impact the profitability of the business.

Based on the risk assessment of the scenarios analysed by the Company, the projection showed that the Company has liquidity to cope with the current business environment. Nevertheless, the extent of business impact on the continuing increase in energy cost is not yet definite at this time. The Company estimates are based only on the parameters of the scenarios that it has considered in its analysis.

As of this date, the Company is not in default of any financial obligations. The Company has complied with the existing loan covenants and restrictions as of 31 March 2022.

**(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:**

None

**(iii) Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period:**

None

**(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures**

The Company will be spending up to P100 million in capital expenditures for 2022 comprising of P50 million carryover spending from 2021 and another P50 million budget for 2022. This is in line with its 5-year strategic plan to consolidate warehouse operations and the use of renewable energy. This will be funded by internally generated cash from its business operation, bank loans and/or disposal of non-strategic assets.

**(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing operations**

The global supply chain disruptions since the latter part of 2021 continue to affect the importation of chemical raw material products that cause limited supply and escalating prices. The situation is being monitored and assessed on a weekly basis.

The Company's existing level of product inventory has enabled us to minimize the impact brought about by the global supply chain disruption. However, continued deterioration of the situation may negatively impact the Company's ability to serve the future needs of the customers and may affect the sales revenue and income of the Company in the second half of 2022.

**(vi) Any significant elements of income or loss that did not arise from continuing operations**

The Group posted a net loss after tax from discontinued operations of P4.4 million in the first quarter 2021. No similar event for 2022.

**(vii) Seasonal aspects that had material effect on the financial condition or results of operations**

For some end markets served by the Company, there is a pronounced cyclicity in the level of industrial production due to consumption and weather patterns affecting their processes and products. For the food and beverage business, the low requirement months in general are March-April and November-December while these drier months are generally the peak period for the requirements of the feeds and mining industries. This pronounced cyclicity creates some complexity in inventory management as the Company has to make purchases that would need to correspond to the expected demand for its products.

However, the Company's significant experience in the industry allows it to fairly estimate the supply requirements of its client base. The Company considers historical sales data, customer's rolling production forecasts, market information collected by the sales force and seasonal trends in anticipating future demand for its products. Further, given the Company's presence in a broad range of industries, there is substantially less exposure to the cyclicity of specific industries.