Mary Lebern D. Laurente <marylebern.laurente@holcim.com>

Fwd: SEC CiFSS-OST Initial Acceptance

1 message

Beatrix R. Guevarra <beatrix.guevarra@holcim.com> Mon, Mar 21, 2022 at 4:16 PM
To: "Bryan Jason P. Alix" <bryanjason.alix@holcim.com>, "Mary Lebern D. Laurente" <marylebern.laurente@holcim.com>

---------- Forwarded message ---------
From: <noreply-cifssost@sec.gov.ph>
Date: Mon, Mar 21, 2022 at 4:12 PM
Subject: SEC CiFSS-OST Initial Acceptance
To:

Greetings!

SEC Registration No: 0000026126
Company Name: HOLCIM PHILIPPINES, INC.
Document Code: AFS

This serves as temporary receipt of your submission.
Subject to verification of form and quality of files of the submitted report.
Another email will be sent as proof of review and acceptance.

Thank you.

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City,
1307, Metro Manila, Philippines

THIS IS AN AUTOMATED MESSAGE - PLEASE DO NOT REPLY DIRECTLY TO THIS EMAIL

COVER SHEET

26126
SEC Registration Number

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
(Company's Full Name)

7th Floor, Two World Square, Mckinley Hill, Fort Bonifacio, Taguig City
(Business Address: No. Street City/Town/Province)

Dennis G. Segovia
(Contact Person)

8581-1511
(Company Telephone Number)

12 *Month* **31** *Day*
(Fiscal Year)

SEC FORM 17-A
For the year ended December 31, 2021
(Form Type)

05 *Month* **27** *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

CFD
Dept. Requiring this Doc.

–
Amended Articles Number/Section

Total Amount of Borrowings

5,248
Total No. of Stockholders

Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended ....December 31, 2021................

2. SEC Identification Number 026126......... 3. BIR Tax Identification No. 000-121-507-000...

4. Exact name of issuer as specified in its charter .... Holcim Philippines, Inc...........

5. Republic of the Philippines.......................... 6. [ ] (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization — Industry Classification Code:

7. 7th Floor, Two World Square, McKinley Hill, Fort Bonifacio, Taguig City ..... 1634..............
Address of principal office — Postal Code

8. (632) 858-11511..
Issuer's telephone number, including area code

9. Not applicable…..
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock..	6,452,099,144........................

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

Yes [X] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
_x_ Philippine Stock Exchange, Inc._______ ___ Common Shares ___

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 [X] No [ ]

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

Yes [X]   No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in “Annex B”).

PhP5,467,948,646(920,530,075common shares @ PhP5.94 per share, the closing price at which stock was sold on December 31, 2021).

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Not Applicable

Yes [ ]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. The following documents are incorporated by reference:

(a) Audited Consolidated Financial Statements as of December 31, 2021 and 2020 and for the three years in the period ended December 31, 2021 - Exhibit 1
(b) Statement of Management’s Responsibility for Consolidated Financial Statements as of December 31, 2021 and 2020 and for the three years in the period ended December 31, 2021 – part of Exhibit 1
(c) Supplementary Schedules to the Audited Consolidated Financial Statements – Exhibit 2
(d) SEC Form 17-Q – Exhibit 3
(e) Legal Proceedings and Pending Legal Cases – Exhibit 4
(f) SEC Form 17-C – Exhibit 5

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Holcim Philippines, Inc. (HPI or the "Company"), is one of the premier cement manufacturers in the Philippines and is a member of the Holcim Group (formerly LafargeHolcim), one of the world's leading suppliers of cement, aggregates, concrete and construction-related services. HPI is mainly engaged in the manufacture, sale and distribution of cement and cementitious products and the provision of technical support on various construction-related quality control, optimization, solutions development and skills upgrade.

The Company and its subsidiaries own four cement production facilities, one cement grinding mill, five ports, as well as multiple storage and distribution points across the country.

The consolidated operations of the four cement production facilities have fortified HPI's premier position in the Philippine cement industry with a total installed clinker production capacity of 5.2 million metric tons per year (MTPY) and cement production capacity of 9.4 million MTPY.

HPI was the first in the Philippine cement industry to receive ISO 9002 certification (Quality Management System Standards) from the International Organization for Standardization (ISO). Additionally, all four plants are ISO 14001 certified (Environment Management System Standards) and ISO 45001 (Occupational Health & Safety Management) certified.

(1) History and Business Development

HPI was incorporated and registered with the Philippines Securities and Exchange Commission (SEC) on November 12, 1964 under the name Hi-Cement Corporation (HCC).

On February 8, 2000, the SEC approved the merger of HCC, Davao Union Cement Corporation, and Bacnotan Cement Corporation, with HCC as the surviving entity. Simultaneously, the SEC also approved the request for a change of corporate name from HCC to Union Cement Corporation (UCC).

On January 11, 2001, the SEC approved the merger of Atlas Cement Marketing Corporation, Davao Union Marketing Corporation and Bacnotan Marketing Corporation into UCC.

On July 17, 2002, the Board of Directors of UCC approved the acquisition of 88% of the issued and outstanding common shares of Alsons Cement Corporation (ACC) from Cemco Holdings, Inc. (Cemco). In consideration of such shares, new shares of UCC were issued to Cemco, at the exchange ratio of one (1) UCC share for every 3.7 ACC shares owned by Cemco, thus, making ACC a subsidiary of UCC.

Pursuant to the Securities Regulation Code (SRC) and its implementing rules and regulations, HPI undertook a tender offer in favor of the remaining 12% non-controlling shareholders of ACC to exchange their holdings in ACC for new shares of UCC at the same exchange ratio, with the option to accept cash at a price of PhP0.28 per ACC share, in lieu of HPI shares. The foregoing transactions were approved by shareholders of UCC on September 4, 2002. The Company acquired additional ACC shares representing 0.02% equity interest in ACC after the end of the tender offer period.

On September 19, 2002, the Board of Directors of ACC approved a resolution for the delisting of the shares of stocks of the company from the Philippine Stock Exchange (PSE). The PSE approved the resolution for the delisting on December 15, 2002.

On August 17, 2004, the SEC approved ACC's reverse stock split, increasing the par value of ACC's shares to PhP1, 000 per share from PhP0.50 per share. As a result of additional purchases from the remaining non-controlling shareholders of ACC in 2004 and the effect of the reverse stock split, UCC equity interest in ACC increased from 98.74% to 99.6%.

On November 30, 2004, the SEC approved the request for change in corporate name from UCC to HPI. On January 19, 2005, the SEC also approved the change in corporate name of ACC to Holcim Philippines Manufacturing Corp. (HPMC).

On March 6, 2014, the SEC approved the increase in authorized capital stock of Holcim Mining and Development Corporation (HMDC) (formerly Sulu Resources Development Corp., later renamed Holcim Aggregates Corporation) to make way for additional subscription by HPI and HPMC, in consideration of properties such as parcels of land, mining claims and foreshore leases. On March 18, 2016, the SEC approved the increase in authorized capital stock of HMDC to make way for subscription by the Holcim Philippines, Inc. Retirement Fund of sixty percent of the issued and outstanding capital stock of HMDC. Today, HMDC is an associate company of HPI, providing most of the Company's raw materials from the quarries of HMDC and its subsidiaries in La Union, Bulacan, Lugait and Davao. HMDC and its subsidiaries also leases to the Company parcels of land and foreshore leases for the latter's operations.

As of December 31, 2021, HPI is 60.55% owned by Union Cement Holdings Corporation (UCHC), 18.11% owned by Holderfin B.V. (Holderfin), and 7.08% owned by Cemco while the remainder of its shares is owned by the public. HPI common shares are listed in the PSE.

<u>The Company's Subsidiaries</u>

Holcim Philippines Manufacturing Corporation (HPMC)

HPMC was incorporated and registered with the SEC on February 7, 1968 under the name of Victory Cement Corporation.

HPMC has 1.5 million MTPY line that was successfully commissioned in 1998 and started commercial operation in January 1999. HPMC's terminal located in Calaca, Batangas, which had been idle for several years, was rehabilitated in 2010 and resumed operations in January 2011. Today, substantially all of HPMC's cement manufacturing assets are being leased by HPI.

In January 2019, HPMC renewed the bareboat agreement with HPI for the latter's vessel requirements to transport cement to various destinations within the Philippines. The bareboat agreement is valid until December 2023.

HPMC's subsidiary, Calamba Aggregates Company, Inc. (CACI), was incorporated and registered with the SEC on October 15, 1992, that operated an aggregates plant in Laguna. CACI ceased operations effective December 31, 2013.

HPMC's wholly owned subsidiary, Bulkcem Philippines, Inc. (BPI), was incorporated and registered with the SEC on April 5, 1995. Today, BPI owns a bulk terminal located in Iloilo which is currently being leased by HPI.

Alsons Construction Chemicals, Inc. (ALCHEM), another subsidiary, owned a cement and mineral admixture plant in Lugait, Misamis Oriental, was incorporated in the Philippines and was registered with the SEC on December 23, 1996. The operation of ALCHEM was discontinued since July 1999. ALCHEM filed an affidavit of non-operation with the SEC and is now going through the process of dissolution.

Excel Concrete Logistics, Inc. (ECLI)

Excel Concrete Logistics, Inc. was incorporated and registered with the SEC on August 9, 2012. On January 1, 2013, ECLI started its full operation servicing the distribution, transport and placing of concrete, as well as transport of cement and specialty products. On November 29, 2018, the Board of Directors of HPI approved the closure and dissolution of ECLI. On January 28, 2020, the SEC approved ECLI's application for amendment of ECLI's Articles of Incorporation to shorten its corporate term up to January 31, 2021. ECLI is now in the process of winding up its corporate affairs.

Shop and Build Corporation (formerly Holcim Philippines Business Services Center, Inc.)

Holcim Philippines Business Services Center, Inc. (HPBSCI) was incorporated and registered with the SEC on February 4, 2014. HPBSCI was set up to engage in the business of providing business process outsourcing and other information technology-enabled services to the Holcim Group. On February 13, 2015, HPBSCI transferred and sold its intellectual property rights and leasehold improvements to Holcim East Asia Business Service Centre B.V. – Philippine ROHQ.

On April 1, 2021, the Board of Directors and Stockholders of HPBSCI approved the proposal to amend its Articles of Incorporation to change HPBSCI's corporate name to Shop and Build Corporation and to amend its primary purpose. The Securities and Exchange Commission approved BSC's application to amend its Articles of Incorporation. Shop and Build Corporation will engage in the business of online selling (wholesale or retail), distributing, marketing and trading of cement and other construction materials.

HuBB Stores and Services Inc. (HSSI)

HuBB Stores and Services Inc. was incorporated and registered with the SEC on June 2, 2014. HSSI was set up to engage in the business of buying, selling and distributing construction and building materials, and to operate, maintain and franchise stores for the sale and distribution of said materials. HSSI ceased its business operations in August 2020. The Board of Directors and the stockholders of the Company approved the dissolution of HSSI on November 19, 2020 and January 15, 2020, respectively.

Mabini Grinding Mill Corporation (MGMC)

Mabini Grinding Mill Corporation was incorporated and registered with the SEC on September 29, 1999. In August 2013, the rehabilitation of MGMC's grinding station in Mabini, Batangas was completed. HPI is leasing and operating the said grinding station.

Bankruptcy Proceedings

The Company is not a party to any bankruptcy, receivership or similar proceedings.

Material Reclassification, Merger, Consolidation

On May 10, 2019, a Sale and Purchase Agreement **(SPA**) for the sale and purchase of shares in the Company was executed by Holderfin, First Stronghold Cement Industries, Inc., San Miguel Corporation and Lafargeholcim Ltd. Subject to the prior written approval of the Philippine Competition Commission and fulfillment of customary closing conditions, it was agreed that Holderfin shall sell its shares in the Company and shall procure Cemco and UCC to likewise sell their shares in the Company to First Stronghold Cement Industries, Inc. The SPA has lapsed on May 10, 2020 and UCHC still holds the controlling interest in the Company.

On November 19, 2020, the Board of Directors of Holcim Philippines, Inc. approved the upstream merger of Holcim Philippines Manufacturing Corporation, Mabini Grinding Mill Corporation and Bulkcem Philippines, Inc. into Holcim Philippines, Inc. The stockholders likewise approved the upstream merger in a special meeting held on 15 January 2021. The Plan of Merger will be presented to the Board and the stockholders of the Constituent Companies in 2022.

(2) General Business Description

HPI is engaged in the manufacture, sale and distribution of cement, dry mix mortar products, clinker and aggregates. It also offers construction-related trainings, consultancies, testing and other technical services to its customers. With the Company's production facilities, ports, storage & distribution terminals, sales offices and channel partners, HPI has an extensive sales and distribution footprint due to its strategically located plants and terminals in the Philippines.

The Company has a portfolio of innovative solutions fostered by a wide range of building products and services. It's portfolio of cement, aggregates, finishing and concrete solutions aimed at helping local builders execute a wide range of projects with quality performance and efficiency, from massive infrastructures to simple home repairs. The Company's product quality and operational capability are geared toward meeting the customers' building needs.

(a) *Product Lines*

HPI manufactures five (5) main cement product brands namely: Holcim 4X (Type 1 high performance Portland cement), Holcim Premium (Type 1 Portland cement), Holcim Solido (Type IP Blended cement), Holcim Excel (Type 1P Blended cement), and Holcim WallRight (Type S Masonry cement).

Its products are sold mostly in bags except for Holcim Premium (in bulk) and Holcim 4X (bulk). Other packaging formats include tonner, jumbo bags and bulk. HPI also sells to cement producers a semi-finished product called clinker, which is sold only in bulk.

The company has also in its portfolio aggregates and dry mix mortar products. Dry Mix mortar products are Holcim Tile Adhesive and Holcim Skim Coat and the recently launched Holcim Multifix, an all-in-one mortar for plastering, floor screed and thick bed tile installation.

All HPI products meet the Philippine National Standards (PNS) and the American Society for Testing and Materials (ASTM) product quality standards.

The Business continues to serve SF Crete as a one-day concrete solution for road application in line with the Conditional Approval awarded by DPWH for this technology.

Below is a brief description of HPI's various products:

Holcim 4X

Holcim 4X is an ASTM C150 high performance Portland cement. It is specially formulated for ready mix concrete applications. It has high compressive strength, high workability and is compatible with commonly available admixtures. Supplied in bulk, Holcim 4X is mainly used for high-rise buildings and vertical structures that require high-strength cement. It is ideal for construction that requires optimized concrete mix designs and fast construction cycles. With the high 28-day compressive strength of Holcim 4X, lower cement factor is needed resulting in lower construction costs. Longer setting time results to better slump retention and pumpability of concrete.

Holcim Premium

Holcim Premium is an ASTM Type I Portland Cement. It is used for general concrete construction. To make Portland cement, powdered limestone, silica and iron-rich materials are homogenized and burnt at 1500^{o}C. The resulting material is called clinker. Portland cement is produced by grinding clinker with a small amount of gypsum, a set retarder. When Portland cement is mixed with water and aggregates to make concrete, the mixture is initially flowable and easy to place, mold and finish. Eventually, the concrete sets, hardens and produces a strong and durable construction material.

Holcim Solido

Holcim Solido is a premium quality ASTM Type IP Cement which is Portland cement combined with advanced mineral additives. It is sold in bulk, tonner bags and 40-kg bags and used for roads and general concrete applications. Advance mineral additives are inter-ground with higher composition of Portland cement clinker to improve durability of concrete.

Holcim Excel

Holcim Excel Cement is an ASTM Type IP Cement, which is Portland cement combined with advanced mineral additives. It is sold mainly in 40-kg bags and used for general concrete construction. Advanced mineral additives (including granulated blast furnace slag) are inter-ground with Portland cement clinker and gypsum to improve the workability and early strength. The product is used for the same applications as the Portland cement described above but is preferred by many customers because the additives improve its performance.

Holcim WallRight Cement

Holcim WallRight Cement is an ASTM C91 Type S Masonry Cement designed for block laying, plastering and finishing use. It is made by inter-grinding mineral additives and an air-entraining additive with Portland cement clinker during the finish milling operation. The resulting cement will produce smoother, more cohesive and more cost-effective mortars and plasters which are preferred by masons.

Clinker

Clinker is an intermediate product in cement production. It is produced by grinding and burning a proportioned mixture of limestone, shale and silica. When clinker is further subjected to grinding and added with gypsum, Portland cement is produced.

SF Crete Technology

SF Crete is a total solution offering for one day concrete pavement. This solution is a package of materials i.e., cement, aggregates and admixtures and technical support to meet one-day concrete design.

Aggregates

Aggregates are granular materials of mineral compositions used for various construction applications. It is used with a binding medium to form concrete, bitumous concrete, precast concrete, mortar, plaster and other concrete and asphalt applications. It can be used alone for road bases, structural beddings, railroad ballast, filter beds, backfills, etc. The grading and quality conforms to the ASTM C33 Standard Specifications for coarse and fine aggregates.

Holcim Tile Adhesive

Holcim Tile Adhesive is a premium cement-based adhesive for tiles specially formulated for thin-bed vertical and horizontal application. Its unique formulation combined with Holcim cement provides for a faster, stronger adhesion, with excellent non-slip properties.

Holcim Skim Coat

Holcim Skim Coat is a cementitious plaster specially designed to smoothen vertical structures suitable for both indoor and outdoor use. Skim Coat is used for rendering and smoothening surfaces prior to application of sealants or decorative paints.

Holcim Multi-fix

Holcim Multifix is a high performance polymer modified mortar formulated for internal and external wall plastering, floor screed and tile installation by thick bed method. It is the best substitute for traditional mortar.

Holcim Aqua X

Holcim Aqua X is the first general purpose cement with water-repellent properties. Its reliable strength and its ability to minimize the absorption of water by the concrete or mortar ensures a long lasting protection against damage and deterioration caused by water penetration.

Holcim Ecoplanet

Holcim ECOPlanet is an environment-friendly product with more than 30% lower carbon footprint than other general purpose cement. It is a general purpose blended cement ideal for structural applications.

Holcim AAC Block Adhesive

Holcim AAC Bloack Adhesive is a new dry mortar product is used for laying all types of AAC blocks and various types of cement blocks in the market. It is a polymer-based versatile thin joining adhesive specially formulated to provide high bonding, durability and speed up the build process of AAC blocks.

The following table shows the breakdown of sales revenues by product line of the Company for the periods indicated:

Table 1 – Revenue by Product Line

	Calendar Year Ended	Calendar Year Ended	Calendar Year Ended
(In Thousand Pesos)	**December 31, 2021**	December 31, 2020	December 31, 2019
Cement and cementitious materials	**₱25,153,069**	₱24,745,235	₱30,885,687
Others	**1,793,076**	1,270,107	2,601,084
Total	**₱26,946,145**	₱26,015,342	₱33,486,771

Contribution of Export Sales

The amounts and percentages of revenue attributable to export sales, including breakdown per region, for the calendar years ended December 31, 2021, 2020 and 2019 are as follows:

Table 2 – Export Revenue

	Calendar Year Ended	Calendar Year Ended	Calendar Year Ended
(In Thousand Pesos)	**December 31, 2021**	December 31, 2020	December 31, 2019
Total Export Revenues	**NIL**	NIL	NIL
% to Total Revenues	**NIL**	NIL	NIL
Breakdown of Export Revenues per Region (in %)			
Southeast Asia			
Eastern Asia			
Oceania	**NIL**	NIL	NIL
North America			
Western Europe			
Middle East			
Total % to Total Revenues	**NIL**	NIL	NIL

(b) Marketing and Distribution

The Company's major domestic customers are traders, wholesalers, retailers, contractors serving private and public projects, real-estate developers and concrete producers. Notably, HPI has supplied a number of big commercial and government flagship projects in the entire country.

(c) New Product

Holcim Aqua X

Holcim Aqua X is a general use cement under Type IT classification of hydraulic blended cements. It is the first general purpose cement with water-repellent properties. Its reliable general use cement standard performance and its ability to minimize the absorption of water by the concrete or mortar ensures a long lasting protection against damage and deterioration caused by water penetration.

Holcim Ecoplanet

Holcim ECOPlanet is an environment-friendly general use cement under the Type IS classification of hydraulic blended cements. This product is produced with at least 30% lower CO2 emission compared to ordinary portland cement (Type I). It is a general purpose blended cement ideal for general structural applications and because of its good durability properties, it can also be used in infra applications where better chemical attack resistance and lower heat of hydration is required.

Holcim AAC Block Adhesive

Holcim AAC Bloack Adhesive is a new dry mortar product is used for laying all types of AAC blocks and various types of cement blocks in the market. It is a polymer-based versatile thin joining adhesive specially formulated to provide high bonding, durability and speed up the build process of AAC blocks.

(d) Competition

There are ten cement manufacturers in the Philippines that include Holcim, Republic Cement, Cemex, Taiheiyo, Northern Cement, Eagle Cement, Goodfound, Mabuhay FilCement, Big Boss and Petra Cement. Eight of these local manufacturers operate integrated cement plants while Big Boss and Petra operate grinding plants only.

The positive long-term prospect of cement demand in the country has attracted new investments in the cement industry. Existing manufacturers are currently pursuing their expansion plans to add new capacities while new entrants joined in building new cement facilities.

In recent years, independent traders have brought in imported cement mainly from Vietnam. These are sold in 40kg bags and tonner bags distributed in key markets across the country. Some big cement traders have started to install cement terminals with bagging and warehousing facilities in key trading ports to dispatch both bulk and bagged cement. In 2019, the Philippine government imposed a safeguard duty on cement imports for a period of three years to enable the domestic cement manufacturing industry to implement and complete adjustment plans to become more globally competitive after the safeguard duty period expires. In December 2021, the Department of Trade and Industry imposed a preliminary anti-dumping duty on certain cement exports from Vietnam. The Tariff Commission is currently conducting a formal investigation to determine if the requirements to impose a permanent anti-dumping duty are met.

Among the local domestic manufacturers, Holcim has the widest market reach and widest range of building products and solutions serving customers across the country from two integrated cement plants, one cement grinding plant and one dry mix plant in Luzon, and two integrated cement plants in Mindanao. Holcim also operates cement terminals in Iloilo, Batangas and Manila. There are various warehouses strategically located in different geographic markets to support the company’s distribution network.

The four cement plants of Holcim are certified to meet the ISO 9002 (Quality Management), ISO 14001 (Environmental Management) and ISO 45001 (Occupational Health and Safety Management) standards

(e) Sources and Availability of Raw Materials and Supplies

<u>Raw Materials</u>

The Company sources most of its raw materials (limestone, pozzolan, shale) from its associate company, HMDC and its subsidiaries which hold Mineral Production Sharing Agreements for its quarries in various areas including La Union, Bulacan, Davao and Lugait, Misamis Oriental. HPI also source raw materials from third party suppliers.

<u>Energy Supply</u>

Being an energy-intensive process, cement production requires a reliable and competitively priced power supply for uninterrupted and cost-effective production.

The Bulacan plant's peak demand is currently at 35 megawatts ("MW") while La Union plant's peak demand is currently at 15 MW. On August 12, 2011, a 15-year Energy Services Agreement (ESA) was signed with Trans-Asia Oil and Energy Development Corp. (TA Oil), now AC Energy Philippines, Inc. (ACEPI) for the supply of both Bulacan Line 2 and La Union plants starting in 2014. On September 21, 2020, an amended and restated Energy Services Agreement was signed effective June 26, 2020 and valid until December 25, 2030.

The Davao plant's total power requirement is 22 MW. Effective September 26, 2013, Davao plant became a captive customer of Davao Light and Power Company (DLPC), the Distribution Utility (DU) which holds the franchise for power distribution in the area pursuant to Energy Regulatory Commission Resolution No. 27, Series of 2010.

The Lugait plant's total power requirement is 33 MW for both lines or 27 MW with Line 2 only. After the expiration of the Power Supply Agreement with NPC on December 25, 2012, Misamis I Oriental Electric Cooperative (Moresco I) took over as the power supplier of Lugait plant pursuant to Energy Regulatory Commission Resolution No. 27, Series of 2010. Currently, only Line 2 is operating.

Mabini Grinding plant which is a 6MW capacity establishment has qualified as a "Contestable Customer (CC)" when the Retail Competition and Open Access (RCOA) was implemented last June 26, 2013. As a result, a 10-year Power Supply Agreement with TA Oil now AC Energy Philippines, Inc. (ACEPI) was signed and took effect on June 26, 2014 in lieu of an agreement with distribution utility Department of Energy (DOE) Batangas Electric Cooperative, Inc. (BATELEC II). On September 21, 2020, an amended and restated Energy Services Agreement was signed effective June 26, 2020 and valid until December 25, 2030.On

<u>Coal and Fuel Supply</u>

HPI uses coal for heating the Company's kilns in La Union, Bulacan, Davao and Lugait.

HPI's imported coal requirements are covered with annual supply contracts. Spot purchases remain an option for a healthy balance of supply reliability, market competitive prices and opportunity for substitute fuels.

For local coal requirements, the Company entered into a 1-year contract with Semirara Mining & Power Corporation covering 2021.

HPI has an existing supply contract with Petron and SL Harbour for its Diesel and Bunker fuel needs. Contracts started from January 1, 2021 and valid until January 1, 2023.

The Company has not experienced any disruption in its solid and liquid fuel supply.

(f) Dependence on a Single or a Few Customers

The Company employs a multi-level distribution strategy in serving the market. This covers wholesaler and retailer intermediaries, traders, ready mix companies, concrete products manufacturers, international and local contractors, real-estate developers, and end-users. At the same time, HPI supports numerous large- and medium-scale government infrastructure projects.

The aim is for the business not to be dependent on a single or a few customers but rather achieve a well-balanced customer portfolio.

(g) Related Party Transactions

Please see Note 32 – Related Party Transactions to the Consolidated Financial Statements for details.

(h) Trademarks, Licenses, Concessions, Labor Contracts

In 2017, applications for transfer of MPSA to HMDC and/or its subsidiary, HRDC have been approved by the DENR.

On labor contracts, please see the discussion on employees under Item I.

In 2016, the Philippine Intellectual Property Office issued Certificates of Registration to HSSI for the following trademarks: (1) “HuBB” logo; and (2) “HUB Builders Center”.

In 2021, the Philippine Intellectual Property Office issued a Certificate of Registration to HSSI for the Pinoy Builders Trademark which is valid until 18 November 2031.

(i) Governmental Approval of Principal Products

The DTI Bureau of Product Standards (BPS) granted HPI the license to use the Philippine Standard Quality Certification Mark for its principal products. All other necessary licenses and permits required for the continuous production and sale of HPI products have been secured by the Company, including new licenses as well as those that have to be renewed periodically.

(j) Research and Development

The Company is engaged in research and development for improving the production process used in its plants and for improving the quality and strength of its products. The Company spent a total of ₱126.6 million research and development costs in last three years as follows:

Table 3 – Research and Development Costs

Period Covered	Amount (‘000 Pesos)	Percentage to Revenues
CY ended December 31, 2021	**₱ 51,616**	**0.19%**
CY ended December 31, 2020	37,251	0.14%
CY ended December 31, 2019	37,688	0.11%
Total	₱126,555	

(k) Costs and Effects of Compliance with Environmental Laws

The Company conducts its operations consistent with sustainable development principles and continuously improves its environmental performance to ensure compliance to environmental laws and regulations both locally and internationally.

The Company is committed to comply with environmental laws, regulations and standards applicable to its products and operations and subscribes to leading industry initiatives and internal requirements. It also assesses and measures its environmental impacts and continuously improves its processes, tools and capabilities and promotes best practices in the industry. For example, in order to ensure compliance to air emission standards, the plants maintain and operate electrostatic precipitators, bag houses, multi-cyclone and bag filters to mitigate dust emissions. The plants are also equipped with Continuous Emission Monitoring System (CEMS) for real time monitoring of gaseous emissions such as nitrogen oxide (NOx) and sulfur dioxide (SO2), carbon monoxide (CO) and volatile organic compound (VOC) emissions. Overall performance is validated regularly by quarterly monitoring of multi-stakeholders and government audits and is confirmed that HPI is compliant with the existing government standards.

The plants are ISO 14001 certified or have an effective environmental management system in place to ensure all environmental impacts and risks are effectively managed and mitigated. The company continuously optimize its use of resources through re-using, recovering and/or recycling waste materials in own production processes where feasible, minimizing the generation of any hazardous and non-hazardous waste, and disposing waste using safe and responsible methods.

The Company proactively engages with stakeholders and cooperates with legislators and regulators to ensure environmental obligations are fulfilled and local regulations are complied.

(l) ***Employees***

As of December 31, 2021, HPI and subsidiaries had a total of 1,161 officers and regular employees broken down as follows:

Table 4 – Officers and Employees

Location	HPI	Subsidiaries	Total
Head Office*	309	0	309
Bulacan Plant	249	0	249
La Union Plant	160	0	160
Davao Plant	199	0	199
Lugait Plant	92	113	205
Calumpit	31	0	31
Calaca	8	0	8
Total	1,048	113	1,161

** Includes Mabini plant*

There is a slight reduction in the company's manpower complement compared to last year's due to various employee separations and deliberate decision to defer hiring of replacements while the Company is still recovering from the impact of the pandemic and reviewing its organization to align with the Company's strategy. Over-all attrition rate recorded is 7.76%, where 5.97% of which was due to resignations and early retirement.

In all cement plants, employees are allowed to report for work at 100% capacity while the head office still observes the appropriate on-site capacity in compliance with the applicable Covid-10 Inetr-Agency Task Force for the Management of Emerging Infections (IATF) regulations and guidelines. Working from home arrangement is part of the precautionary measures being implemented by the Company to protect its employees. Strict implementation of health and safety protocols is in place for those who work on-site.

Execution of Learning and Development Plans continued in 2021 and ended the year with 99% completion rate. There were 243 employees who were given opportunities to move to various roles as part of their development. In addition to local programs, selected Engineers participated in major global and regional technical programs to develop local experts. The Sales Academy was re-launched to equip the Salesforce as they face the new demands of the business and be able to implement the new commercial strategy.

Review of talents and succession planning remained important people activities in 2021. Talent Strategy was put in place to ensure that talents are at all times ready and available in case of vacancy in critical positions especially in the Management and Leadership Roles. A selected number of young upcoming leaders participated in the Early Career Leadership Program, a 6-month Group sponsored program to speed up the development of future leadership.

Supervisory and rank-and-file employees in the four integrated cement plans, as well as the rank-and-file in the paper bag plant, are members of their respective labor unions, with existing Collective Bargaining Agreements (CBA) with the Company.

Table 5 – Labor Unions

Location of the Plant/Site	Labor Union	CBA Expiry Date
Bacnotan, La Union	La Union Cement Workers Union Holcim La Union Supervisory Employees Union	March 31, 2022 March 31, 2024
Norzagaray, Bulacan	Holcim Philippines Employees Association (HPEA) UCC Bulacan Supervisory Employees Union (UBSEU)	December 31, 2025 February 28, 2024
Lugait, Misamis Oriental	Holcim Lugait Employees Labor Union Holcim Lugait Supervisors Independent Union	July 31, 2021 *(Ongoing arbitration)* March 31, 2024
Davao City	Davao Holcim Employees Workers Union Holcim Davao Supervisory Independent Union	March 31, 2025 March 31, 2025
Calumpit, Bulacan	Holcim Paper Bag Plant Employees Association – FFW Chapter	December 31, 2023

Two (2) CBA Negotiations were successfully concluded in 2021. One (1) associates' union is ongoing arbitration.

(m) Risk Factors

Political and Economic Factors

The Company and its subsidiaries are primarily engaged in the manufacture of clinker and cement in the Philippines. Cement is one of the basic materials for building works and sales are highly dependent on the demand for construction activities and the aggregate growth of the economy as well as political conditions in the country.

One of the principal factors that may materially affect financial performance is the level of construction activity in the public and private sectors. Public sector construction activity has always been a significant part of cement demand. However, government spending on construction-related activities (e.g. infrastructure and housing) is dependent on various factors mainly budgetary constraints and political considerations that could impact government's ability to execute its planned projects.

On the other hand, private sector spending is primarily driven by investors' confidence in the country, which in turn, is dependent on the country's economic and political conditions.

Any perceived political instability or lower-than-expected economic growth could have an adverse effect on the Company's financial performance.

Availability of Stable Power Supply

The contract with AC Energy Philippines, Inc. (ACEPI) which is valid until December 25, 2030 provides stable and guaranteed power supply for La Union Plant, Bulacan Plant, and Mabini Grinding Plant. The contract also provides for the availability of island mode backup power for both La Union and Bulacan plants during grid failures.

Lugait and Davao Plants, both situated in Mindanao, are now benefiting from electricity surplus brought about by the new coal power plants which started commercial operations from 2016 onwards. It is projected that the additional capacities from new coal power plants will provide Mindanao with surplus power supply in the medium-term.

WESM is not yet available in Mindanao. Also, the Retail Competition and Open Access (RCOA) can only be launched after WESM has been implemented. Hence, Lugait and Davao Plants will remain captive customers of Distribution Utility – Moresco I and Davao Light and Power Company (DLPC), respectively.

On November 16, 2021, Holcim Philippines, Inc. signed a 20-year power purchase agreement with GHRIAN EARTH CORP. (Blueleaf Energy), to deliver solar power to itsh plants in Bulacan and La Union. Under the agreement, Blueleaf Energy will finance, build, operate, and maintain solar energy facilities in Norzagaray, Bulacan and Bacnotan, La Union with a combined capacity of 29 megawatt peak and an annual generation of more than 50 gigawatt hours that will supply up to 15% of the energy requirements of Holcim Philippines' plants there. The solar energy facilities are scheduled to be completed in 2024.

The company is exploring other measures to manage power costs and at the same time contribute to sustainability strategy.

Dependence on Key Facilities

Substantially all of HPI's income has been, and will be derived from the sale of products manufactured at its production facilities in Luzon and Mindanao. Any prolonged breakdown of, or significant damage to, the Company's production facilities could have an adverse effect on the results of its operations. HPI maintains comprehensive property and casualty insurance policies covering its production facilities and key assets under an Industrial All-Risk policy. However, there can be no assurance that the proceeds from HPI's insurance claims would be sufficient to compensate the Company for all the effects of possible loss and/or damage. Notwithstanding that, the Company has appropriate processes and measures in place to further mitigate the risk of any possible loss or damage.

Impact of the Exchange Rate Fluctuations

Based on the 2021 Bangko Sentral ng Pilipinas Annual Exchange Rate Report, the Philippine Peso depreciated from PhP48.04 against the US Dollar as of December 31, 2020 to PhP50.77 as of December 31, 2021. The Peso has undergone fluctuations during the year with an average rate of PhP49.25. The weakening of the Peso resulted in the increase of cost of production inputs such as imported fuel, coal and supplies.

Environmental and Regulatory Matters

Cement manufacturing uses extensive resource and energy. It uses raw materials such as limestone, fossil fuel (coal and bunker fuel), electric power and water. As such, the environmental risks and impacts should be mitigated to ensure compliance to regulatory requirements and maintain operations in sustainable manner. An effective environmental management system is in place to manage these risks and impacts.

HPI conforms to rules and regulations defined under the following: The Philippine Environmental Impact Statement System (PD 1586), The Philippine Clean Air Act 1999 (RA 8749), Philippine Clean Water Act of 2004 (RA 9275), Ecological Solid Waste Management Act of 2000 (RA 9003), and Toxic Substances & Hazardous & Nuclear Waste Control Act of 1990 (RA 6969). Other Applicable Laws & Regulations are also identified in the Company's Integrated Management System Manual.

In a group-wide program, the Company strives to reduce dust emissions below the prescribed 150 mg/Nm3 level that the government allows cement plants to emit under the Philippine Clean Air Act. The Company maintains and operates modern electrostatic precipitators, bag houses, multi-cyclone and bag filters for mitigating the dust coming from its plants' pre-heater towers, kilns and cement mill grinding systems. With these modern dust control systems in place, HPI's cement plants kept dust emission levels below the prescribed government standard. The Company has in place Continuous Emission Monitoring System (CEMS) in all its four plants for continuous monitoring of particulate and gaseous emissions of main stack. The emissions data are being reported daily to regulatory body. In terms of compliance to Clean Water Act, the Company has in place pollution control facilities to manage storm water run-off and seasonal process water discharge such as siltation ponds. In terms of managing domestic water discharge, the Company properly maintains and operates waste treatment facilities. The Company also have waste management disposal facilities in the plants. The wastes generated by the plant which are qualified to be used as alternative fuel for the kiln are being co-processed. This co-processing technology under Geocycle follows the highest standard of environmental compliance. The four plants are also granted with Treatment, Storage and Disposal (TSD) Certificate as attestation to Geocycle's responsible handling and management of hazardous industrial wastes.

HPI's four plants continue to be recognized by the relevant national government agencies for its environmental performance and programs. The Company is committed to implement continuous improvement to ensure compliance and improve performance.

The status of compliance on the conditions stated in the Environmental Compliance Certificate (ECC) is regularly reported to DENR through the submission of Self-Monitoring Reports (SMR), Compliance Monitoring Reports (CMR), and Compliance Monitoring and Verification Reports (CMVR). Overall environmental performance is validated regularly by quarterly monitoring of multi-partite monitoring team (MMT) and government audits and is confirmed that HPI is compliant with the existing government standards.

Item 2. Properties

The Company's major items of property, plant and equipment are located in Norzagaray, Bulacan; Bacnotan, La Union; Bo. Ilang, Davao City; Lugait, Misamis Oriental; Mabini, Batangas; Calaca, Batangas; Iloilo; and Manila. The table shows the consolidated properties of HPI as of December 31, 2021 compared to December 31, 2020.

Table 6 – Plant, Property and Equipment (Consolidated)

(In Thousand Pesos)	**December 31, 2021**	December 31, 2020
Machinery and equipment	**₱ 30,436,009**	₱29,559,173
Buildings and installations	**14,082,667**	14,112,017
Furniture, vehicles and tools	**1,041,204**	998,828
Construction in progress	**1,823,279**	1,330,800
	47,383,159	46,000,818
Less: Accumulated depreciation, depletion		
and allowance for impairment loss	**27,880,911**	26,475,284
Total	**₱ 19,502,248**	₱19,525,534

In connection with the principal properties of the Company, there are no existing mortgages, liens or encumbrances nor limitations in the usage or ownership.

There are no imminent acquisitions of property of significant amount that cannot be funded either by the Company's working capital or debt.

The table below summarizes the significant lease agreements entered into by the Company as a lessee.

Description	**Start Date**	**Expiration Date**	**2021 Lease Payments (in '000)**	**Renewal Options**
Plants, Terminals, Vessels, Ports	01.01.2016	01.01.2041	₱1,069,024	The contracts may be renewed or extended upon the mutual agreement of the Parties.
Head Office	15.11.2014	01.11.2023	57,612	The lease may be renewed upon the written agreement and under such terms and conditions as maybe acceptable to both Parties.
Industrial Warehouse	01.01.2019	31.12.2023	6,764	The contract may be renewed or extended upon the mutual agreement of the Parties.
Others (Housing, Vehicles)	15.03.2016	15.03.2022	130,012	The contract may be renewed or extended upon the mutual agreement of the Parties.

Item 3. Legal Proceedings

The Company is either a defendant or plaintiff in several civil, criminal and labor cases primarily involving collection and claims for damages. Based on the representation of management and the opinion of the Company's external legal counsels, the resolution of such cases will not result in any significant liability or loss of assets.

Other financial assets include the restricted funds in relation to court-mandated garnishment arising from a case filed by Seasia against the Group.

Pending material legal proceedings involving the Company are described in Exhibit 4.

Item 4. Submission of Matters to a Vote of Security Holders

Except for the matters taken up during the last annual meeting of the stockholders and the special meeting held on 15 January 2021 covered by the Company's SEC Form 20-IS report, no matter was submitted to a vote of security holders through solicitation of proxies or otherwise during the calendar year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

HPI common shares are listed in the PSE. The high and low market prices of HPI shares for each quarter of calendar year 2021 and that of the past two calendar years, as reported by the PSE, are shown below:

Table 7 – Market Prices of HPI Shares

Quarter Period	CY 2021		CY 2020		CY 2019	
	High	Low	High	Low	High	Low
January-March	6.28	5.00	14.08	10.08	10.34	10.18
April-June	6.98	6.05	8.93	6.02	13.70	13.42
July-September	7.20	6.12	6.44	5.20	14.50	14.10
October-December	5.90	5.01	7.92	6.72	13.70	13.50

Source: Philippine Stock Exchange, Inc.

As of March 16, 2022, the closing price of the Company's common shares at the PSE is ₱ 5.57 per share.

(2) Stockholders

As of December 31, 2021, HPI has 6,452,099,144 common shares outstanding held by 5,248 stockholders. The list of the top twenty stockholders of the Company as recorded by Stock Transfer Service, Inc., the Company's stock transfer agent, is as follows:

Table 8 – Top Twenty (20) Stockholders

Rank	Name	Citizenship	Shares (Sum)	%
1	UNION CEMENT HOLDINGS CORPORATION	FILIPINO	3,906,425,506	60.55%
2	HOLDERFIN B.V.	DUTCH	1,168,450,996	18.11%
3	SUMITOMO OSAKA CEMENT CO., LTD.	JAPANESE	594,952,725	9.22%
4	CEMCO HOLDINGS, INC.	FILIPINO	456,689,560	7.08%
5	PCD NOMINEE CORP (FILIPINO)	FILIPINO	233,518,176,	3.62%
6	PCD NOMINEE CORP. (NON-FILIPINO)	FOREIGN	62,677,829	0.97%
7	ANTONIO M. DUMALIANG &/OR ROSALINDA S. DUMALIANG	FILIPINO	922,363	0.01%
8	KAKUGARA AKIHIKO	FILIPINO	559,580	0.01%
9	LUIS CO CHI KIAT	FILIPINO	511,242	0.01%
10	LUIS ROLANDO GARCIA FADRIGO	FILIPINO	419,578	0.01%
11	JOAQUIN Q. TAN	FILIPINO	380,000	0.01%
12	AMERICAN WIRE & CABLE CO., INC.	FILIPINO	290,993	0.00%
13	LILIA V. QUITO	FILIPINO	288,000	0.00%
14	UNIVERSITY OF SANTO TOMAS	FILIPINO	190,750	0.00%
15	FRANCIS L. ESCALER	FILIPINO	186,935	0.00%
16	ANG GUAN PIAO		184,030	0.00%
17	ISABELA CULTURAL CORPORATION	FILIPINO	156,439	0.00%
18	FRANCISCO C. EIZMENDI, JR.	FILIPINO	149,459	0.00%
19	ROSALIA M. AMANDO	FILIPINO	141,069	0.00%
20	BENITO G. OBLENA	FILIPINO	137,337	0.00%
		Total	6,427,232,567	**99.61%**

(3) Dividends

The Company is authorized to pay cash or stock dividends, or a combination thereof, subject to approval by the Company's Board of Directors and/or its shareholders. Dividends paid in the form of additional shares are subject to approval by the Company's Board of Directors, the SEC and the stockholders of at least two thirds of the outstanding shares of the Company. Holders of outstanding shares on a dividend record date for such shares will be entitled to the full dividend declared without regard to any subsequent transfer of shares.

Other than the provisions in the loan covenants agreed to by the Company, there are no other limitations for the Company to declare dividends to its common stock.

Cash dividends were declared in for the years ended December 31, 2021, 2020 and 2019 as follows:

	2021	2020	2019
Cash Dividend Per Share (PhP)	**₱0.43**	NIL	NIL
Amount Declared (PhP)	**₱2,774,402,632**	NIL	NIL
Declaration Date	**May 27, 2021**	-	-
Record Date	**June 16, 2021**	-	-

(4) Sales of Unregistered Securities within the Last Three (3) Years

There are no other securities sold for cash by the Company within the last three years that were not registered under the SRC.

Item 6. Management's Discussion and Analysis or Plan of Operation

Review of CY 2021 Operations vs. CY 2020

The Philippine Gross Domestic Product (GDP) posted a growth of 7.7 percent in the fourth quarter of 2021, resulting in 5.6 percent full-year growth in 2021.

Revenue generated for the year was Php26.9billion, higher compared to Php26.0billion reported in the same period last year mainly due to higher volumes in both cement and aggregates. Series of price increases have been implemented during the year to partly augment the rising costs attributed to coal, fuel and power. Despite higher volumes produced, the aggressive cost reductions in production and distribution largely contributed in the overall profitability of the Group and in offsetting the increasing energy prices. The Company achieved total EBITDA of Php5.4billion, 14% higher than the same period last year.

The Company managed to incur lower financial expenses related to its short-term loans due to zero third party loans during the year. Net income after tax stood at Php2.6bio giving earnings per share of Php0.40.

**Source: Philippine Statistics Authority*

Key Performance Indicators ("KPI")

The comparative financial KPI for the years ended December 31, 2021 and 2020 are as follows:

Financial KPI	Definition	For the Calendar Year ended December 31	
		2021	**2020**
Profitability			
Return on Assets (ROA)	Net Income / Ave. Total Assets	6.3%	4.8%
Return on Equity (ROE)	Net Income / Ave. Total Equity	8.6%	7.2%
Operating EBITDA Margin	Operating EBITDA / Net Sales	20.1%	18.2%
Liquidity			
Gearing Ratio	Net Financial Debt / Total Equity	-0.7%	-6.0%
EBITDA Net Interest Cover (times)	Operating EBITDA / Net Interest	152.7	23.8

Profitability

Higher compared with prior year from higher volume sold and net selling prices partially offset by higher operating costs.

Liquidity

The Company's liquidity position remained strong evidenced by significant cash balance.

Significant Disclosures

Please refer to Exhibit 5 of this report for the significant disclosures made by the Company during the year. Other than those mentioned in Exhibit 5, the Company is not aware of the following:

1. Unusual items that materially affect the Company's consolidated assets, liabilities, equity, net income or cash flows because of their nature, size or incidents.

2. Changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts in prior financial years that have a material effect in the current period.

3. Issuances and repurchase of equity securities.

4. Material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

5. Existence of material contingencies and other events of transactions that are material to an understanding of the current period.

6. Known trends, demands, commitments, events and uncertainties that will result in or likely decrease its liquidity in a material way. The Company does not anticipate having within the next 12 months any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing notes, loans, leases, other indebtedness or financial arrangements requiring it to make payments. With the improvement in the Company's operating performance, it expects to meet all financial loan covenants for the next interim period.

7. Events that will trigger direct or contingent material financial obligations to the Company.

8. Material off-balance sheet transactions, arrangements, obligations (direct or contingent), and other relationships of the Company with unconsolidated entities or other persons created during the year.

9. Material commitments for capital expenditures.

10. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales, revenues, net income from continuing operations.

11. Significant elements of income or loss that did not arise from the Company's continuing operations.

12. Material events subsequent to end of the reporting period that have not been reflected in the consolidated financial statements.

Notes to Financial Statements

Accounting Policies and Principles

The consolidated financial statements of the Company, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021 have been prepared in compliance with Philippine Financial Reporting Standards applied on a consistent basis. The detailed accounting policies are disclosed in Note 5 – Summary of Significant Accounting Policies in the Consolidated Financial Statements.

Seasonality Aspects of the Business

Like any other company in the construction industry, the operations of the Group are affected by seasonality. Net sales are generally higher in dry months from February to May and lower during the rainy months of June to November. Low sales are also experienced during December due to holidays until early January. Unpredictable weather could also significantly affect sales and profitability compared to previous periods coupled with any unforeseen circumstances like disruptions in productions.

Financial Risk Management Objectives and Policies

General Risk Management Approach

The Company is exposed to various financial risks, which include the effect of changes in debt structure, equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential and adverse effects on the financial performance of the Company. The Company does not enter into other derivative or financial transactions which are unrelated to its operating business as a risk-averse approach is pursued.

Financial risk management of the Company is governed by policies approved by management. It provides principles for overall risk management, as well as policies covering specific risk areas such as interest rate risk, foreign exchange risk, counterparty risk, use of derivative financial instruments and investing assets in excess of liquidity requirements.

The Company's principal financial instruments, other than derivatives, consist of cash and cash equivalents and loans payable. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company also has various other financial assets and liabilities such as trade and other receivables, advances to employees, guarantee deposits, restricted cash and trade and other payables which arise directly from operations.

The main risks arising from the Company's financial instruments are market risks (which include foreign currency risk and interest rate risk), credit risk and liquidity risk. The Board of Directors (BOD) reviews and approves the policies for managing each of these risks and they are summarized below. The Company's accounting policies in relation to financial instruments are set out in Note 5 to the consolidated financial statements.

Market Risks

The Company is exposed to market risks, such as foreign currency, interest rate and equity price risks. To manage volatility relating to these exposures, the Company enters into derivative financial instruments, when necessary. The Company's objective is to reduce, where appropriate, fluctuations in earnings and cash flows associated with changes in foreign currency, interest rate and equity price.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has foreign exchange exposures, arising primarily from purchases of goods and services and debt servicing requirements in currencies other than the Philippine Peso that leads to currency translation effects. All of the Company's revenues in 2021 and 2020 were denominated in the Philippine Peso.

Due to the local nature of the cement business, transaction risk is limited. However, income may primarily be in local currency whereas debt servicing and significant amount of capital expenditures may be in foreign currencies. As a consequence thereof, the Company may enter into derivative contracts whenever necessary, which may be designated either as cash flow hedges or fair value hedges, as appropriate.

As of December 31, 2021, the Company had minimal assets and liabilities exposed to foreign currency risks.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Company is exposed to fluctuations in financing costs and market value movements of its debt portfolio related to changes in market interest rates. The Company's interest rate exposure is mainly addressed through the steering of the fixed/floating ratio of net debt. To manage this mix, the Company may enter into derivative transactions, as appropriate. As at December 31, 2021 and 2020, the Company had minimal exposure to interest rate risk.

Credit Risk

Credit risk is the risk that counterparties may not be able to settle their obligations as agreed. To manage this risk, the Company periodically assesses the financial reliability of customers.

The Company constantly monitors its credit risk exposures. Counterparties to financial instruments consist of a large number of major financial institutions. The Company does not expect any counterparties to fail in meeting their obligations, given their high credit ratings. In addition, the Company has no significant concentration of credit risk with any single counterparty or group of counterparties.

The maximum and minimum exposure to credit risk is represented by the carrying amount of each financial asset.

The Company trades only with recognized, credit-worthy third parties. It is the Company's policy that all third-party customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the Company's exposure to bad debts to minimal.

With respect to credit risk arising from the other financial assets of the Company, which consist of due from related parties, advances to employees, available for sale (AFS) financial assets, and guarantee and refundable deposits, the Company's exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company's exposure to credit risks arising from outstanding financial assets is disclosed in Note 20 – Financial Risk Management Objectives and Policies in the Consolidated Financial Statements.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its contractual obligations and commitments. The seasonality of revenue generation exposes the Company to shortage of funds during slack season and may result in payment defaults of financial commitments. The Company monitors this risk using a recurring liquidity planning tool. This tool considers the maturity of both its financial assets and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank credit facilities, finance leases and purchase contracts. It is responsible for its own cash surpluses and the raising of loans to cover cash deficits, subject to policies and guidelines approved by management and in certain cases at the BOD level.

The Company maintains sufficient reserves of cash and cash equivalents, which are short-term in nature and unused credit lines to meet its liquidity requirements at all times. In addition, the strong credit worthiness of the Company allows it to make efficient use of the financial markets for financing purposes. As at December 31, 2021 and 2020, the Company has unutilized credit facilities of PhP13.6 billion and PhP12.0 billion, respectively.

The Company's financial assets and liabilities as of December 31, 2021 and 2020 are disclosed in Note 20 – Financial Risk Management Objectives and Policies in the Consolidated Financial Statements.

Capital Management Policy

The Company considers equity attributable to the equity holders of the Parent Company as its capital. The Company's objectives when managing capital are to secure the Company's ongoing financial needs to continue as a going concern as well as to cater to its growth targets to provide returns to shareholders and benefits for other stakeholders and to maintain a cost-efficient and risk-optimized capital structure.

The Company manages the capital structure and makes adjustments to it in light of the changes in economic conditions, its business activities, investment and expansion program and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital, among others, on the basis of gearing ratio. Gearing is calculated as net financial debt divided by total equity in the parent company balance sheets as shown in the table below:

	2021	2020
Loans payable - Group	**₱ -**	₱ -
Customers' deposits	**278,693**	296,600
Financial debt	**278,693**	296,600
Less cash and cash equivalents	**501,208**	2,080,791
Net financial asset	**(222,515)**	(1,784,191)
Total equity	**29,804,455**	29,632,055
Gearing ratio	**-0.7%**	-6.0%

The Company's target is to maintain a gearing in the range of no more than 100 percent. Total equity grew by 0.58% in 2021 as a result of increase in retained earnings coming from income from operations net of dividends declared.

Material Changes in Balance Sheet Accounts

Cash and cash equivalents

Decrease was mainly due to lower cash generated from operations coupled with higher capex spending.

Inventories

Increase was due to recognition of inventory as a result of discontinuation of inventory consignment for imported materials.

Trade and other receivables - net

Decrease was due to partial settlement of outstanding short-term loan receivable from a related party and the impact of the offsetting agreements executed by the Group with their associates.

Other current assets

Movement was due to lower prepaid expenses from amortization and lower input VAT from utilization, partially offset by the increase in advance payments to third party trade suppliers.

Right-of-Use Assets

Decrease was mainly due to the normal depreciation expense recognized for the period.

Intangible assets -net

Movement was due to capitalization of development costs incurred in product related projects net of the amortization expense recognized for the year.

Retirement Benefit Assets - net

The increase was largely attributable to gains earned from changes in actuarial assumptions upon remeasurement of retirement fund asset.

Trade and other payables

Decrease was mainly due to payments made to local vendors and importation and the impact of the offsetting agreements executed by the Group with their associates.

Income tax payable

Movement was mainly due to additional current tax expense for 2021 from higher income generated net of actual remittances to BIR and application of creditable withholding tax. The impact of the change in tax rate brought by the CREATE bill also contributed largely in the overall decrease.

Lease liabilities

Lower due to the decreasing balance of leases due to payments made to lessors in 2021 coupled with minimal additions during the year.

Deferred tax liabilities - net

Movement was driven by the tax effect on the remeasurement gain of retirement fund.

Remeasurement gain (loss) on retirement benefits

The increase was due to the net recognized gain in remeasurement of plan assets due to changes in actuarial assumptions and experience adjustments.

Non-controlling Interest

Increase was due to higher profit of subsidiary compared with last year.

Material Changes in Income Statement Accounts

Revenue

Increase was mainly due to higher volumes sold coupled with higher selling price as compared to prior year.

Cost of goods sold

Movement was driven by lower production cost brought primarily by lower imported clinker and cement consumption coupled with savings in distribution cost mainly from lower outbound costs.

General and Administrative Expenses

The movement was due higher third party spending, software implementation cost and higher personnel expenses from full workforce deployment this year.

Selling Expenses

The increase was due to higher spending on marketing campaign and personnel expenses due to the absence of the benefit of rationalized workforce deployment.

Interest and Financing Charges

The decrease was because there were no third party or related party loans obtained in the current year.

Interest and Other Financial Income

The decrease was due to lower net interest earned on net defined benefit asset.

Other income (expense) - net

Decrease was due to the impact of the true up of share in undistributed earnings of associates coupled with the lower income from scrap sales.

Provision for income tax

Increase was due to higher taxable income as of the current period.

Review of CY 2020 Operations vs. CY 2019

Philippines' Gross Domestic Product (GDP) grew by negative 9.5%*, lower than the 5.9% growth registered in the prior year.

Revenue generated for the year was Php26.0billion, lower compared to Php33.5billion reported in the same period last year mainly due to lower volumes in both cement and aggregates businesses due to pandemic outbreak. Sustaining our net selling prices was a challenge in the year from intensified market competition in a generally soft demand coupled with shift to more pick-up sales to counter the supply interruptions brought by local quarantine. Aggressive cost reductions in production, distribution and support process costs partially mitigated the topline decline. The Group achieved total EBITDA after lease of Php4.7billion, 29% lower than the same period last year.

The Group managed to incur lower financial expenses related to its short-term loans due to full settlement of third party loans during the year. Net income after tax stood at Php2.1bio giving earnings per share of Php0.32.

**Source: Philippine Statistics Authority*

Key Performance Indicators ("KPI")

The comparative financial KPI for the years ended December 31, 2020 and 2019 are as follows:

Financial KPI	Definition	For the Calendar Year ended December 31	
		2020	**2019**
Profitability			
Return on Assets (ROA)	Net Income / Ave. Total Assets	4.8%	7.9%
Return on Equity (ROE)	Net Income / Ave. Total Equity	7.2%	13.5%
Operating EBITDA Margin	Operating EBITDA / Net Sales	18.2%	20.0%
Liquidity			
Gearing Ratio	Net Financial Debt / Total Equity	-6.0%	4.7%
EBITDA Net Interest Cover (times)	Operating EBITDA / Net Interest	23.8	25.5

Profitability

While lower compared with last year, the profitability indicators remain to be at good levels remaining positive.

Liquidity

The Company's liquidity position remained strong as evidenced by significant cash balance.

Significant Disclosures

Please refer to Exhibit 5 of this report for the significant disclosures made by the Company during the year. Other than those mentioned in Exhibit 5, the Company is not aware of the following:

1. Unusual items that materially affect the Company's consolidated assets, liabilities, equity, net income or cash flows because of their nature, size or incidents.

2. Changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts in prior financial years that have a material effect in the current period.

3. Issuances and repurchase of equity securities.

4. Material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

5. Existence of material contingencies and other events of transactions that are material to an understanding of the current period.

6. Known trends, demands, commitments, events and uncertainties that will result in or likely decrease its liquidity in a material way. The Company does not anticipate having within the next 12 months any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing notes, loans, leases, other indebtedness or financial arrangements requiring it to make payments. With the improvement in the Company's operating performance, it expects to meet all financial loan covenants for the next interim period.

7. Events that will trigger direct or contingent material financial obligations to the Company.

8. Material off-balance sheet transactions, arrangements, obligations (direct or contingent), and other relationships of the Company with unconsolidated entities or other persons created during the year.

9. Material commitments for capital expenditures.

10. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales, revenues, net income from continuing operations.

11. Significant elements of income or loss that did not arise from the Company's continuing operations.

12. Material events subsequent to end of the reporting period that have not been reflected in the consolidated financial statements.

Notes to Financial Statements

Accounting Policies and Principles

The consolidated financial statements of the Company, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020 have been prepared in compliance with Philippine Financial Reporting Standards applied on a consistent basis. The detailed accounting policies are disclosed in Note 5 – Summary of Significant Accounting Policies in the Consolidated Financial Statements.

Seasonality Aspects of the Business

Like any other company in the construction industry, the operations of the Group are affected by seasonality. Net sales are generally higher in dry months from February to May and lower during the rainy months of June to November. Low sales are also experienced during December due to holidays until early January. Unpredictable weather could also significantly affect sales and profitability compared to previous periods coupled with any unforeseen circumstances like disruptions in productions.

Financial Risk Management Objectives and Policies

General Risk Management Approach

The Company is exposed to various financial risks, which include the effect of changes in debt structure, equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential and adverse effects on the financial performance of the Company. The Company does not enter into other derivative or financial transactions which are unrelated to its operating business as a risk-averse approach is pursued.

Financial risk management of the Company is governed by policies approved by management. It provides principles for overall risk management, as well as policies covering specific risk areas such as interest rate risk, foreign exchange risk, counterparty risk, use of derivative financial instruments and investing assets in excess of liquidity requirements.

The Company's principal financial instruments, other than derivatives, consist of cash and cash equivalents and loans payable. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company also has various other financial assets and liabilities such as trade and other receivables, advances to employees, guarantee deposits, restricted cash and trade and other payables which arise directly from operations.

The main risks arising from the Company's financial instruments are market risks (which include foreign currency risk and interest rate risk), credit risk and liquidity risk. The Board of Directors (BOD) reviews and approves the policies for managing each of these risks and they are summarized below. The Company's accounting policies in relation to financial instruments are set out in Note 5 to the consolidated financial statements.

Market Risks

The Company is exposed to market risks, such as foreign currency, interest rate and equity price risks. To manage volatility relating to these exposures, the Company enters into derivative financial instruments, when necessary. The Company's objective is to reduce, where appropriate, fluctuations in earnings and cash flows associated with changes in foreign currency, interest rate and equity price.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has foreign exchange exposures, arising primarily from purchases of goods and services and debt servicing requirements in currencies other than the Philippine Peso that leads to currency translation effects. Of the Company's revenues, approximately nil and 0.02% were denominated in currencies other than the Philippine Peso in 2020 and 2019.

Due to the local nature of the cement business, transaction risk is limited. However, income may primarily be in local currency whereas debt servicing and significant amount of capital expenditures may be in foreign currencies. As a consequence thereof, the Company may enter into derivative contracts whenever necessary, which may be designated either as cash flow hedges or fair value hedges, as appropriate.

As of December 31, 2020, the Company had minimal assets and liabilities exposed to foreign currency risks.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Company is exposed to fluctuations in financing costs and market value movements of its debt portfolio related to changes in market interest rates. The Company's interest rate exposure is mainly addressed through the steering of the fixed/floating ratio of net debt. To manage this mix, the Company may enter into derivative transactions, as appropriate. As at December 31, 2020 and 2019, the Company had minimal exposure to interest rate risk.

Credit Risk

Credit risk is the risk that counterparties may not be able to settle their obligations as agreed. To manage this risk, the Company periodically assesses the financial reliability of customers.

The Company constantly monitors its credit risk exposures. Counterparties to financial instruments consist of a large number of major financial institutions. The Company does not expect any counterparties to fail in meeting their obligations, given their high credit ratings. In addition, the Company has no significant concentration of credit risk with any single counterparty or group of counterparties.

The maximum and minimum exposure to credit risk is represented by the carrying amount of each financial asset.

The Company trades only with recognized, credit-worthy third parties. It is the Company's policy that all third-party customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the Company's exposure to bad debts to minimal.

With respect to credit risk arising from the other financial assets of the Company, which consist of due from related parties, advances to employees, available for sale (AFS) financial assets, and guarantee and refundable deposits, the Company's exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company's exposure to credit risks arising from outstanding financial assets is disclosed in Note 19 – Financial Risk Management Objectives and Policies in the Consolidated Financial Statements.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its contractual obligations and commitments. The seasonality of revenue generation exposes the Company to shortage of funds during slack season and may result in payment defaults of financial commitments. The Company monitors this risk using a recurring liquidity planning tool. This tool considers the maturity of both its financial assets and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank credit facilities, finance leases and purchase contracts. It is responsible for its own cash surpluses and the raising of loans to cover cash deficits, subject to policies and guidelines approved by management and in certain cases at the BOD level.

The Company maintains sufficient reserves of cash and cash equivalents, which are short-term in nature and unused credit lines to meet its liquidity requirements at all times. In addition, the strong credit worthiness of the Company allows it to make efficient use of the financial markets for financing purposes. As at December 31, 2020 and 2019, the Company has unutilized credit facilities of PhP12.0 billion and PhP13.6 billion, respectively.

The Company's financial assets and liabilities as of December 31, 2020 and 2019 are disclosed in Note 19 – Financial Risk Management Objectives and Policies in the Consolidated Financial Statements.

Capital Management Policy

The Company considers equity attributable to the equity holders of the Parent Company as its capital. The Company's objectives when managing capital are to secure the Company's ongoing financial needs to continue as a going concern as well as to cater to its growth targets to provide returns to shareholders and benefits for other stakeholders and to maintain a cost-efficient and risk-optimized capital structure.

The Company manages the capital structure and makes adjustments to it in light of the changes in economic conditions, its business activities, investment and expansion program and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital, among others, on the basis of gearing ratio. Gearing is calculated as net financial debt divided by total equity in the parent company balance sheets as shown in the table below:

	2020	2019
Loans payable - Group	**₱ -**	₱3,925,849
Customers' deposits	**296,600**	345,915
Financial debt	**296,600**	4,271,764
Less cash and cash equivalents	**2,080,791**	2,961,897
Net financial debt (asset)	**(1,784,191)**	1,309,867
Total equity	**29,632,055**	27,769,609
Gearing ratio	**-6.0%**	4.7%

The Company's target is to maintain a gearing in the range of no more than 100 percent. Total equity grew by 6.7% in 2020 as a result of increase in retained earnings coming from income from operations.

Material Changes in Balance Sheet Accounts

Cash and cash equivalents

Decrease was mainly due to settlement of third party and related party loans coupled with lower cash generated from operations.

Trade and other receivables - net

Decrease was primarily due to lower credit sales coupled with higher customer collections from resolute collection efforts.

Inventories

Decrease was due to consumption of own clinker and cement coupled with rationalization of purchase plan.

Other current assets

Decrease was largely attributable to lower input value added taxes brought by lower purchases / expenses as compared to prior year and lower advances to supplier caused by utilization / application of services.

Investments

Movement was due to due to the dividends received net of share from unrealized income from associates.

Property, plant and equipment – net

Decrease pertains to the depreciation, net of CAPEX additions and new and renewed lease contracts.

Right-of-Use Assets

Decrease was mainly due to the depreciation expense recognized for the period.

Retirement Benefit Assets - net

The decrease was due to recognized loss from re-measurement of retirement fund asset.

Other Non-current Asset

Increase pertains to movement in long-term prepaid assets pertaining to recognition of stranded cost for development.

Intangibles Assets - net

Decrease was mainly due to the amortization expense recognized for the period.

Loan payables

Decrease was due to the full settlement of loan extended by third parties and full settlement for related party loans.

Trade and other payables

Lower payables from the application of advances received from customers to their cement purchases, accrued rebates and settlement of amounts owed to related parties.

Income tax payable

Decrease was mainly due to payment for income taxes, net of lower income tax expense due to lower income generated for the period.

Provisions

Decrease in provisions was mainly due to amortization relating to stranded cost.

Deferred tax liabilities - net

Movement was driven by the tax effect on the remeasurement of retirement fund.

Remeasurement gain (loss) on retirement benefits

The decrease was due to the recognized loss in remeasurement of plan assets due to changes in actuarial assumptions and experience adjustments.

Retained Earnings

Increase was due to net profit recognized for the period

Non-controlling Interest

Decrease was due to lower profit of subsidiary compared with last year.

Material Changes in Income Statement Accounts

Revenue

Decrease was mainly due to lower volumes sold from the interruption in the sales operations as a result of the lockdown implemented by the government.

Cost of goods sold

Decrease was mainly attributable to lower volumes produced due to stoppage of operations during from March to May. Other than lower volumes (sold, transported and produced) cost of goods sold was lower driven by lower fixed cost, lower raw material and fuel prices, lower energy cost, as well as lower distribution costs from savings in maintenance and third party services.

General and Administrative Expenses

The movement was due to lower third party / outside service costs; net of higher personnel and taxes and licenses expense.

Selling Expenses

The decrease was due to lower third party / outside service costs, personnel expenses, and transportation and communication costs.

Interest and Financing Charges

The decrease was due to full settlement of a loan from a third party.

Interest and Other Financial Income

The decrease was due to lower net interest on net defined benefit asset.

Foreign Exchange Gains (Losses) - net

Decrease was due to decrease in foreign currency denominated assets which were revalued at year-end.

Provision for income tax

Decrease was due to lower taxable income as of the current period.

Item 7. Financial Statements

The consolidated financial statements and supplementary schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this annual report under Item 14.1 and 14.2

Information on Independent Accountant

<u>External Audit Fees</u>

The fees billed for professional services rendered by Navarro Ampler & Co. (Deloitte) in 2021 and 2020 were inclusive of out-of-pocket expenses to cover the services rendered by the external auditor for audit of the financial statements of the Company and other services in connection with statutory and regulatory filings for years 2021 and 2020.

<u>Tax Fees & All Other Fees</u>

The Company did not engage Deloitte for tax and other services in 2021 and 2020.

<u>The Audit Committee's Approval Policies and Procedures for the Above Services</u>

Upon recommendation of the Audit Committee and approval of the Board of Directors, the appointment of the external auditor was confirmed by the shareholders at the annual stockholders' meeting. In addition, the consolidated financial statements are reviewed and endorsed by the Audit Committee and approved by the Board of Directors before its release.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There was no event in the past five years where Deloitte or its predecessor, SGV, and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

The audit findings are presented to the Company's Audit Committee, which reviews and makes recommendations to the Board on actions to be taken thereon. The Board passes upon and approves the Audit Committee's recommendations.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

1) The Board of Directors

The Company's Board of Directors (the Board) is responsible for the overall management and direction of the Company. The Board meets regularly every quarter, or as often as may be necessary, to review and monitor the Company's financial position and operations. Each Board member serves for a term of one year or until his successor is duly elected and qualified. None of the members of the Board of the Company own more than 2% of outstanding common shares of HPI.

As of December 31, 2021, the following are the members of the Board:

Table 9 – The Board of Directors

Office	Name	Nationality
Chairman	Tomas I. Alcantara	Filipino
Vice Chairman	Martin Kriegner	Austrian
Director	Horia C. Adrian	Romanian
Director	Tan Then Hwee	Singaporean
Independent Director	Leandro Javier	Filipino
Independent Director	Thomas Aquino	Filipino
Independent Director	Medel Nera	Filipino

Set forth below are the business experience of the Board during the last five years:

Tomas I. Alcantara, 74, holds a Bachelor of Science degree in Economics from Ateneo de Manila University, a Master's in Business Administration degree from Columbia University, USA and attended the Advance Management Program of the Harvard Business School. He was the Chairman and President of Alsons Consolidated Resources, Inc., and of several power and property development companies in the Alcantara Group. Mr. Alcantara was the Undersecretary for the Industry & Investment Group of the Department of Trade and Industry and the Vice Chairman and Managing Head of the Board of Investments from July 1986 to March 1995. He was also Special Envoy of the Philippine President to APEC in 1996.

He is currently the Chairman of the Eagle Ridge Golf & Country Club, Inc. On July 2, 2021, Mr. Alcantara was elected as one of the board of the Philippine Stock Exchange (PSE). He was elected Director of the Company on July 4, 2003.

Martin Kriegner, 59, holds an MBA from the University of Economics in Vienna and a Doctorate degree from Vienna University Law Centre. He joined the Lafarge Group in 1990. In 1995, Mr. Kriegner was appointed as Chief Financial Officer of Lafarge Perlmooser AG, Austria. He served as Country CEO of Lafarge Austria from 1998 to 2001 and Lafarge India from 2002 to 2005 and 2012 to 2015. Mr. Kriegner was Lafarge Regional President, Asia and South West Asia, and was a member of the Lafarge Executive Committee from 2005 to 2012. Mr. Kriegner served as LafargeHolcim Area Manager for Central Europe from 2015 to 2016. He is presently LafargeHolcim Group's Head of India and South East Asia and a member of the LafargeHolcim Group Executive Committee. He was elected as Director of the Company on August 18, 2016.

Horia-Ciprian Adrian, 53, holds an MBA from the Ajou University in South Korea and a Master of Mechanical Engineering degree from University "Dunarea de Jos" in Romania. He is the former CEO of Holcim Romania and Head of Market for Serbia, Azerbaijan, Moldova & Bulgaria of LafargeHolcim. He joined LafargeHolcim in 2000 and has successfully held various management roles in the Group, including CEO roles for Russia, Eastern Europe & CIS and Middle East. He also managed the LafargeHolcim Group's Business Transformation. He was elected as Director of the Company on March 1, 2021.

Tan Then Hwee, 49, holds an MBA and BBA in marketing from Wichita State University, Kansas , USA. She has over 20 years of human resources management experience in an international business environment across Asia Pacific. She is currently the Vice President HR, Global Head Learning & Development of Lafargeholcim Ltd. and concurrently a director of Ambuja Cements Ltd, India. Prior to joining Lafargeholcim in 2019, Ms. Tan was the Vice President HR of Sika Asia Pacific from April 2007 to March 2019. She was elected as Director of the Company on September 17, 2020.

Leandro D. Javier, 69, has over 20 years of experience in the cement industry. From 1983 to 1986, Mr. Javier worked for Iligan Cement Corporation (ICC) as Assistant Vice-President for Finance. He was assigned to "Holderbank" Switzerland to represent ICC in the Technical Center for the development of technical and financial feasibility studies involving plant rehabilitation and capacity expansion plans, and assist "HOFI's Regional Manager in the management of its investments in Asia.

He assumed the position of Executive Vice-President & General Manager in 1986, and served in the same position in Alsons Cement Corporation, after the acquisition of Floro Cement Corporation. He also served in similar senior executive positions in the various companies engaged in the related companies involved in domestic shipping and product distribution, bulk terminals, and aggregates. Mr Javier left Alsons Cement Corporation and its related companies in 1998.

Since 2013, Mr. Javier is a Management Consultant of Rapid Forming Corporation. He was elected as Director of the Company on May 24, 2019.

Thomas Aquino, 72, holds a Doctorate degree in Management from IESE Business School, University of Navarre (Spain), Master of Science in Industrial Economics from the University of Asia and the Pacific, and Bachelor of Arts in Economics from the University of the Philippines. In 2000, he served at the Department of Trade and Industry as acting Secretary and as Senior undersecretary overseeing the country's international trade promotions with trading partners and policy negotiations at the World Trade Organization and in the ASEAN Economic Community. Dr. Aquino is the recipient of the Presidential Service Award for extraordinary contribution of national impact on public interest, security and patrimony, Gawad Mabini Award and the Philippines-Japan Society Medal of Honor.

Dr. Aquino is currently the Chairman of NOW CORPORATION, Member of the Board of Directors and President of NOW Telecom Company, Inc (formerly Next Mobile, Inc.) and an Independent Director of ACR Corporation and A Brown Company, Inc. He was elected as Director of the Company on May 24, 2019.

Medel T. Nera, 66, is presently a director and a member of the Audit Committees of House of Investments, Inc., iPeople, Inc., EEI Corporation, and Seafront Resources Corporation. He is also an independent director of the National Reinsurance Corporation of the Philippines, Ionics, Inc., Actimed, Inc., Erikagen, Inc., Pharm Gen Ventures Corp., and Novelis Solutions, Inc. He was also a director of the Rizal Commercial Banking Corporation for 5 years, from 2011 to 2016. He was formerly a Senior Partner of SyCip Gorres Velayo & Co. (SGV), where he had about 35 years of experience in professional services. He served as Markets leader and Financial Services Practice Head at SGV. From 2008 – 2010, he served as Assurance Leader for the Financial Services Assurance practice of Ernst & Young in the Far East covering China, Taiwan, Hongkong, Korea, Singapore, Philippines and Vietnam.

Mr. Nera was a partner of SGV for 22 years and had served in various other leadership positions. He received an undergraduate degree from Far Eastern University and an MBA from the Leonard N. Stern School of Business, New York University. He was elected as Director of the Company on January 15, 2021.

The Executive Officers

The officers are likewise elected annually by the Board and serve for one (1) year and until their respective successors have been elected. None of the officers of the Company own more than 2% of the total outstanding shares of the Company.

The Company's executive officers as of 31 December 2021 are set out below:

Table 10 – Executive Officers

Office	Name	Nationality
President & Chief Executive Officer	Horia Ciprian Adrian	Romanian
SVP - Chief Financial Officer/ Investor Relations Officer	Eliana Nieto Sanchez	Colombian
SVP – Head of Cement Industrial Performance	Eung Rae Kim	Korean
SVP - Head of Marketing & Innovation	Ramakrishna Maganti	Indian
SVP - Head of Organization and Human Resources , OIC	Elynor Roque	Filipino
SVP – Head of Logistics	Edwin Villas	Filipino
SVP - Head of Sustainability	Zoe Verna M. Sibala	Filipino
SVP – Head of Sales	William Sumalinog	Filipino
VP, Head of Procurement	Ike C. Tan	Filipino
VP, Head of Corporate Communications	Anne Claire Ramirez	Filipino
VP, Head of Health, Safety, Environment & Security	Richard C. Cruz	Filipino
VP, General Counsel/Corporate Secretary/ Compliance Officer	Belinda E. Dugan	Filipino
VP, Head of Geocycle	Albert Leoveras	Filipino
VP, Plant Manager – Bulacan	Bobby Garza	Filipino
VP, Plant Manager - Davao	Samuel Manlosa, Jr.	Filipino
VP, Plant Manager – La Union	Erano Santos	Filipino
VP, Plant Manager- Lugait	Arnold Pepino	Filipino
VP, Regional Head of Mindanao and Offshore Region	Ernesto Paulo Tan	Filipino
VP, Chief Audit Executive, OIC	Maria Kathrina Mamba	Filipino
Treasurer	Alexander Taar	Filipino

The business experience of Mr. Adrian Horia for the last five years is provided above. Set forth below are the business experience of the Company's other executive officers during the last five years:

Eliana Nieto Sanchez, 45, is the Company's Senior Vice President, Chief Financial Officer. Ms. Sanchez has vast experience within the Holcim Group with an impressive record in leading multi-disciplinary teams involved in high-impact projects for the Company's operative and digital transformation. Prior to joining Holcim Philippines, Inc., she was the Chief Financial Officer of Holcim Ecuador since May 2016. She holds a degree in Public Accounting from Universidad Nacional de Colombia and Master of Business Administration from Inalde Universidad de la Sabana.

Eung Rae Kim, 61, is the Senior Vice President, Head of Cement Industrial Performance. Mr. Kim holds a degree in Electrical Engineering and Masteral in Electrical Engineering from Hoseo University in Korea. He has 33 years of experience in cement plant operation having joined the cement industry since 1987. He has held various leadership roles within the LafargeHolcim Group in South Korea, Malaysia, Regional (IPC Asia) and Bangladesh. Prior to joining Holcim Philippines, Inc. Mr. Kim was the Industrial Director of LafargeHolcim Bangladesh Ltd. Since October 2015.

Ramakrishna Maganti, 52, is the Senior Vice President, Head for Marketing & Innovation. He holds a degree in Mechanical Engineering, MBA in Marketing from the Indian Institute of Management and a degree in Strategic Marketing Management from Harvard Business School. Mr. Maganti brings more than 20 years of combined experience in global marketing, brand development, digital transformation, and project management. Prior to joining Holcim Philippines, Inc. he held various leadership and management positions in LafargeHolcim India, Malaysia, France and the most recently in Singapore as Head of Sales and Marketing for Asia Pacific Region. Mr. Maganti worked for Philips NV a global consumer lifestyle and healthcare firm before joining the LafargeHolcim Group in 2006.

Elynor Roque, 51, is the Company's OIC – Senior Vice President, Head of Organization and Human Resource. Prior to her appointment, Ms. Roque was the Head of Talent Management of the Company. She has a solid background as a human resources professional, with 27 years of combined corporate and consulting work in different HR disciplines including organization development, change management, learning and development, executive coaching, and employee and labor relations. She completed the Management Development Program of Asian Institute of Management in 2015 and holds a degree in Bachelor of Science in Business Administration from the University of the Philippines.

Edwin Villas, **48**, is the Senior Vice President, Head of Logistics. He joined the Company in September 1997 as Strategic Sourcing Specialist. He served as the Company's Procurement Manager from October 2007 to August 2010 and was laterally transferred as Area Sales Manager for South Luzon in August 2011. Prior to his appointment as Head of Institutional Sales in May 2016, he served as the Head of Institutional Sales in May 2016 and thereafter as Manager, National Sales, Bulk. Institutional Sales. He is a certified Information Systems Auditor and a certified Professional for Supply Management. He has a degree in Computer Science from the Philippine Christian University.

Zoe Verna M. Sibala, 47, is the Senior Vice President, Head of Sustainability. Ms. Sibala holds a master's degree in Business Administration from the Graduate School of Business, De la Salle University and a degree in Economics from the University of the Philippines. In January 2010, she joined Lafarge as a Finance Manager of Batong Angono Aggregates Corporation and later on became the commercial controller of the Lafarge's cement product line – Lafarge Cement Service Philippines, Inc. Prior to being appointed as Head of Strategy of Holcim Philippines, Inc. she served Lafarge Republic Aggregates, Inc. as Project Manager from July 2014 to December 2014 and as Strategy and Business Development Manager from January to December 2015.

William Sumalinog, 52, is the Senior Vice President, Head of Sales. Mr. Sumalinog holds a Bachelor of Science degree in Computer Engineering from the University of Cebu where he graduated with leadership honors in 1992. Prior to his current role, Mr. Sumalinog was the Company's Regional Operating Head for various areas in Mindanao and Visayas. He joined Alsons Cement Corporation in 1998 where he occupied various key positions in sales.

Ike C. Tan, 61, is the Vice President, Head of Procurement joined Holcim Philippines (HPI) in 2011 as Solid and Liquid Fuels Manager. He held various positions in the Procurement / Supply Chain of HPI prior to his appointment as Head of Procurement in January 2017. His close to 25 years of procurement experience started during his employment with Philippine Airlines which included a stint as the airlines' Procurement Manager, Americas based in San Francisco, CA, U.S.A. Ike holds a degree of B. S. in Aeronautical Engineering, placed 6th in the Board and is an MBA candidate at the Ateneo Graduate School.

Ann Claire "Cara" M. Ramirez, 47, is the Vice President, Head of Corporate Communications. She was the Head for Marketing when she joined Holcim Philippines, Inc. in January 2015. She first joined a local food company, SAFI-UFC (now known as NutriAsia) in 1999, focusing on brand management of catsup brands. Prior to joining Holcim, she worked for Energizer Philippines, Inc. where she managed the Company's Marketing Department. Ms. Ramirez has a degree of Bachelor of Science in Economics from the University of the Philippines, Diliman.

Richard C. Cruz, 39, is the Vice President, Head of Health Safety and Environment. Mr. Richard Cruz joined Holcim Philippines, Inc. in May 2008 as Laboratory Engineer for AFR. In March 2010 he was appointed as Safety Officer responsible for delivering and maintaining safety systems and initiatives across all plants. From 2010 until his nomination for appointment as Head of Corporate Occupational Health and Safety, he served as Safety Manager for HPI's Commercial and Other Sites.

Belinda E. Dugan, 54, is the Vice President, General Counsel, Corporate Secretary and Compliance Officer of the Company. She obtained her Juris Doctor degree from Ateneo Law School and has over 23 years of experience with various multinational firms and a consulting company. Prior to joining Holcim Philippines, Inc. she was Vice President for Legal Management Services of Aboitiz Equity Ventures, Inc. (AEV) from October 2015 to October 2017. She served as Assistant Vice-president for Legal and Compliance of SN Aboitiz Power from May 2009 to October 2015.

Albert Leoveras, 48, is the Vice President, Head of Geocycle, Prior to his appointment to his current position, he was the Regional Head of sales for Northern and Central Luzon. He has over 15 years of experience in managing Sales Team, Distributors and key accounts sales. Prior to joining the Company, he was the Field Operations Manager and Regional Manager of Japan Tobacco International from 2012 to August 2015 and Sales Division Head of the Non-food Division of Wills International Sales Corporation.

Bobby Garza**,** 64**,** is the Vice President, Plant Manager of Bulacan. Mr. Garza is a registered Mining Engineer and a graduate of the Mapua Institute of Technology, Manila. He joined the Company in 1995 as Quarry Manager of La Union Plant. Prior to being appointed as Plant Manager in Bulacan, he was appointed as a Plant Manager in Lugait in 2012. He previously served as production manager of the Holcim La Union Plant from 2010 and Area Coach for Manufacturing Excellence of the Bulacan Plant.

Samuel O. Manlosa, Jr., 38, is the Vice President, Plant Manager of Davao. Mr. Manlosa is a licensed Chemical Engineer and placed 7^{th} in the November 2004 Chemical Engineering Board Examinations. He joined the Company in June 2010 as Senior Process Engineer. In January 2016, he was engaged as Process and Automation Expert in Holcim Singapore where he supported 7 LafargeHolcim plants in the Southeast Asian region to resolve operational and efficiency issues in raw mean and cement grinding and to implement critical equipment modifications to drive process improvements. Prior to being appointed as Vice President, Mr. Manlosa held the position of Industrial Transformation and Operational Excellence Manager since November 2018.

Eraño Santos, 58, is the Vice President, Plant Manager of La Union. Mr. Santos served in various leadership capacities across several Holcim Philippines facilities. He joined the Company in November 1987 as Superintendent-Electrical. In September 2008, he was promoted as a manager and served as such until his promotion as Plant Manager of the La Union Plant.

Arnold Pepino, 50, is the Vice President, Plant Manager of Lugait Plant. Prior to being appointed as such, Mr. Pepino was the Production Manager of Lugait Plant. He is well-versed in the Company's plant operations having served the Company as early as 1996. He held the positions of Cadet Engineer, Production Engineer II, Shift Operations Manager, manufacturing Excellence Coach and Process Manager. As Production Manager of the Lugait Plant, he has achieved 18 months kiln run campaign without schedule plant shutdown that saved the Company refractory cost amounting to Php 61 Million and produced an additional clinker of 71,747 tons in 2016 and 16,740 in 2018.

Ernesto Paulo Tan, 45, is the Vice President, Regional Head of Mindanao and Offshore Region. He joined the Company in December 2015 as Head-Regional Commercial Sales of North Luzon. He served as the Zone Manager of JT International Philippines, Inc. from February 2012 to November 2015 where he was responsible for overall Luzon general trade performance, and as Sales and Marketing Head and Acting Market Manager from January 2011 to December 2011. He holds a Bachelor of Science in Business Administration from the University of the Philippines.

Ma. Kathrina Mamba, 39, is the Company's OIC, Chief Audit Executive. She is a member of the Integrated Bar of the Philippines and holds a Bachelor of Laws degree from San Beda University in 2007, Bachelor of Arts and Master's degree in Philosophy from the University of the Philippines in 2002 and 2003, respectively. She also attended the Basic Management Program of Asian Institute of Management in 2011.

Prior to joining the Legal Department of Holcim Philippines, Inc, in 2014, Ms. Mamba was the Company's Labor Relations Manager from 2012 to 2014 and was an associate lawyer of Siguion Reyna, Montecillo and Ongsiako Law Office ("Siguion Reyna") from 2008 to 2012. She has a solid background and experience in leading investigations on fraud and irregularities, and identifying and managing risks. During her stint as associate lawyer of Siguion.

Alexander V. Taar, 39**,** is the Company's Treasurer and concurrently holds the position of Head for Financial Planning, Performance and Analysis. He joined the Company in 2013 and held various positions in Finance including Head of Business Process and Controls and Head of Accounting and Finance Reporting. Mr. Taar holds a degree in Accounting from Philippine School of Business Administration and obtained his Masters degree in Business Administration from Ateneo Graduate School of Business. Mr. Taar is a Certified Public Accountant and a Certified Management Accountant.

2) Family Relationships

None of the members of the Board of Directors or any Executive Officer of the Company is related by affinity or consanguinity.

3) Involvement in Certain Legal Proceedings

To the knowledge and/or information of the Company, the present members of the Board of Directors or the Executive Officers are not, presently, or during the last five (5) years, involved or have been involved in criminal, bankruptcy or insolvency investigations or proceedings except for the pending legal proceedings involving certain directors and executive officers of the Company and its subsidiaries described in Exhibit 4 hereof.

Item 10. Executive Compensation

The Company has local and expatriate executives. The compensation of local executives is benchmarked against the established Focus Group (FG*). At 100% performance attainment of the Company's financial and business goals, the executive compensation is targeted to be at median (P50) of the FG and at the 3rd quartile for performance attainment of 110% and above. Expatriates are paid in accordance with the International Assignment compensation guidelines of Holcim Group.

The compensation received by the Executive Officers represents salaries, bonuses and benefits.

* The Company's Focus Group (FG) is composed of local and multi-national companies with annual gross revenues of PHP 5 - 50 billion and 500 to 5,000 employees.

Table 11 – Executive Compensation (in PhP)

Name and Principal Position	Year	Salary	Bonus	Benefits
The CEO and five (5) most highly compensated Executive Officers 1. Horia Adrian – President and Chief Executive Officer 2. Jesusa Natividad L. Rojas – SVP – Head, Chief Finance Officer* 3. Ramakrishna Maganti – SVP – Head, Marketing & Innovations 4. Eung Rae Kim – SVP – Head, Cement Industrial Performance (CIP) 5. William C. Sumalinog – SVP – Head, Sales** 6. Frederic Vallat – VP – Head, Geocycle***	2022*	61,766,414	43,435,174	58,161,987
	2021	61,766,414	43,435,174	58,161,987
	2020	81,254,363	35,161,212	74,587,381
	2019	86,961,274	20,104,726	71,959,081

Name and Principal Position	Year	Salary	Bonus	Benefits
All other Executive Officers and Directors as a group unnamed	2022*	71,490,930	19,610,988	23,181,192
	2021	71,490,930	19,610,988	23,181,192
	2020	68,707,768	18,800,253	23,320,930
	2019	79,113,370	19,907,071	47,082,597

"Benefits of the CEO and five (5) most highly compensated Executive Officers include retirement service cost of one (1) expatriate repatriated to home country and the pro-rate salaries and benefits of two (2) executives as follows:

** Jesusa Natividad L. Rojas - separated from the company on August 2021*
*** William C. Sumalinog - separated from the company end of December 2021"*
**** Frederic Vallat – repatriated effective July 1, 2021*
All other Executive Officers and Directors as a group unnamed in 2021 include all incumbents in the Leadership Team with the rank of Vice President and on current Officer-In-Charge (OIC) capacity.
2022 estimated compensation of executive officers for the ensuing year is assumed to approximate the 2021 level. Bonuses given are driven by actual performance of the company; hence, estimate may vary from actual.*
*2021** benefits of All Other Executive Officers and Directors include pro-rate salaries, bonuses and benefits of other two (2) separated local Executive Officers.*
*2020*** benefits of All Other Executives Officers and Directors include two (2) expatriates repatriated to home country*

Other than directors' per diem, the directors of the Company do not receive any other compensation from the Company, including any of the following arrangements:

a. Standard arrangement and any other material arrangements;
b. Employment contract (between the Company and named executive officers);
c. Compensatory plan or arrangement;
d. Outstanding warrants or options; and
e. Adjustments or amendments on the price of stock warrants or options.

Warrants and Options Outstanding

There are no warrants or options granted by the Company to any of its Directors or Executive Officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The table below shows persons or groups known to HPI as of December 31, 2021 to be directly or indirectly the record or beneficial owner of more than 5% of the Company's voting securities:

Table 12 – Beneficial Ownership of Voting Securities

Title of Class	Name & Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner And Relationship with Record Owner	No of Shares Held	% of Ownership
Common	Union Cement Holdings Corporation 7th Floor, Two World Square, McKinley Hill Fort Bonifacio, Taguig City (Filipino) Stockholder	Union Cement Holdings Corp. (same as record owner)	3,906,425,506	60.55%
Common	Holderfin B.V. De Lairessestraat 129Hs 1075 HJ Amsterdam the Netherlands	Holderfin B.V. (same as record owner)	1,168,450,996	18.11%
Common	Sumitomo Osaka Cement Co., Ltd. 6-28, Rokubancho, Chiyoda-ku, Tokyo 102-8465 Japan Japan (Japanese) Stockholder	Sumitomo Osaka Cement Co., Ltd. (same as record owner)	594,952,725	9.22%
Common	Cemco Holdings, Inc. 815/816 Tower One & Exchange Plaza Ayala Avenue, Makati City (Filipino)	Cemco Holdings, Inc. (same as record owner)	456,689,560	7.08%

The respective Board of Directors of each of UCHC, Holderfin, Sumitomo Osaka Cement Co., Ltd. and Cemco has the power to decide how their shares in the Company are to be voted.

Security Ownership of Management

The table below shows the securities beneficially owned by all directors, nominees and executive officers of HPI as of December 31, 2021:

Table 13 – Security Ownership of Management

Title of Class	Name and Address of Beneficial Owner	Amount / Nature of Ownership	Registered (R) or Beneficial (B)	% of Ownership
Common	Tomas I. Alcantara	1(D)	R	0.00%
Common	Martin Kriegner	1(D)	R	0.00%
Common	Horia C. Adrian	1(D)	R	0.00%
Common	Tan Then Hwee	1(D)	R	0.00%
Common	Leandro Javier	1(D)	R	0.00%
Common	Thomas Aquino	1(D)	R	0.00%
Common	Medel Nera	1(D)	R	0.00%
Common	Erano Santos	3,000	R	0.00%
	Total	**3,007**	R	**0.00%**

Directors and officers as a group hold a total of 3,007 common shares, equivalent to approximately 0.00% of the Company's issued and outstanding capital stock.

(1) Voting Trust Holders of 5% or more

No person holds five percent (5%) or more of the issued and outstanding shares of stock of the Company under a voting trust or similar agreement.

(2) Changes in Control

There were no material changes in the control of the Company since the beginning of the Company's last calendar year.

Item 12. Certain Relationships and Related Transactions

For a detailed discussion of other material related party transactions, please see Note 32 – Related Party Transactions to the accompanying consolidated financial statements in Item 14.1.

Except for the transactions discussed in Note 32 – Related Party Transactions to the accompanying consolidated financial statements in Item 14.1, there were no other material related party transactions during the last three financial years, nor are there any material transactions currently proposed between the Company and any: (i) director, officer, direct or indirect owner of 10% or more of the outstanding shares in the Company; (ii) close family member of such director, officer or owner; (iii) associates of the Company; (iv) enterprises controlling, controlled by or under common control with the Company; or (v) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any director, officer or owner of 10% or more of the outstanding shares in the Company or any close family member of such director, key officer or owner, or collectively, the Related Parties.

There was no outstanding indebtedness at any time during the last three (3) financial years that was owed to the Company and/or its subsidiaries by any Related Party.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company has in place a robust internal control system which is an overall process effected by the Board, management and other personnel designed to provide reasonable assurance concerning: (i) the reliability of the financial reporting and statements; (ii) compliance with laws and regulations; (iii) protection of assets and fraud prevention; (iv) effectiveness and efficiency of processes. Additionally, in accordance with the Company's Revised Corporate Governance Manual, the Board is assisted by a Compliance Officer who is in charge of evaluating and ensuring compliance by the Company, the Board of Directors and officers with its Manual of Corporate Governance, Code of Corporate Governance for Publicly-Listed Companies (the "CG Code") and all relevant laws, rules and regulations.

The Board has established a Corporate Governance Committee which ensures that the Board and the Company, as a whole, is sufficiently conversant and compliant with the adopted leading practices in corporate governance. This committee is required to be composed of at least three (3) independent directors and one (1) non-executive non-independent director.

There has been no known deviation from the Company's Manual of Corporate Governance.

The Board always seeks to improve corporate governance of the Company by improving existing policies, developing and establishing new policies required by the Company's Corporate Governance Manual and undertaking measures to implement such policies.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

14.1 Consolidated Financial Statements

The audited consolidated financial statements for the years ended December 31, 2021 and 2020 are attached as Exhibit 1:

- Statement of Management's Responsibility to the Financial Statements
- Independent Auditors' Report
- Consolidated Statements of Financial Position as at December 31, 2021 and 2020
- Consolidated Statements of Profit or Loss and Other Comprehensive Income for the years ended December 31, 2021, 2020 and 2019
- Consolidated Statements of Changes in Equity for the years ended December 31, 2021, 2020 and 2019
- Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019
- Notes to Consolidated Financial Statements

14.2 Supplementary Schedules

- Supplementary Schedule of Retained Earnings Available for Dividend Declaration
- Illustration of relationships between the Company, its Ultimate Parent Company, Middle Parent, and its Subsidiaries
- Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2021
- Schedule of Financial Soundness Indicators
- The supplementary schedules of the Consolidated Financial Statements for the year ended December 31, 2021 are attached as Exhibit 2.

14.3 SEC Form 17 – Q

During the year 2021, the Company has filed the following SEC quarterly reports pursuant to Section 17 of SRC Rule 17 (2) (b) hereto attached as Exhibit 3.

Date of Filing	Quarter Ending
April 23, 2021	March 31, 2021
July 30, 2021	June 30, 2021
November 12, 2021	September 30, 2021

14.4 Legal Proceedings and Pending Cases (See Exhibit 4)

14.5 Reports on SEC Form 17-C

Reports on SEC Form 17-C filed during the year ended December 31, 2021 are attached together with this report as Exhibit 5:

Date Filed	Subject
January 22, 2021	An advisory on the results of the Special Shareholders meeting as follows: • Election of Mr. Nera as Independent Director • Approval of proposed merger of HPMC, MGMC and BPI with Holcim Philippines, Inc. • Approval of dissolution of HPBSCI, HSSI and Wellbourne International Group Limited
February 18, 2021	An advisory on the Board's approval to postpone the Annual Stockholder's Meeting from 2nd Thursday of May each year as stated in its By-Laws to May 27, 2021.
February 18, 2021	Notice of Special Stockholders Meeting
February 23, 2021	An advisory on the following: • Resignation of Mr. John William Stull as member of the Board, President and CEO of Holcim Philippines, Inc. and the election of Mr. Horia Adrian as his replacement • Appointment of Mr. Albert Leoveras to the position of Vice President, Head of Geoecycle to replace Mr. Frederic Vallat whose international assignment to the Philippines will end on June 30, 2021 • Approval of the Company's Audited Financial Statement for the year ending December 2020 • Appointment of external auditor for year 2021
March 3, 2021	An advisory on the fine imposed by the Pollution Adjudication Board of the EMB in connection with the oil spill incident at the Holcim La Union Plant.
April 28, 2021	An advisory on the Board's approval of the temporary suspension of the HPI grinding facility located in Mabini, Batangas lapse of the agreement for the sale and purchase of the Company shares among Holderfin, First Stronghold Cement Industries, Inc., San Miguel Corporation and LafargeHolcim Ltd., effective May 10, 2020.
May 31, 2021	Advisory on the Results of the Annual Stockholders' Meeting, Organizational Board Meeting and declaration of cash dividends
August 13, 2021	An advisory on the: • resignation of Ms. Jesusa Natividad L. Rojas as SVP, Chief Financial Officer, Treasurer and Investor Relations Officer and the appointment of Ms. Eliana Nieto Sanchez to replace her; • Change in designation of Officers • Appointment of Alexander V. Taar as Treasurer of the Company
September 24,2021	An advisory on the resignation of Ms. Bernadette Tansingco as SVP, Head of Organization and Human Resources and appointment of Ms. Elynor V. Roque as OIC, SVP – Head of Organization and Human Resources
October 13, 2021	An advisory on the fine imposed by the Philippine National Police ordering the Company to Pay a fine in connection with the late renewal of license to purchase controlled chemicals and late submission of Monthly consumption reports.
November 8, 2021	Advisory on the resignation of Mr. William C. Sumalinog, SVP Head of Sales.
December 15, 2021	Advisory on the result of the strike vote of the Holcim Philippines Workers Union-Federation of Democratic Labor Organization on the grounds of bargaining deadlock.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Taguig on MAR 16 2022 2022.

By:

Horia C. Adrian
President/Chief Operating Officer

Eliana Nieto
Chief Financial Officer/ Treasurer

Belinda E. Dugan
General Counsel/Corporate Secretary/ Compliance Officer

SUBSCRIBED AND SWORN to before me this _____ day of MAR 16 2022 2022 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Holcim Philippines, Inc.	00136603	January 4, 2019	Taguig City
	PASSPORT NO		
Horia C. Adrian	056390642	August 22, 2018	Bucuresti
Eliana Nieto	AU876069	June 11, 2018	C. Guayaquil
Belinda E. Dugan	P7916925A	July 12, 2018	DFA Legazpi

Notary Public

PATRICK HENRY D. SALAZAR
NOTARY PUBLIC
ROLL NO. 62515
TAGUIG CITY, PHILIPPINES

PATRICK HENRY D. SALAZAR
Notary Public for Taguig City
Appointment No. 6 valid until June 30, 2022
(pursuant to Supreme Court En Banc Resolution
dated September 28, 2021 - B.M. No. 3795
12th Floor, One/Neo Building 26th St. cor. 3rd Ave.
Crescent Park West, Bonifacio Global City Taguig City 1634
Roll of Attorney No. 62515; PTR No. A-5400934; 01/18/2022; Taguig City
IBP Lifetime No. 12285; 1/03/2014; Makati City
MCLE Compliance No. VI-0023104, 04/12/2019

Doc No: 491;
Page No: 100;
Book No: X;
Series of 2022.

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A

Exhibit 1

Consolidated Financial Statements

For the years ended

December 31, 2021 and 2020

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 6 1 2 6

Company Name

H O L C I M P H I L I P P I N E S , I N C . A N D
I T S S U B S I D I A R I E S

Principal Office (No./Street/Barangay/City/Town)Province)

7 / F , T W O W O R L D S Q U A R E ,
M C K I N L E Y H I L L , F O R T B O N I F A C I O ,
T A G U I G C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	C R M D	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N/A	(02) 459-3333	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
5,248	July 22	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Dennis G. Segovia Jr.	dennis.segovia@lafargeholcim.com	8-459-3333	09175308837

Contact Person's Address

7/F Two World Square, McKinley Hill, Fort Bonifacio, Taguig City

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

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

Holcim Philippines, Inc.
7th Floor Two World Square
McKinley Hill, Fort Bonifacio
Taguig City 1634
Philippines

Phone +63 2 459 3333
Fax +63 2 459 4444
www.holcim.com

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of Holcim Philippines, Inc. and its Subsidiaries (the "Group") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with Philippine Financial Reporting Standards and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Navarro Amper & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members has expressed its opinion on the fairness of presentation upon completion of such audit.

Tomas I. Alcantara
Chairman of the Board

Horia-Ciprian Adrian
President and Chief Executive Officer

Eliana Nieto Sanchez
Chief Financial Officer

Signed this 16th day of March 2022

Holcim

Holcim Philippines, Inc.
7th Floor Two World Square
McKinley Hill, Fort Bonifacio
Taguig City 1634
Philippines

Phone +63 2 459 3333
Fax +63 2 459 4444
www.holcim.com

SUBSCRIBED AND SWORN to before me this MAR 16 2022 with the presentation of the following:

Name	ID	Place Issued	Date Issued
Tomas I. Alcantara	UMID ID 0111- 05213746		
	Passport No.		
Horia C. Adrian	056390642	Bucuresti	August 22, 2018
Eliana Nieto	AU876069	C. Guayaquil	June 11, 2018

Doc. No. 490
Page No. 99
Book No. V
Series of 2021.

PATRICK HENRY D. SALAZAR
NOTARY PUBLIC
ROLL NO. 62515
TAGUIG CITY, PHILIPPINES

PATRICK HENRY D. SALAZAR
Notary Public for Taguig City
Appointment No. 6 valid until June 30, 2022
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Roll of Attorney No. 62515; PTR No. A-5400934; 01/18/2022; Taguig City
IBP Lifetime No. 12285; 1/03/2014; Makati City
MCLE Compliance No. VI-0023104; 04/12/2019

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19th Floor Six/NEO Building
5th Avenue corner 26th Street
Bonifacio Global City, 1634 Taguig
Philippines

Tel: +63 2 8581 9000
Fax: +63 2 8869 3676
www.deloitte.com/ph

BOA/PRC Reg. No. 0004
SEC Accreditation No. 0004-SEC

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITORS

To the Board of Directors and Shareholders
HOLCIM PHILIPPINES, INC. AND ITS SUBSIDIARIES
7/F, Two World Square, McKinley Hill
Fort Bonifacio, Taguig City

Gentlemen:

We have audited the consolidated financial statements of Holcim Philippines, Inc. and its Subsidiaries (the "Group") as at and for the year ended December 31, 2021, in accordance with Philippine Standards on Auditing, on which we have rendered the attached report dated March 16, 2022. In connection with our audit, we wish to state that Holcim Philippines, Inc. (the "Parent Company") is listed with the Philippine Stock Exchange.

Navarro Amper & Co.
BOA Registration No. 0004, valid from June 7, 2021 to September 22, 2024
SEC A.N. 0004-SEC, issued on December 7, 2021; Group A, valid to audit 2021 to 2025 financial statements
TIN 005299331

By:

Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A
TIN 170035681
BIR A.N. 08-002552-18-2020, issued on December 28, 2020; effective until December 27, 2023
PTR No. A-5334276, issued on January 4, 2022, Taguig City

Taguig City, Philippines
March 16, 2022

NavarroAmper&Co.

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Philippines

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BOA/PRC Reg. No. 0004
SEC Accreditation No. 0004-SEC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
HOLCIM PHILIPPINES, INC. AND ITS SUBSIDIARIES
7/F, Two World Square, McKinley Hill,
Fort Bonifacio, Taguig City

Opinion

We have audited the consolidated financial statements of Holcim Philippines, Inc. and its Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the years then ended December 31, 2021 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended December 31, 2021, 2020 and 2019 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (the Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audits evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the consolidated financial statements of the current period. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matter:

Key Audit Matter	Our audit performed and responses thereon
Goodwill Goodwill has been recognized in the consolidated financial statements which is attributable to the cement operations of the Group. Under Philippine Financial Reporting Standards (PFRS), the Group is required to annually test the goodwill for impairment. This annual impairment test is significant to our audit because the aggregated balance of goodwill amounting to P2.64 billion is material to the consolidated financial statements and represents 6.37% of the total assets of the Group as at December 31, 2021. In addition, the Management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill. This annual impairment test involves a number of key sensitive judgments and estimates made in determining the inputs used in the assessment process. The Group's carrying value of goodwill as at December 31, 2021 are disclosed in Note 14 to the consolidated financial statements.	Our audit procedures focused on performing a detailed walkthrough and understanding on the Management's assessment process and challenging the key assumptions and judgments as follows: 1. We assessed the appropriateness and reasonableness of the Group's position on the impairment of goodwill including consideration of various factors such as historical business performance, current year developments, current risk evaluations, business plans, outlook, revenue potential and other market considerations. 2. We engaged our internal valuation specialist to review and assess the appropriateness of the valuation methodology and key assumptions used in the impairment analysis, in particular the discount rates and terminal growth rates by comparing the expectations to those used by Management. 3. We also compared the revenue and margin growth rates and EBITDA to the historical performance of the cash-generating unit (CGU), management plans and analysts' reports on market outlook. 4. We performed stress test of the key assumptions, assessed the impact on the recoverable amounts based on sensitivity analysis, and understood the degree to which assumptions would need to move before impairment would be triggered. 5. We also considered the adequacy and appropriateness of the related disclosures in the financial statements.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditor's report, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2021, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover this other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or with our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

Those Charged with Governance are responsible for overseeing Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Bonifacio F. Lumacang, Jr.

Navarro Amper & Co.
BOA Registration No. 0004, valid from June 7, 2021 to September 22, 2024
SEC A.N. 0004-SEC, issued on December 7, 2021; Group A, valid to audit 2021 to 2025 financial statements
TIN 005299331

By:

Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A
TIN 170035681
BIR A.N. 08-002552-18-2020, issued on December 28, 2020; effective until December 27, 2023
PTR No. A-5334276, issued on January 4, 2022, Taguig City

Taguig City, Philippines
March 16, 2022

HOLCIM PHILIPPINES, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Notes	**2021**	2020
		(In Thousands)	
ASSETS			
Current Assets			
Cash in banks	8	**₱ 501,208**	₱ 2,080,791
Trade and other receivables - net	9	**1,955,800**	3,067,077
Inventories – net	10	**4,347,057**	2,851,169
Other current assets	11	**360,052**	417,775
Total Current Assets		**7,164,117**	8,416,812
Non-current Assets			
Investments	12	**4,124,345**	4,299,259
Property, plant and equipment - net	13	**19,502,248**	19,525,534
Right-of-use assets	19	**1,544,292**	1,866,896
Goodwill	14	**2,635,738**	2,635,738
Intangible assets - net	14	**32,505**	19,445
Retirement benefit asset	34	**2,468,661**	2,161,204
Other non-current assets	15	**2,879,572**	2,440,534
Total Non-current Assets		**33,187,361**	32,948,610
		₱40,351,478	₱41,365,422
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	16	**₱ 8,566,340**	₱ 9,301,296
Lease liabilities - current portion	19	**171,418**	218,047
Income tax payable		**148,958**	161,427
Total Current Liabilities		**8,886,716**	9,680,770
Non-current Liabilities			
Provisions	22	**73,043**	74,479
Deferred tax liabilities – net	33	**112,025**	136,099
Lease liabilities – non-current portion	19	**1,475,239**	1,842,019
Total Non-current Liabilities		**1,660,307**	2,052,597
		10,547,023	11,733,367
Equity			
Capital stock	23	**6,452,099**	6,452,099
Additional paid-in capital		**8,476,002**	8,476,002
Other reserves	18	**4,050**	4,050
Reserves for remeasurement gain on retirement benefits – net	34	**1,806,860**	1,423,446
Retained earnings	23	**13,048,740**	13,261,328
Equity attributable to equity holders of the Parent Company		**29,787,751**	29,616,925
Non-controlling interest		**16,704**	15,130
Total Equity		**29,804,455**	29,632,055
		₱40,351,478	₱41,365,422

See accompanying Notes to Consolidated Financial Statements.

HOLCIM PHILIPPINES, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the Years Ended December 31		
	Notes	**2021**	2020	2019
		(In Thousands, Except Per Share Amounts)		
Revenue	7	**₱26,946,145**	₱26,015,342	₱33,486,771
Cost of Sales	24	**21,700,100**	21,884,624	27,040,914
Gross Profit		**5,246,045**	4,130,718	6,445,857
Interest and other financial income	30	**99,096**	158,755	319,128
Other income (expense) – net	31	**56,964**	187,526	(18,273)
Interest and financing charges	29	**(134,535)**	(357,460)	(581,515)
Share of results of associate	12	**(155,399)**	22,234	134,146
Selling expenses	26	**(568,758)**	(460,606)	(544,548)
General and administrative expenses	25	**(1,103,063)**	(906,592)	(959,282)
Profit Before Income Tax		**3,440,350**	2,774,575	4,795,513
Income Tax Expense	33	**875,187**	710,491	1,205,871
Profit for the Year		**₱ 2,565,163**	₱2,064,084	₱ 3,589,642
Profit for the year attributable to:				
Equity holders of the Parent Company		**₱ 2,563,635**	₱2,062,303	₱ 3,587,301
Non-controlling interest		**1,528**	1,781	2,341
		₱ 2,565,163	₱2,064,084	₱ 3,589,642
Other Comprehensive Income (Loss) not to be reclassified to profit or loss in subsequent period:				
Remeasurement gain (loss) on retirement benefits	34	**₱ 343,333**	(₱286,800)	(₱1,564,752)
Income tax effect		**40,081**	86,040	469,427
		383,414	(200,760)	(1,095,325)
Reversal of remeasurement loss on retirement benefit		**46**	(453)	–
Other reserves		–	(425)	2,131
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods – net of tax		**383,460**	(201,638)	(1,093,194)
Total Comprehensive Income		**₱ 2,948,623**	₱1,862,446	₱ 2,496,448
Total Comprehensive Income Attributable to:				
Equity holders of the Parent Company		**₱ 2,947,049**	₱1,861,118	₱ 2,498,719
Non-controlling interest		**1,574**	1,328	(2,271)
Total Comprehensive Income		**₱ 2,948,623**	₱1,862,446	₱ 2,496,448
Basic/Diluted Earnings per Common Share of Net Income Attributable to Equity Holders of the Parent Company	36	**₱ 0.40**	₱ 0.32	₱ 0.56

See accompanying Notes to Consolidated Financial Statements.

HOLCIM PHILIPPINES, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 23)	Additional Paid-in Capital	Other Reserves (Note 18)	Reserves for Remeasurement Gain (Loss) on Retirement Benefits - net (Note 34)	Retained Earnings (Note 23)	Total	Non-controlling Interest	Total Equity
	(In Thousands, Except Per Share Amount)							
Balances at January 1, 2019	₱6,452,099	₱8,476,002	₱2,344	₱2,719,531	₱ 7,607,112	₱25,257,088	₱16,073	₱25,273,161
Profit for the year	-	-	-	-	3,587,301	3,587,301	2,341	3,589,642
Other comprehensive income (loss)	-	-	2,131	(1,095,325)	4,612	(1,088,582)	(4,612)	(1,093,194)
Total comprehensive income (loss)	-	-	2,131	(1,095,325)	3,591,913	2,498,719	(2,271)	2,496,448
Balances at December 31, 2019	6,452,099	8,476,002	4,475	1,624,206	11,199,025	27,755,807	13,802	27,769,609
Profit for the year	-	-	-	-	2,062,303	2,062,303	1,781	2,064,084
Other comprehensive loss	-	-	(425)	(200,760)	-	(201,185)	(453)	(201,638)
Total comprehensive income (loss)	-	-	(425)	(200,760)	2,062,303	1,861,118	1,328	1,862,446
Balances at December 31, 2020	6,452,099	8,476,002	4,050	1,423,446	13,261,328	29,616,925	15,130	29,632,055
Profit for the year	-	-	-	-	2,563,635	2,563,635	1,528	2,565,163
Other comprehensive income	-	-	-	383,414	-	383,414	46	383,460
Total comprehensive income	-	-	-	383,414	2,563,635	2,947,049	1,574	2,948,623
Transactions with owners:								
Cash dividends - ₱0.43 per share	-	-	-	-	(2,776,223)	(2,776,223)	-	(2,776,223)
Balances at December 31, 2021	**₱6,452,099**	**₱8,476,002**	**₱4,050**	**₱1,806,860**	**₱13,048,740**	**₱29,787,751**	**₱16,704**	**₱29,804,455**

See accompanying Notes to Consolidated Financial Statements.

HOLCIM PHILIPPINES, INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2021	2020	2019
		For the Years Ended December 31		
		(In Thousands)		
Cash Flows from Operating Activities				
Profit before income tax		**₱3,440,350**	₱2,774,575	₱4,795,513
Adjustments for:				
Depreciation and amortization	28	**1,838,138**	1,967,923	1,746,800
Share in undistributed earnings (loss) of an associate	12	**155,399**	(22,234)	(134,146)
Interest and financing charges	29	**134,534**	357,460	581,515
Retirement benefits expense	34	**104,861**	87,220	64,594
Provision for inventory obsolescence	10	**57,943**	69,895	71,256
Reversal of revaluation of related party liability	31	**21,731**	-	-
Provision for (Reversal of) expected credit losses	9	**2,156**	31,778	(9,364)
Unrealized foreign exchange losses (gains) - *net*		**1,890**	(24,272)	15,859
Write-off of investment	31	**1,634**	–	–
Loss (Gain) on sale of property, plant and equipment	31	**336**	–	(8,322)
Revaluation of financial assets at FVTPL		**(2,750)**	–	–
Gain on termination of lease liabilities	31	**(39,162)**	–	–
Reversal of inventory obsolescence	10	**(74,173)**	(53,066)	(48,434)
Interest and other financial income	30	**(99,096)**	(158,755)	(319,128)
Loss on disposal of intangible asset	31	–	–	105,858
Income before working capital changes		**5,543,791**	5,030,524	6,862,001
Decrease (Increase) in:				
Trade and other receivables		**908,126**	849,528	94,695
Inventories		**(1,573,329)**	209,919	2,027,215
Other current assets		**3,500**	547,218	(169,152)
Decrease in trade and other payables		**(1,590,465)**	(799,248)	(1,347,267)
Cash generated from operations		**3,291,623**	5,837,941	7,467,492
Contributions to the retirement fund	34	**(5,998)**	(117,457)	(114,098)
Income taxes paid		**(815,361)**	(856,798)	(1,234,069)
Net cash from operating activities		**2,470,264**	4,863,686	6,119,325
Cash Flows from Investing Activities				
Additions to property and equipment	13	**(1,338,498)**	(890,447)	(2,599,089)
Additions to intangible assets	14	**(19,533)**	–	(107,577)
Additions to investments	12	–	–	(18,750)
Collection of loan extended to a related party		**227,090**	–	–
Decrease (Increase) in other non-current assets		**33,918**	(38,982)	275,073
Interest received		**12,440**	12,599	78,543
Proceeds from sale of property, plant and equipment	13	**182**	258	31,986
Dividends received	12	–	88,530	39,170
Net cash used in investing activities		**(1,084,401)**	(828,042)	(2,300,644)
Cash Flows from Financing Activities				
Payments of:				
Cash dividends	23	**(2,544,640)**	–	–
Loans payable		–	(9,225,849)	(11,400,000)
Lease liabilities	19	**(293,480)**	(341,747)	(667,995)
Interest and financing charges	29	**(21,051)**	(489,819)	(399,948)
terest on lease liabilities	19	**(105,838)**	(165,854)	–
Proceeds from availment of loans		–	5,300,000	6,200,000
Net cash used in financing activities		**(2,965,009)**	(4,923,269)	(6,267,943)
Effects of Exchange Rate Changes		**(437)**	6,519	11,306
Net Decrease in Cash in Banks		**(1,579,583)**	(881,106)	(2,437,956)
Cash in Banks, Beginning		**2,080,791**	2,961,897	5,399,853
Cash in Banks, End	8	**₱ 501,208**	₱2,080,791	₱ 2,961,897

See accompanying Notes to Consolidated Financial Statements.

1. CORPORATE INFORMATION

Holcim Philippines, Inc. (HPI or the "Parent Company") and its subsidiaries (collectively referred to as the "Group"), except Wellborne International Group Limited (WEB), were incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company is primarily engaged in the manufacture, sale and distribution of cement and cementitious products.

The plant sites of the Parent Company are in Davao City and in the provinces of La Union and Bulacan while the plant sites of its subsidiaries, Mabini Grinding Mill Corporation and Holcim Philippines Manufacturing Corporation, are in the provinces of Batangas and Misamis Oriental, respectively. The registered address and principal place of business of the Parent Company is at 7th Floor, Two World Square McKinley Hill, Fort Bonifacio, Taguig City.

The Parent Company is majority-owned by Union Cement Holdings Corporation (UCHC), a Group incorporated in the Philippines. The ultimate parent of the Group is Lafarge Holcim Limited, a company incorporated in Switzerland.

The Parent Company's shares of stocks were listed in the Philippine Stock Exchange on June 17, 1996. Total shares registered and outstanding as at December 31, 2021 and 2020 is 6.5 billion.

Status of Operations

Following is the status of operations of some of the subsidiaries within the Group:

Excel Concrete Logistics, Inc. (ECLI) was incorporated and registered with the SEC on August 9, 2012. On January 1, 2013, ECLI started its full operation servicing the distribution, transport and placing of concrete, as well as transport of cement and specialty products. On November 29, 2018, the Board of Directors (BOD) of the Parent Company approved the closure and dissolution of ECLI. On January 28, 2020, the SEC approved ECLI's application for amendment of ECLI's Articles of Incorporation to shorten its corporate term. Accordingly, the Parent Company impaired its investment in ECLI in 2019 amounting to ₱125.0 million and the financial statements of ECLI has been prepared using the alternative authoritative basis of accounting.

HUBB Stores and Services, Inc. (HSSI) incurred gains (losses) in 2021 and 2020 amounting to ₱184.4 million and (₱37.6 million), resulting in an accumulated deficit of ₱38.9 million and ₱223.3 million as at December 31, 2021 and 2020, respectively. In 2019, the Parent Company impaired its investment amounting to ₱112.5 million as the Parent Company foresees that the relevant investment will no longer be realized due to its current operations and financial stability. However, in 2020 Management had taken appropriate actions by implementing strategies that will assist in improving the results of operations and maintaining financial stability.

On November 20, 2020, the Board of Directors and stockholders of the Parent Company approved the dissolution of HSSI. On June 29, 2021, the Board of Directors of HSSI approved the shortening of its corporate term. Accordingly, the financial statements of HSSI has been prepared using the alternative authoritative basis of accounting.

On November 19, 2020, the Board of Directors of Holcim Philippines, Inc. approved the upstream merger of Holcim Philippines Manufacturing Corporation, Mabini Grinding Mill Corporation and Bulkcem Philippines, Inc. into Holcim Philippines, Inc. The stockholders likewise approved the upstream merger in a special meeting held on January 15, 2021.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and Board of Accountancy (BOA) and adopted by the SEC.

Basis of Preparation

The Group's consolidated financial statements have been prepared on historical cost basis except for:

- financial instruments measured at amortized cost;
- financial instruments which are valued at fair value;
- derivative assets and liabilities measured at fair value;
- inventories at lower of cost or net realizable value (NRV);
- defined benefit asset or obligation recognized as the net total of the fair value of plan assets less the present value of the defined benefit obligation;
- lease liabilities measured at the present value of the lease payments; and
- provisions measured at its best estimate of the expenditure required to settle the present obligation, with discounting if the effect of time value of money is material.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of PFRS 2, *Share-based payments,* leasing transactions that are within the scope of PFRS 16, *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2, *Inventories* or value in use in PAS 36, *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Functional and Presentation Currency

These consolidated financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Group operates. All amounts are rounded in the nearest thousand pesos, except when otherwise indicated.

3. COMPOSITION OF THE GROUP

Details of the Parent Company's subsidiaries as at December 31, 2021 and 2020 are as follows:

	Ownership and Voting Interest	
	2021	2020
Held by the Parent Company		
WEB [(a)]	**100.00%**	100.00%
Excel Concrete Logistics, Inc. (ECLI) [(b)]	**100.00%**	100.00%
Shop and Build Corporation (S&B)[(c)]	**100.00%**	100.00%
Hubb Stores and Services, Inc. (HSSI) [(d)]	**100.00%**	100.00%
Holcim Philippines Manufacturing Corporation (HPMC) [(e)]	**99.62%**	99.62%
Held by WEB		
Mabini Grinding Mill Corporation (MGMC) [(e)]	**100.00%**	100.00%
Held by HPMC		
Alsons Construction Chemicals, Inc. (Alchem) [(f)]	**99.62%**	99.62%
Bulkcem Philippines, Inc. (Bulkcem) [(g)]	**99.62%**	99.62%
Calamba Aggregates Co., Inc. (CACI) [(h)]	**99.62%**	99.62%

Incorporated outside the Philippines
- (a) *A Group incorporated in British Virgin Islands and is dissolved as approved by the Board of Director on June 28, 2019.*

Incorporated in the Philippines
- (b) *Ceased commercial operations of distributing and transporting cement effective December 31, 2018*
- (c) *Formerly Holcim Philippines Business Services Center, Inc. (HPBSCI). Engaged in retail of all kinds of construction and building materials effective November 2021*
- (d) *Ceased commercial operations of retail of all kinds of construction and building materials effective August 2020*
- (e) *Engaged in leasing of cement manufacturing plant*
- (f) *Ceased commercial operations effective December 31, 2013*
- (g) *Engaged in leasing of pack houses.*
- (h) *Ceased commercial operations of mining and selling raw materials and other quarry resources effective October 2004*

The interest that the Non-Controlling Interest (NCI) have in the Group's activities and cash flows is not significant.

4. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Adoption of New and Revised Accounting Standards Effective in 2021

The Group adopted all accounting standards and interpretations as at December 31, 2021. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and approved by the FRSC in the Philippines, were assessed to be applicable to the Group's consolidated financial statements, are as follows:

Amendments to PFRS 16*, Covid-19-Related Rent Concessions beyond June 30, 2021*

In March 2021, the Board issued *Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to PFRS 16)* which extends the practical expedient to apply to reduction in lease payments originally due on or before June 30, 2022.

In the current financial year, the Group has applied the amendment to PFRS 16 (as issued by the Board in May 2021) in advance of its effective date.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before June 30, 2022 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2022 and increased lease payments that extend beyond June 30, 2022); and
c) There is no substantive change to other terms and conditions of the lease.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued.

The amendment does not have a significant impact on the Group's consolidated financial statements as there has been no reduction in lease payments for its existing lease contracts within the financial year.

PIC Q&A No. 2020-07, PAS 12, *Accounting for the Proposed Changes in Income Tax Rates under the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill*

The interpretation explained the details of the CREATE bill and its impact on the financial statements once passed.

Interpretation that discussed the impact on the financial statements ended December 31, 2020 are as follows:

- Current and deferred taxes will still be measured using the applicable income tax rate as of December 31, 2020.
- If the CREATE bill is enacted before financial statements' issue date, this will be a non-adjusting event but the significant effects of changes in tax rates on current and deferred tax assets and liabilities should be disclosed.
- If the CREATE bill is enacted after financial statements' issue date but before filing of the income tax return, this is no longer a subsequent event but companies may consider disclosing the general key feature of the bill and the expected impact on the financial statement.

For the financial statements ended December 31, 2021, the impact are as follows:

- Standard provides that component of tax expense(income) may include "any adjustments recognized in the period for current tax of prior periods" and "the amount of deferred tax expense(income) relating to changes in tax rates or the imposition of new taxes".
- An explanation of changes in the applicable income tax rates to the previous accounting period is also required to be disclosed.
- The provision for current income tax for the year 2021 will include the difference between income tax per 2020 financial statements and 2020 income tax return.
- Deferred tax assets and liabilities as of December 31, 2021, will be remeasured using the new tax rates.
- Any movement in deferred taxes arising from the change in tax rates that will form part of the provision for/benefit from deferred taxes will be included as well in the effective tax rate reconciliation.

The interpretation is effective on or after January 29, 2021.

The Group has applied the interpretation starting March 2021. Payments made in April 2021 for 2020 income tax due applied the transitory rate of 27.5%. Accordingly, the new income tax rate of 25% and MCIT rate of 1% were applied by the Group throughout the year. Moreover, the current income tax for the current year included the difference between income tax per 2020 financial statements and 2020 income tax return as an income tax benefit.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2021

PFRS 17, *Insurance Contracts*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4, *Insurance Contracts*.

PFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

An amendment issued on June 2020 and adopted by FRSC on August 2020 addresses concerns and implementation challenges that were identified after PFRS 17 was published.

PFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The standard (incorporating the amendments) is effective for periods beginning on or after January 1, 2023. Earlier application is permitted.

The adoption of the new accounting standard does not have an impact on the Group since it is not an issuer of insurance contracts.

Amendments to PFRS 3, *References to the Conceptual Framework*

The amendments update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to PFRS 3 a requirement that, for obligations within the scope of PAS 37, an acquirer applies PAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21, *Levies*, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The amendments also add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The Management of the Group is still evaluating the impact of these new amendments.

Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture*

The amendments to PFRS 10 and PAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

The Management of the Group is still evaluating the impact of these new amendments.

Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments to PAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

The Management of the Group is still evaluating the impact of these new amendments.

Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with PAS 2, *Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. PAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.
The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Group is still evaluating the impact of these new amendments.

Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Group is still evaluating the impact of these new amendments.

Annual Improvements to PFRS Standards 2018-2020 Cycle

Amendments to PFRS 1 – *Subsidiary as a first-time adopter*

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

Amendments to PFRS 9, *Fees in the '10 percent' test for derecognition of financial liabilities*

The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

Amendments to PFRS 16, *Lease Incentives*

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to PFRS 16 only regards an illustrative example, no effective date is stated.

Amendments to PAS 41, *Taxation in Fair Value Measurements*

The amendment removes the requirement in PAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in PAS 41 with the requirements of PFRS 13, *Fair Value Measurement* to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Group is still evaluating the impact of these new amendments.

Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*

The amendments are as follows:

- An entity is now required to disclose its *material* accounting policy information instead of its *significant* accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information

The amendments are applied prospectively. The amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

The Management of the Group is still evaluating the impact of these new amendments.

Amendments to PAS 8, *Definition of Accounting Estimates*

With the amendment, accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty."

The amendment clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

The Management of the Group is still evaluating the impact of these new amendments.

Amendments to PAS 12, *Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.
Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.
Following the amendments to PAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS 12.
The Board also adds an illustrative example to PAS 12 that explains how the amendments are applied.
The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
    - Right-of-use assets and lease liabilities
    - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.
The Management of the Group is still evaluating the impact of these new amendments.

Amendment to PFRS 17, Initial Application of PFRS 17 and PFRS 9 – *Comparative Information*

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17.

The main amendment in Initial Application of PFRS 17 and PFRS 9, C*omparative Information* (Amendment to PFRS 17) is a narrow-scope amendment to the transition requirements of PFRS 17 for entities that first apply PFRS 17 and PFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of PFRS 17 and PFRS 9, but where this information has not been restated for PFRS 9.

Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of PFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of PFRS 9.

There are no changes to the transition requirements in PFRS 9

The amendment is effective for annual periods beginning on or after January 1, 2025, as amended by the FRSC from January 1, 2023. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB. Still subject to approval of the Board of Accountancy.

The Management of the Group is still evaluating the impact of these new amendments.

5. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and all subsidiaries it controls.

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- and has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Parent Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interest even if this results in the non-controlling interest having deficit balance.

The consolidated financial statements of the subsidiaries are prepared for the same reporting year as the Group, using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealized gains and losses are eliminated.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable PFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under PFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with PAS 12, *Income Taxes* and PAS 19, *Employee Benefits* respectively;
- liabilities and equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with PFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any) is recognized immediately in profit or loss as bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interest are measured at fair value or, when applicable, on the basis specified in another PFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the changes in fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with PFRS 9, *Financial Instruments,* or PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities. Subsequently, goodwill arising on an acquisition of a business is measured at cost less any accumulated impairment losses.

Goodwill is not amortized but is reviewed for impairment at least annually. For purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating unit (CGU) that are expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the amount attributable to goodwill is included in the determination of the profit or loss on disposal.

Current Versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current or noncurrent classification. An asset is current if:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement

The Group measures financial instruments such as derivatives and financial assets at fair value through profit or loss (FVTPL) at each balance sheet date.

The principal or the most advantageous market must be accessible by the Group.

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

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy.

Fair value related disclosures for financial instruments that are measured at fair value are summarized in Notes 12 (Investments), 9 (Trade and other receivables), and 16 (Trade and other payables).

Financial Assets

Financial assets are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

Classification and subsequent measurement

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period established by regulation or convention in the marketplace.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Financial assets are subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as follows:

- financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;
- financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);

- all other financial assets managed on their fair value basis and equity instruments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3 applies, in OCI; and
- the Group may irrevocably designate a debt investment that meets the amortized cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI.

For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss;
- for debt instruments measured at FVOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss. Other exchange differences are recognized in OCI in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedge accounting relationship, exchange differences are recognized in profit or loss; and
- for equity instruments measured at FVOCI, exchange differences are recognized in OCI in the investments revaluation reserve.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) on trade and other receivables and due from related parties. No impairment loss is recognized for investments in equity instruments.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

ECLs are required to be measured for all other financial instruments through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

ECLs are probability-weighted estimates of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Significant increase in credit risk

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the current credit status of customers as assessed regularly by credit and sales officers of the Group, the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument (e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 360 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'.

Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 360 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortized cost or FVOCI are credit-impaired at each reporting date. To assess if debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

Write-off

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and recognition of expected credit losses

The measurement of ECL is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the asset's cash flows expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss, but is transferred to retained earnings.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain/loss allocated to it that had been recognized in OCI is recognized in profit or loss. A cumulative gain/loss that had been recognized in OCI is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

Cash in Banks

Cash in banks exclude any restricted cash (presented as part of "Other non-current assets") that is not available for use by the Group and therefore, is not considered highly liquid, such as cash set aside to cover rehabilitation obligations.

Inventories

Inventories are initially measured at cost. Subsequently, valued at the lower of cost or net realizable value (NRV). Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Finished goods and goods in process	-	determined using the moving average method; cost includes direct materials, direct labor and a proportion of manufacturing overhead costs.
Raw materials, fuel, spare parts and others	-	determined using the moving average method; cost includes purchase price and other costs incurred in bringing these inventories to their present location or condition.

The NRV of finished goods and goods in process inventories is the selling price in the ordinary course of business, less estimated costs to complete the product and make the sale. The NRV of raw materials, fuel, spare parts and other inventories is the current replacement cost.

When the net realizable value of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

Other Current Assets

Other current assets mainly include advances to suppliers and prepaid expenses. These are amounts paid in advance for goods or services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or within 12 months from the balance sheet date, otherwise, these are classified under non-current assets. They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Investment in Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations*.

Under the equity method, an investment in an associate is recognized initially in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investments and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition, i.e. discount on acquisition is immediately recognized in profit or loss in the period of acquisition.

The results of operations, and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held-for-sale in which measured at lower of carrying amount and fair value less cost to sell. Under the equity method, investments in associates are carried in the statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group's accounting policy for impairment of financial assets is applied to determine whether it is necessary to recognize any impairment loss with respect to its investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the Group's accounting policy on impairment of tangible and intangible assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues to use the equity method from the date the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with PFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when the equity method is discontinued.

When the Group reduces in its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in an associate that are not related to the Group.

Property, Plant and Equipment

Property, plant and equipment are initially recognized at cost. The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.

The cost of construction in progress includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Major spare parts and stand-by equipment qualify as property, plant and equipment when the Group expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, these are accounted for as property, plant and equipment.

At the end of each reporting period, items of property, plant and equipment measured using the cost model are carried at cost less any subsequent accumulated depreciation and impairment losses.

Property, plant and equipment are subsequently measured at cost less any subsequent accumulated depreciation, and impairment losses. Subsequent expenditures relating to an item of property, plant and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Building and installations	20 to 40 years
Machinery and equipment	10 to 30 years
Furniture, vehicles and tools	3 to 10 years

Stand-by equipment is depreciated from the date it is made available for use over the shorter of the life of the stand-by equipment or the life of the asset the stand-by equipment is part of, while major spare parts are depreciated over the period starting it is brought into service, continuing over the lesser of its useful life and the remaining expected useful life of the asset to which it relates.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy.

Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Construction in progress represents plant and properties under construction or development and is stated at cost. This includes costs of construction, plant and equipment, borrowing costs directly attributable to such assets during the construction period and other direct costs. Construction in-progress is not depreciated until such time when the relevant assets are substantially completed and available for its intended use.

Intangible Assets

Intangible assets are initially measured at cost. Subsequent to initial recognition, intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives of the intangible assets which is between 5 to 10 years. The estimated useful life and the amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group assesses whether there is any indication that any of its tangible and intangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized as an expense. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income.

Goodwill that forms part of the carrying amount of an investment in subsidiaries are not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an investment in subsidiaries is tested for impairment as a single asset when there is objective evidence that the investment in subsidiaries may be impaired.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability, other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination, may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and PFRS 9 permits the entire hybrid contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in profit or loss.

However, for non-derivative financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognized in profit or loss.

In making the determination of whether recognizing changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Group assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

Since the Group does not have financial liabilities classified at FVTPL, all financial liabilities are subsequently measured at amortized cost.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with PFRS 9; and
- the amount recognized initially less, where appropriate, cumulative amortization recognized.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments.

These foreign exchange gains and losses are recognized in the other income (expense) – net line in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those, which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

A right to offset must be available today rather being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Derecognition of financial liabilities

Financial liabilities are derecognized by the Group when the obligation under the liability is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as a modification gain or loss within other gains and losses.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Capital stock

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

Preferred shares

Preference share capital is classified as equity for non-redeemable and redeemable only at the Group's option, and any dividends are discretionary dividends thereon are recognized as distribution within equity upon approval by the Group's shareholders.

Additional paid-in capital

When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Retained earnings

Retained earnings represent accumulated profit earned by the Group after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Dividends

Dividend distribution to the Group's shareholders is recognized as liability in the Group's consolidated financial statements in the period in which the dividends are declared by the Group's Board of Directors (BOD).

Other reserves

Other reserves in the Group's financial statements represent the Group's share in the performance compensation scheme of the Holcim Group.

Derivative Financial Instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, such as foreign exchange forward contracts. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. All derivatives are carried as assets if the fair value is positive, otherwise derivatives are carried as liabilities. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the consolidated financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months, and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognized when the Group has a present obligation, either legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Contingent liabilities and assets

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liabilities assumed in a business combination are only recognized when these are present obligation and can be measured reliably.

Contingent assets are not recognized, but are disclosed only when an inflow of economic benefits is probable. When the realization of income is virtually certain, asset should be recognized.

Share-based Payments

Cash-settled share-based payments

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

Employee Benefits

Short-term benefits

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

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

Post-employment benefits

The Group has both defined benefit and defined contribution plans.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due to be settled for more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value.

Defined benefit plan

Net retirement benefits asset, as presented in the consolidated statements of financial position, is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for the effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the defined benefit liability and the return on plan assets, are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit to equity through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

Net interest is calculated by applying the single effective discount rate based on different term-dependent zero-coupon rate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

The level of benefits provided depends on the member's length of service and salary at retirement age.

Plan assets are assets that are held in trust and governed by the Board of Trustees, which consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The net retirement benefit asset recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes the related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

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

Revenue Recognition

The Group recognizes revenue from selling cement and other cementitious products such as dry-mix and aggregates.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

Sale of goods

The Group sells goods both to the wholesale market and directly to customers.

The Group has official written agreements with customers documented in supply agreements and approved purchase orders. The supply agreements contain each party's respective obligations.

For sales of goods to the wholesale market, revenue is recognized when control of the goods has transferred, being when the goods have been delivered depending on the shipping terms. The Group's shipping terms includes transfer of ownership upon departure of the goods on the plant and upon delivery to the customer's specific location. Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognized by the Group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For sales of goods to directly to customers, revenue is recognized when control of the goods has transferred. The performance obligation of the Group is satisfied at a point in time when the goods have been delivered based on the shipping terms. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Transaction price

The transaction price of the sale of goods varies from each sales order. The Group offers variable consideration in form of rebates for select customers on the sale of cement and aggregates. The rebates to be given to customers were already determined at the beginning of the year and recorded at the end of each month. Revenue is measured based on the consideration specified in a sales order with a customer and excludes amounts collected on behalf of third parties.

The Group has only one distinct performance obligation and that is to deliver the promised goods.

Under the Group's standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognized for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognizes a right to returned goods asset and a corresponding adjustment to cost of sales. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognized will not occur given the consistent level of returns over previous years.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Other income

Other income is income generated outside the normal course of business and is recognized when it is probable that the economic benefits will flow to the Group and it can be measured reliably.

Expense Recognition

Expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of: (i) a direct association between the costs incurred and the earning of specific items of income; (ii) systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of comprehensive income are presented using the function of expense method. Costs of goods sold are expenses incurred that are associated with the goods sold and includes direct materials, direct labor and factory overhead. Operating expenses are costs attributable to administrative, marketing, selling and other business activities of the Group.

Leases

The Group has applied PFRS 16 using the cumulative catch-up approach and therefore, comparative information has not been restated and is presented under PFRS 16. The details of accounting policies under PFRS 16 are presented separately below.

<u>The Group as a lessee</u>

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The Group uses its incremental borrowing rate ranging from 3.14% to 6.27%. The rates were selected based on the weighted average repayment maturity of the lease.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

The lease liability is presented as a separate line in the consolidated statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statements of financial position. The Group applies PAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

As a practical expedient, PFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Value-Added Tax (VAT)

Revenues, expenses and assets are recognized, net of the amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other current assets" or "Trade and other payables" in the consolidated statements of financial position.

Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange prevailing at the end of the reporting period. All differences are recognized in the consolidated statements of comprehensive income except for foreign exchange differences that qualify as capitalizable borrowing costs for qualifying assets.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as adjustments to interest costs on those foreign currency borrowings.
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that has a post-employment benefit plan for the employees and key management personnel of the Group are also considered to be related parties.

Taxation

Income tax expense represents the sum of the current tax and deferred tax expense.

<u>Current tax</u>

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using 25% or 20% and 30% regular corporate income tax (RCIT) rate for 2021 and 2020, respectively, or 1% and 2% minimum corporate income tax (MCIT) rate for 2021 and 2020, respectively, whichever is higher. Adjustments recognized in the period for current tax of prior periods as a result of passing the CREATE Bill into law were calculated using either 27.5% or 25% RCIT rate or 1.5% MCIT rate for 2020.

<u>Deferred tax</u>

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

<u>Current and deferred tax for the year</u>

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Earnings per Share

The Group computes its basic earnings per share by dividing profit or loss for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings per share, profit or loss for the year attributable to ordinary equity holders of the Group and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

Events after the Reporting Period

The Group identifies events after the end of each reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the consolidated financial statements are authorized for issue. The consolidated financial statements of the Group are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the consolidated financial statements when material.

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Financial Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group reports separately, information about an operating segment that meets any of the following quantitative thresholds:

- the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of the combined reported profit of all operating segments that did not report a loss and the combined reported loss of all operating segments that reported a loss; and
- its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if Management believes that information about the segment would be useful to users of the consolidated financial statements.

For Management purposes, the Group is currently organized into two business segments: clinker and cement segment and other materials and construction segments. These divisions are the basis on which the Group reports its primary segment information. Financial information on segment reporting is presented in Note 7.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations, that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Determination of lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of 2 to 5 years. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Lease commitments - Group as lessee

The Group has various lease agreements as a lessee. The Group has determined, based on evaluation of the terms and condition of the lease agreements, that the significant risks and rewards of ownership of the leased properties were retained by the lessor (e.g., no transfer of ownership at the end of the lease term, lease term is not for the majority of the economic life of the asset and the amount of the present value of the minimum lease payments is not substantially the same as the fair value of the leased asset).

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. PFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Key Sources of Estimation Uncertainty

The key estimates concerning the future and other key sources of estimation uncertainty as at balance sheet date that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are as follows:

Valuation of lease liabilities and right-of-use assets

The application of PFRS 16 requires the Group to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include: (i) determining contracts in scope of PFRS 16, (ii) determining the contract term and (iii) determining the interest rate used for discounting of future cash flows.

The lease term determined by the Group comprises non-cancellable period of lease contracts, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. For lease contracts with indefinite term the Group estimates the length of the contract to be equal to the economic useful life of non-current assets located in the leased property and physically connected with it or determines the length of the contract to be equal to the average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of right-of-use assets.

The present value of the lease payment is determined using the discount rate representing the rate of interest rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Group's rating, observed in the period when the lease contract commences or is modified.

Useful lives of property, plant and equipment and intangible assets

The useful lives of property, plant and equipment are estimated based on the period over which the property, plant and equipment are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property, plant and equipment are reviewed at each financial year-end, and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment. However, it is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of depreciation expense for any period would be affected by changes in these factors and circumstances. There were no changes in the estimated useful lives of property, plant and equipment in 2021 and 2020.

The Group recognized depreciation expense related to property, plant and equipment amounting to ₱1.5 billion and ₱1.4 billion in 2021 and 2020, respectively, as disclosed in Notes 13 and 28. The carrying value of depreciable property, plant and equipment amounted to ₱ 19.5 billion as at December 31, 2021 and 2020, as disclosed in Note 13. Total accumulated depreciation as at December 31, 2021 and 2020 amounted to ₱27.9 billion and ₱26.5 billion, respectively, as disclosed in Note 13.

Impairment of non-financial assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. If any such indicators exist, the Group estimates the recoverable amount of the relevant asset.

Determining the recoverable amount of property plant and equipment, investments in associates, intangible assets and rights-of-use assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposal of such assets. Future events could cause Management to conclude that assets associated with an acquired business are impaired.

Any resulting impairment loss could have a material adverse impact on the Group's financial position and financial performance. The preparation of estimated future cash flows involves significant estimations and assumptions. While the Group believes that its assumptions are appropriate and reasonable, significant changes in the Group's assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

The carrying values of investment in associate, property, plant and equipment, intangible assets and right-of-use assets are disclosed in Notes 12, 13, 14 and 19, respectively.

Impairment of goodwill

The Group performs impairment testing of its goodwill on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the CGU unit to which the goodwill is allocated. Value-in-use is estimated by making an estimate of the expected future cash flows from the CGU and to apply a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amount of the goodwill has been determined based on a value-in-use calculation using cash flow projections based on the seven-year financial plan approved by the senior management. Accordingly, actual outcome is likely to be different from that forecasted since anticipated events frequently do not occur as expected and the variation may be material. The Group has determined that the goodwill is not impaired. The carrying amount of goodwill amounted to ₱2.6 billion as at December 31, 2021 and 2020, as disclosed in Note 14.
The Group used significant valuation assumptions (discount rate, long-term growth rates and valuation multiples), and business assumptions (projections and forecast data) in the cash flow projections. Those cash flow projections are based on both prospective financial and non-financial information, which is highly subjective in nature.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon; the calculation of which includes historical data, assumptions and expectations of future conditions.

The Group estimates PD based on the prior collectability experience, write-offs and forward-looking information. A general loss rate ratio is applied against the age of receivables and specific identification is done to further assess the risk of default and if deemed uncollectible, provision is provided accordingly.

Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

The rate is estimated by taking into account the actual default or write-offs for a specific group of receivables.

Estimating loss allowance for expected credit losses

Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
The ECL rate on trade receivables over 360 days past due balances is 100% as at December 31, 2021 providing a loss allowance on trade receivables of ₱3.30 million as compared to December 31, 2020 of ₱7.60 million. This loss allowance calculation for over 360 days age is with the exception of identified customers which were provided only with 1% ECL rate based on their total outstanding balance.

In addition to the above, all trade receivables between 0 and 360 days past due were assumed with probability of default and provided with 1% ECL rate on its total outstanding balance. The loss allowance on trade receivables for this age bucket is ₱3.3 million and ₱3.1 million as at December 31, 2021 and 2020, respectively.

Furthermore, specific identification was also applied by the Group for receivables which are deemed uncollectible with 100% provision of ₱62.5 million and ₱56.3 million as at December 31, 2021 and 2020, respectively.

The total expected credit losses for trade and other receivable from third parties amounted to ₱69.1 million and ₱67.0 million as at December 31, 2021 and 2020, respectively, as disclosed in Note 9. Trade and other receivables, net of expected credit losses, amounted to ₱2.0 billion and ₱3.1 billion as at December 31, 2021 and 2020, respectively, as disclosed in Note 9.

Retirement benefit costs and other post-employment benefits

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about the assumptions used are provided in Note 34.

In determining the appropriate discount rate, Group management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases are based on historical actual salary increases of the Group.

Total retirement (gain) cost recognized amounted to (₱301.5 milliion) and ₱270.1 million in 2021 and 2020, respectively. Total retirement benefit asset amounted to ₱2.5 billion and ₱2.2 billion as at December 31, 2021 and 2020, respectively, as disclosed in Note 34.

Deferred tax assets

The Group reviews the carrying amounts of deferred income tax assets at the end of each reporting period and reduces these to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. This forecast is based on the past results and future expectations of revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Group will generate sufficient future taxable income to allow all or part of deferred income tax assets to be utilized. Management also reviews the level of projected gross margin for the use of Optional Standard Deduction (OSD) and assesses the future tax consequences for the recognition of deferred income tax assets and deferred income tax liabilities. Based on the Group's projected margin, Management expects to use the itemized deduction method for the Parent Company and most of the subsidiaries. HPMC and Mabini expect to use the OSD for the next three years and Bulkcem and HPBSCI for the next four years.
Total deferred tax assets recognized in the Group's consolidated statements of financial position are presented at net and offset against deferred tax liabilities amounted to ₱746.2 million and ₱733.3 million as at December 31, 2021 and 2020, respectively. The amounts of temporary differences and carry-forward benefits of unused tax credits and unused tax losses, for which no deferred income tax assets as at December 31, 2021 and 2020 are disclosed in Note 33.

Net realizable value of inventories

The Group writes down the cost of inventories whenever the net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, change in price levels or other causes. The lower of cost and net realizable value of inventories is reviewed on a periodic basis. Inventory items identified to be obsolete and unusable are written-off and charged as expense in the consolidated statements of comprehensive income. The allowance for inventory obsolescence amounted to ₱214.5 million and ₱230.7 million as at December 31, 2021 and 2020, respectively, as disclosed in Note 10. The carrying values of inventories amounted to ₱4.3 billion and ₱2.9 billion as at December 31, 2021 and 2020, respectively, as disclosed in Note 10.

Provisions for claims, litigations and assessments

The Group is currently involved in various legal proceedings and tax assessments. Management's estimate of the probable costs for the resolution of these claims has been developed based upon an analysis of potential results. The Group currently believes that these proceedings will not have a material adverse effect on the consolidated financial statements. It is possible however, that future financial performance could be materially affected by changes in the estimates or effectiveness of the strategies relating to these proceedings and assessments. As at December 31, 2021 and 2020, the Group's provision for probable losses amounted to ₱10.0 million, as disclosed in Note 22.

Contingencies

The Group is either a defendant or plaintiff in several legal cases primarily involving collection and claims for damages.

The Group has an outstanding legal case with Seasia Nectar Port Services Inc. ("Seasia") concerning the termination of the port services agreement with the latter. The Group lodged multiple petitions that are still pending with the Regional Trial Court of Bataan and the Regional Trial Court of Taguig. An interim measure of protection in the form of a preliminary attachment of the Group's assets was secured by Seasia, as disclosed in Note 15. Based on the assessment of Management and the opinion of the Company's external legal counsels, the outflow of resources is not probable, as disclosed in Note 35.

Onerous contract

The Group reviews contracts in which the unfavorable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it. These unfavorable costs are recognized as provisions and discounted using the applicable weighted average cost of capital (WACC). As at December 31, 2021 and 2020, the Group's provisions on stranded cost amounted to ₱63.0 million and ₱64.5 million, respectively, as disclosed in Note 22.

7. SEGMENT INFORMATION

Business segment

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the chief operating decision maker to make decisions about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available. Management reassesses on an annual basis whether there have been any changes in the operating segments or in the reportable operating segments in accordance with PFRS 8, *Operating Segments*.

For management purposes, the Group is organized into activities based on their products and has two segments, as follows:

- Clinker and Cement segment, which manufactures and sells clinker and cement for domestic customers; and
- Other Construction Materials and services segment, which includes operations from the Helps-U-Build-Better (HUBB), Specialty Products and Aggregates Trading.

Management monitors the operating results of its business segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is based on operating EBITDA and is measured consistently with consolidated net income in the consolidated statement of profit or loss and other comprehensive income. However, the Group's finance income and charges and income taxes are managed on a group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis similar to transactions with third parties.

The Group has determined the Clinker and Cement segment as the only reportable segment. Information on the other segments that are not reportable are combined and presented as "Others". Segment revenues, EBITDA, assets, liabilities and other information for segments as at December 31, 2021 and 2020 and for each of the three years ended December 31, 2021, 2020 and 2019 are presented below:

	Clinker and Cement	Others	Total	Adjustments and Eliminations	Consolidated
			(In Thousands)		
2021					
Revenue:					
External customers	**₱25,153,069**	**₱1,793,076**	**₱26,946,145**	**₱ –**	**₱26,946,145**
Inter-segment	**227,636**	**–**	**227,636**	**(227,636)**	**–**
	25,380,705	**1,793,076**	**27,173,781**	**(227,636)**	**26,946,145**
Operating EBITDA	**4,746,336**	**666,026**	**5,412,362**	**–**	**5,412,362**
Segment assets	**26,005,234**	**9,720,691**	**35,735,925**	**4,625,553**	**40,351,478**
Segment liabilities	**7,850,882**	**3,717,887**	**11,568,769**	**(1,021,746)**	**10,547,023**
Results -					
Depreciation, amortization and depletion	**1,831,514**	**6,624**	**1,838,138**	**–**	**1,838,138**
Other disclosures					
Construction-in-progress	**1,826,633**	**505**	**1,827,138**	**(8,259)**	**1,818,879**
2020					
Revenue:					
External customers	₱25,788,478	₱ 226,864	₱26,015,342	₱ -	₱26,015,342
Inter-segment	214,647	1,043,243	1,257,890	(1,257,890)	–
	26,003,125	1,270,107	27,273,232	(1,257,890)	26,015,342
Operating EBITDA	4,376,272	355,171	4,731,443	–	4,731,443
Segment assets	23,200,791	11,784,581	34,985,372	6,380,050	41,365,422
Segment liabilities	9,483,912	3,582,209	13,066,121	(1,332,754)	11,733,367
Results -					
Depreciation, amortization and depletion	1,957,414	10,509	1,967,923	–	1,967,923
Other disclosures					
Construction-in-progress	1,330,295	505	1,330,800	–	1,330,800
2019					
Revenue:					
External customers	₱30,885,687	₱2,601,084	₱33,486,771	₱ –	₱33,486,771
Inter-segment	128,676	–	128,676	(128,676)	–
	31,014,363	2,601,084	33,615,447	(128,676)	33,486,771
Operating EBITDA	7,727,851	(1,039,024)	6,688,827	–	6,688,827
Segment assets	37,134,595	367,992	37,502,587	7,325,322	44,827,909
Segment liabilities	8,749,988	267,636	9,017,624	8,040,676	17,058,300
Results -					
Depreciation, amortization and depletion	1,733,413	13,387	1,746,800	–	1,746,800
Other disclosures					
Construction-in-progress	3,744,731	2,420	3,747,151	–	3,747,151

Inter-segment revenues, other than those outside the Group, are eliminated upon consolidation and reflected in the "Adjustments and eliminations" column. All other adjustments that are part of detailed reconciliations presented further below include the following:

- Finance income and charges, and foreign exchange gains (losses) on financial assets and liabilities are not allocated to individual segments as the underlying instruments are managed on a group basis.
- Deferred income taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Following is the reconciliation of segment operating profit to consolidated profit before income tax:

	2021	2020	2019
		(In Thousands)	
Operating EBITDA	**₱5,412,362**	₱4,731,443	₱6,688,827
Depreciation, amortization and depletion	**(1,838,138)**	(1,967,923)	(1,746,800)
Interest and financing charges	**(134,535)**	(357,460)	(581,515)
Interest and other financial income	**99,096**	158,755	319,128
Share in undistributed earnings	**(155,399)**	22,234	134,146
Other income (expense) – net	**56,964**	187,526	(18,273)
Profit before income tax	**₱3,440,350**	₱2,774,575	₱4,795,513

	December 31, 2021	December 31, 2020
	(In Thousands)	
Segment assets	**₱35,725,925**	₱34,985,372
Cash in banks	**501,208**	2,080,663
Investments	**4,124,345**	4,299,259
Consolidated assets	**₱40,351,478**	₱41,365,294
Segment liabilities	**₱10,114,622**	₱11,217,794
Lease liabilities - current portion	**171,418**	218,047
Income tax payable	**148,958**	161,427
Deferred income tax liabilities – net	**112,025**	136,099
Consolidated liabilities	**₱10,547,023**	₱11,733,367

Geographic information

	2021	2020	2019
		(In Thousands)	
Revenues from external customers			
Local	**₱26,946,145**	₱26,015,342	₱33,486,771

The Group has no revenue from transactions with a single external customer accounting for 10% or more of the consolidated revenues. Moreover, there are no noted additions of non-current assets allocable to the reportable segments. All property, plant and equipment of the Group are located in the Philippines.

8. CASH IN BANKS

	2021	2020
	(In Thousands)	
Cash in banks	**₱501,208**	₱2,080,791

Cash in banks earn interest at prevailing bank deposit rates from 0.95% to 1.29% for 2021 and 2020, respectively.

Interest income earned from cash in banks amounted to ₱12.4 million, ₱12.5 million and ₱23.7 million in 2021, 2020 and 2019 respectively as disclosed in Note 30.

The Group holds restricted cash balance amounting to ₱2.14 billion and ₱2.15 billion as at December 31, 2021 and 2020, respectively, which are not available for use. Majority of the amount pertains to restricted cash balance which is due to pending settlement of case with Seasia. The restricted cash are presented under other financial assets as disclosed in Notes 15 and 35.

9. TRADE AND OTHER RECEIVABLES – net

	Note	2021	2020
		(In Thousands)	
Trade receivables from:			
Third party customers		**₱ 803,910**	₱ 694,955
Allowance for expected credit losses		**(64,043)**	(61,887)
		739,867	633,068
Due from relates parties – net	32	**652,945**	1,519,089
Loans receivable from related parties	32	**240,426**	465,657
		893,371	1,984,746
Others		**327,667**	454,368
Allowance for expected credit losses		**(5,105)**	(5,105)
		322,562	449,263
		₱1,955,800	₱3,067,077

Trade and other receivables are non-interest bearing and generally have credit terms of 30 to 60 days. Due from related parties and other receivables are normally collectible within the next financial year but for those which are long outstanding and overdue, the Group expects and plans to collect them within 4 years. No interest was charged on the outstanding balances.

Other receivables consist mainly of collectibles from various parties for transactions other than sale of goods and accrued interests.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group’s different customer segments.

2021	Current -360 days	Over 360 days	Specifically identified	Total
		(In Thousands)		
Estimated total gross carrying amount at default	**₱329,500**	**₱3,340**	**₱62,513**	
Expected credit loss rate	**1%**	**100%**	**100%**	
Provision for ECL	**₱ 3,295**	**₱3,340**	**₱62,513**	**₱69,148**
2020				
Estimated total gross carrying amount at default	₱308,700	₱7,598	₱56,307	
Expected credit loss rate	1%	100%	100%	
	₱ 3,087	₱7,598	₱56,307	₱66,992

The Group assessed that the trade receivable amounting to ₱ 408.5 billion and ₱322.4 billion in 2021 and 2020, respectively, is performing and not in default; thus, no expected credit loss is recognized.

Movements in the allowance for expected credit losses which pertain to trade and other receivables are as follows:

	Note	2021	2020
		(In Thousands)	
Balance, beginning		**₱66,992**	₱52,055
Provisions	26	**2,156**	31,778
Write-off	26	**-**	(16,841)
		₱69,148	₱66,992
Individually impaired		**₱62,513**	₱56,307
Collectively impaired		**₱ 6,635**	₱10,685

Customary to the credit practices of the Group, customers are required to provide guarantees in the form of a standby letter of credit, bank guarantee and cash bond to allow them to purchase on credit. In the event that customers are deemed incapable of settling their obligations, the Group shall exercise its right to call out the letter of credit or bank guarantee from the issuing banks or apply the cash bond accordingly. However, for some customers that are deemed to be reputable, competent and with sound business practices are exempted. These are normally the large real estate developers and construction companies that have been in operation for a long time. As at December 31, 2021, 50% of the total trade receivables (₱402 million) is covered by letter of credit and bank guarantees while 50% (₱402 million) is not covered by letter of credit and bank guarantees. As at December 31, 2020, 71% of the total trade receivables (₱493 million) is covered by letter of credit and bank guarantees while 29% (₱202 million) is not covered by letter of credit and bank guarantees. There has not been any significant change in the quality of the guarantees. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Management believes that there is no further expected credit losses required in excess of those that were already provided. Aging of past due accounts but not impaired and credit quality of trade and other receivable are disclosed in Note 20.

The Group writes off a trade receivable or due from a related party when there is information indicating that the customer is in severe financial difficulty and there is no realistic prospect of recovery, i.e. when the customer has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

10. INVENTORIES – net

	Finished Goods	Goods in Process	Raw Materials	Fuels	Spare Parts and Others	Total
2021						
				(In Thousands)		
At Cost:	**₱575,286**	**₱939,345**	**₱495,538**	**₱1,571,904**	**₱979,483**	**₱ 4,561,556**
Allowance for inventory obsolescence	**–**	**–**	**–**	**–**	**(214,499)**	**(214,499)**
At net realizable value	**₱575,286**	**₱939,345**	**₱495,538**	**₱1,571,904**	**₱764,984**	**₱ 4,347,057**
2020						
				(In Thousands)		
At Cost:	₱810,155	₱850,203	₱253,558	₱ 180,094	₱987,888	₱3,081,898
Allowance for inventory obsolescence	–	–	–	–	(230,729)	(230,729)
At net realizable value	₱810,155	₱850,203	₱253,558	₱ 180,094	₱757,159	₱2,851,169

Total inventories charged to cost of sales amounted to ₱14.8 billion, ₱15.3 billion, and ₱18.9 billion in 2021, 2020 and 2019, respectively, as disclosed in Note 24.

Allowance for inventory obsolescence relates to allowance for spare parts. No provisions were provided for other inventories due to their nature which is fast moving as compared to spare parts. Furthermore, these inventories are perpetually consumed in operations and disposed through sale hence has lower risk of obsolescence.

The table below shows the movement of allowance for inventory obsolescence as at December 31:

	Note	**2021**	2020
		(In Thousands)	
Balance, beginning		**₱230,729**	₱213,900
Additions	24	**57,943**	69,895
Reversal (Due for consumption/write off)	24	**(74,173)**	(53,066)
Balance, end		**₱214,499**	₱230,729

11. OTHER CURRENT ASSETS

	2021	2020
	(In Thousands)	
Prepaid expenses	**₱143,753**	₱261,212
Advances to suppliers	**118,761**	39,132
Input VAT	**88,297**	99,839
Advances to employees	**691**	8,970
Creditable withholding taxes	**8,550**	8,622
	₱360,052	₱417,775

Prepaid expenses include rent, insurance, and taxes paid in advance that are amortized within next year.

Advances to suppliers represent advances that are applied against subsequent purchases and are outstanding for less than one year from initial recognition.

Advances to employees are non-interest bearing and generally have terms of 30 days.

12. INVESTMENTS

Investment as at December 31, 2021 and 2020 consists of the following:

	2021	2020
	(In Thousands)	
Investments in associate	**₱4,119,289**	₱4,295,319
Financial asset at fair value through profit or loss	**5,056**	3,940
	₱4,124,345	₱4,299,259

The details of investments in associate as at December 31, 2021 and 2020 are as follows:

	2021	2020
	(In Thousands)	
HMDC [1]	**₱4,119,289**	₱4,295,319

[1] HMDC is audited by another firm of auditors for consolidation purposes.

HMDC - 40%

HMDC was incorporated in the Philippines and registered with the SEC on October 5, 1987. Its registered place of business is 5th Floor, One Campus Place, Tower B, 1080 Campus Avenue, McKinley Town Center, Taguig City. HMDC is involved in mining, processing and sale of quarry resources of mineral rights.

Pursuant to the subscription by the Holcim Philippines, Inc. Retirement Fund ("HPI RF") to 60% of the issued and outstanding capital stock of HMDC, on February 2015, the Parent Company and HPMC appointed and designated HPI RF as their proxy for their respective 60% voting shares in HMDC, which proxy is irrevocable until SEC approves the increase in capital stock. Thereafter, three nominees of HPI RF were elected to the five-member Board of HMDC. As a result, HPI RF has effectively taken over the control of HMDC. Consequently, the Group accounted for its remaining 40% interest in HMDC as investment in an associate. At the date of the loss of control, the Parent Company's investment in HMDC was remeasured at ₱4.2 billion based on the fair value of its retained equity in HMDC.

As of December 31, 2021, the Group owns a total of ₱16.8 million common shares (Class A & B) and 0.75 million redeemable preference shares. HMDC's redeemable preference shares has an entitlement to the voting rights, dividends, option to redeem all or any portions of the redeemable preferred shares, and preference in liquidation.

Based on the shareholders agreement, HPI is entitled 100% on the land owned by HMDC. However, HPI is not entitled on some land purchased by HMDC in 2018 and 2019 which are direct purchases of HMDC from third party.

Following are the summarized consolidated statements of financial position as at December 31, 2021 and 2020:

	2021	2020
	(In Thousands)	
Current assets	**₱1,948,813**	₱2,710,027
Non-current assets	**6,141,548**	6,303,122
Current liabilities	**(2,201,038)**	(3,642,718)
Non-current liabilities	**(1,361,587)**	(819,418)
Net assets	**₱4,527,736**	₱4,551,013

The reconciliation of the above summarized financial information to the carrying amount of the interest in HMDC recognized in the consolidated financial statements is shown below:

	2021	2020
	(In Thousands)	
Net assets of the associate	**₱4,527,736**	₱4,551,013
Ownership interest in HMDC	**40%**	40%
Proportion of the Group's ownership interest in HMDC	**1,811,094**	1,820,405
Attributable to land	**1,179,230**	1,254,879
Gain on remeasurement of retained equity at deconsolidation	**2,092,278**	2,092,278
Others	**(963,313)**	(872,243)
Carrying amount of the Group's interest in HMDC	**₱4,119,289**	₱4,295,319

Gain on remeasurement of retained equity at deconsolidation pertains to the amount recognized in profit or loss arising mainly from the fair value adjustments of certain assets owned by HMDC and its subsidiaries as a result of the change of HMDC from a subsidiary to an associate in 2015.

Others primarily pertain to subscription deposit and the receivables from the sale of land originally invested by HPI, in accordance with the shareholders' agreement.

Following are the summarized consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020:

	2021	2020
	(In Thousands)	
Revenues	**₱2,254,282**	₱1,866,065
Cost and expenses	**(1,598,937)**	(1,334,829)
Gross profit	**655,345**	531,236
Other income (loss)	**(477,936)**	(441,301)
Income before income tax	**177,409**	89,935
Provision from income tax	**(52,985)**	(34,599)
Net income	**₱ 124,424**	₱ 55,336
Dividends received from the associate during the year	**₱ 20,631**	₱ 88,530

Movements of the investment in HMDC in 2021 and 2020 are as follows:

	2021	2020
	(In Thousands)	
Cost:		
Beginning balance of investment in associate	**₱4,319,496**	₱4,319,496
Accumulated share in undistributed earnings:		
Beginning balance	**(24,177)**	42,119
Share of results (loss) of associate	**(155,399)**	22,234
Dividends received	**(20,631)**	(88,530)
	(200,207)	(24,177)
	₱4,119,289	₱4,295,319

On September 16, 2021, the BOD of HMDC declared total cash dividends of ₱25 million to its stockholders of record as of date.

	Dividend Per share	Total Dividends
Preferred Share Class A – 50,000	₱5.00	₱ 250,000
Preferred Share Class B – 700,000	₱25.00	17,500,000
Preferred Share Class C – 26,250,000	₱0.17	4,515,200
Common Class A – 6,250,000	₱0.17	1,075,048
Common Class B – 10,250,000	₱0.17	1,806,080

On September 4, 2020, the BOD of HMDC declared total cash dividends of ₱172 million at ₱3.17 per share to its stockholders of record as of date.

Management believes that there is no indication that an impairment loss has occurred during the year.

13. PROPERTY, PLANT AND EQUIPMENT - net

	December 31, 2020	**Additions/ Depreciation**	**Disposals/ Retirements**	**Transfers/ Reclassification**	**December 31, 2021**
			(In Thousands)		
Cost:					
Buildings and installations	₱14,112,018	₱ 5,247	(₱ 90,065)	₱ 55,467	₱14,082,667
Machinery and equipment	29,559,172	208,174	–	668,663	30,436,009
Furniture, vehicles and tools	998,828	1,632	(23,496)	64,240	1,041,204
Construction in-progress	1,330,800	1,281,779	–	(789,300)	1,823,279
	46,000,818	1,496,832	(113,561)	(930)	47,383,159
Less accumulated depreciation and impairment losses:					
Buildings and installations	8,766,031	401,492	(87,099)	(2,038)	9,078,386
Machinery and equipment	16,918,163	1,068,445	–	1,108	17,987,716
Furniture, vehicles and tools	791,090	44,751	(21,048)	16	814,809
	26,475,284	1,514,688	(108,147)	(914)	27,880,911
Carrying Amount	₱19,525,534	(₱ 17,856)	(₱ 5,414)	(₱ 16)	₱19,502,248

	December 31, 2019	Additions/ Depreciation	Disposals/ Retirements	Transfers/ Reclassification	December 31, 2020
			(In Thousands)		
Cost:					
Buildings and installations	₱13,593,446	₱ 18,484	₱ –	₱ 500,088	₱14,112,018
Machinery and equipment	26,985,692	362,637	(238,564)	2,449,407	29,559,172
Furniture, vehicles and tools	1,023,527	5,112	(44,473)	14,662	998,828
Construction in-progress	3,747,152	589,443	–	(3,005,795)	1,330,800
	45,349,817	975,676	(283,037)	(41,638)	46,000,818
Less accumulated depreciation and impairment losses:					
Buildings and installations	8,458,268	307,763	–	–	8,766,031
Machinery and equipment	16,141,139	1,015,588	(238,564)	–	16,918,163
Furniture, vehicles and tools	751,107	84,198	(44,215)	–	791,090
	25,350,514	1,407,549	(282,779)	–	26,475,284
Carrying Amount	₱19,999,303	(₱ 431,873)	(₱ 258)	(₱ 41,638)	₱19,525,534

Construction in progress includes on-going item replacements and expansion projects for the Group's operations.

The Company recognized loss from the disposal of property, plant and equipment amounting to ₱0.34 million and nil in December 31, 2021 and 2020, respectively, as disclosed in Note 31.

Out of the total amount of additions to property, plant and equipment, ₱248.2 million and ₱89.8 million are still unpaid as at December 31, 2021 and 2020, respectively. On December 31, 2021 and 2020, the Company sold various property, plant and equipment with a total net carrying amount of ₱ 0.5 million and ₱ 0.3 million, respectively.

The proceeds from the sale of property, plant, and equipment amounted to ₱0.2 million and ₱0.3 million in 2021 and 2020, respectively.

Transfers from property, plant and equipment to intangible assets amounted to ₱0.8 million and ₱41.6 million in 2021 and 2020, respectively.

Management believes that there is no indication that an impairment loss has occurred for the years ended December 31, 2021 and 2020.

No property, plant and equipment are pledged as security for the Group's borrowings.

14. GOODWILL AND INTANGIBLE ASSETS – net

The movements of goodwill and intangible assets are as follows:

	December 31, 2020	**Additions/ Amortization**	**Transfers**	**December 31, 2021**
Goodwill	₱2,635,738	₱ -	₱ -	**₱2,635,738**
Intangible assets				
Cost:				
Software costs	115,633	19,533	930	**136,096**
Project development costs and others	64,467	-	-	**64,467**
	180,100	19,533	930	**200,563**
Less accumulated amortization:				
Software costs	110,908	7,272	131	**118,311**
Project development costs and others	49,747	-	-	**49,747**
	160,655	7,272	131	**168,058**
	19,445	12,261	799	**32,505**
Balance	₱2,655,183	₱12,261	₱799	**₱2,668,243**

	December 31, 2019	Additions/ Amortization	Transfers	December 31, 2020
Goodwill	₱2,635,738	₱ -	₱ -	₱2,635,738
Intangible assets				
Cost:				
Software costs	100,206	-	15,427	115,633
Project development costs and others	38,256	-	26,211	64,467
	138,462	-	41,638	180,100
Less accumulated amortization:				
Software costs	95,926	14,982	-	110,908
Project development costs and others	15,661	34,086	-	49,747
	111,587	49,068	-	160,655
	26,875	49,068	41,638	19,445
Balance	₱2,662,613	₱49,068	₱41,638	₱2,655,183

Goodwill

Goodwill amounting to ₱2.6 billion relates to the cement operations of one of the Group's Plants, particularly its Mabini Grinding Mill plant, which was acquired in 2004. The goodwill arising from the acquisition of MGMC is attributable to the strategic plan of the Group to expand its operations by rehabilitating the existing grinding plants of MGMC. The Management decides to boom the cement making production capacity of the Group in anticipation of the significant boom in the construction industry.

The Group performs its annual impairment test every last quarter of the year. The recoverable amount of the CGU determined based on value-in-use, is compared to its carrying amount. An impairment loss is only recognized if the carrying amount of the CGU exceeds its recoverable amount. Future cash flows are discounted using the WACC.

The cash flow projections are based on a seven-year financial planning period approved by senior management. The Company's Mid-Term plan covers a period of 3 years. However, it was decided to apply a 7-year business plan period in accordance with the LafargeHolcim global policy, in order to be able to estimate a development towards a sustainable level in the years 4 to 7 if required.

Cash flows beyond the five-year budget period are extrapolated under the premise that cash flows will have zero percent growth in real terms while having three percent growth as terminal growth rate (TGR). As a result of this analysis, Management has determined that there was no impairment loss in 2021, 2020 and 2019 since the value-in-use exceeds the carrying value of the cement segment.

The key assumptions used on determining the value-in-use of the CGU are as follows:

	Discount Rate	Terminal Growth Rate
2021	**8.5%**	**3.0%**
2020	8.5%	3.0%
2019	8.2%	6.8%

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for which goodwill is allocated. Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount to exceed the recoverable amount.

Management believes that there is no indication that an impairment loss has occurred on its intangible assets with definite useful lives as at December 31, 2021 and 2020.

15. OTHER NON-CURRENT ASSETS

	Note	2021	2020
		(In Thousands)	
Other financial assets	8	**₱2,135,778**	₱2,149,987
Guarantee deposits		**69,062**	101,729
Long-term prepaid asset		**191,600**	178,642
Deferred input value-added (VAT) taxes		**482,685**	9,729
Refundable deposits		**447**	447
		₱2,879,572	₱2,440,534

Other financial assets represent both restricted funds in relation to court-mandated garnishment arising from a case filed by Seasia against Holcim Philippines and minimum mine rehabilitation fund required by the Department of Environment and Natural Resources (DENR) to cover site restoration cost amounting to ₱2.14 billion and ₱2.15 billion as at December 31, 2021 and 2020, respectively. The garnished funds amounting to ₱1.9 billion is deposited at Metrobank until the outcome of the case and/or until further order of the courts/garnishing authority as disclosed in Note 35. As at December 31, 2020, the Group is already working to close the rehabilitation fund as DENR requirement is no longer applicable consequent to the disposal of all land and mining assets previously owned by HPI.

As at December 31, 2021, the Group is still working to close the rehabilitation fund and plans to transfer substantially the outstanding balance to the regular bank accounts in 2022.

Guarantee deposits represent cash deposits made to suppliers for raw material supply agreement and various security deposits for rentals.

Long-term prepaid asset pertains to stranded cost for development of assets held for future use or mining. The increase in the balance in 2021 to ₱192 million from ₱179 million in 2020 is due to the recognition of additional stranded costs.

As at December 31, 2021 and 2020, the deferred input VAT amounted to ₱482.7 million and ₱9.7 million, respectively. The movement in the account was due to the reclassification from current to non-current, reflective of the deferrals of input VAT credits attributable to the services obtained from HPMC, MGMC and BPI.

Refundable deposits amounting to ₱0.4 million as at December 31, 2021 and 2020 include warranty deposits arising from the Group's contract with Manila Electric Company ("Meralco"). The Group has commenced recovering the deposits by coordinating with Meralco Corporate Partners and by preparing the required documentations. As of December 31, 2021, process of recovering the deposits is still on-going.

16. TRADE AND OTHER PAYABLES

	Note	2021	2020
		(In Thousands)	
Trade payables		**₱3,776,605**	₱2,974,999
Advances and deposits from customers		**744,143**	1,948,302
Due to related parties	32	**1,308,671**	781,730
Accrued expenses		**2,174,705**	3,255,172
Non-trade payable		**75,119**	296,608
Other payables		**487,097**	44,485
		₱8,566,340	₱9,301,296

Trade payables are non-interest bearing and normally have payment terms of 30 to 60 days and includes provision.

Advances and deposits from customers represent those that will be applied against subsequent shipments thus, are generally outstanding for less than 30 days from initial recognition.

Other payables include taxes payable (i.e. employee, withholding and fringe benefit taxes payable), capex payable and other payables pertaining to non-trade transactions with normal payment terms of 30 days.

Non-trade payables represent accounts with suppliers other than production-related expenses.

Details of the Group's accrued expenses are as follows:

	2021	2020
	(In Thousands)	
Outside services	**₱ 705,226**	₱2,076,695
Rebates	**529,933**	595,950
Freight	**16,754**	180,932
Power	**400,538**	160,426
Employee-related payable	**267,331**	95,256
Maintenance	**73,750**	24,437
Others	**181,173**	121,476
	₱2,174,705	₱3,255,172

Outside services include accrual for audit fees, consigned raw materials, security services and other third-party services acquired. The decrease in the balance in 2021 was due to the discontinued consignment agreement for imported raw materials in the first quarter of the year.

Other accrued expenses include interest from interest-bearing cash bonds which are refundable anytime upon demand by the customers.

17. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details the changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes					
	Beginning balance	**Financing cash flows**	**Declaration**	**Additions**	**Interest accretion**	**Foreign exchange movement**	**Other changes**	**Closing balance**
			(In Thousands)					
2021								
Lease liabilities	**₱2,060,066**	**(₱ 399,318)**	**₱ -**	**₱ 13,354**	**₱105,838**	**(₱ 7)**	**(₱133,276)**	**₱1,646,657**
Loans payable	**-**	**(2,544,640)**	**2,774,403**	**-**	**-**	**-**	**-**	**229,763**
	₱2,060,066	**(₱2,943,958**	**₱2,774,403**	**₱ 13,354**	**₱105,838**	**(₱ 7)**	**(₱133,276)**	**₱1,876,420**
2020								
Lease liabilities	₱2,164,503	(₱ 507,601)	₱ -	₱ 269,406	₱165,854	(₱10,376)	(₱21,720)	₱2,060,066
Loans payable	3,925,849	(9,225,849)	-	5,300,000	-	-	-	-
	₱6,090,352	(₱9,733,450)	₱ -	₱5,569,406	₱165,854	(₱10,376)	(₱21,720)	₱2,060,066
2019								
Lease liabilities	₱ 2,454,194	(₱ 667,995)	₱ -	₱ 234,988	₱143,316	₱ -	₱ -	₱2,164,503
Loans payable	9,125,849	(11,400,000)	-	6,200,000	-	-	-	3,925,849
	₱11,580,043	(₱12,067,995)	₱ -	₱6,434,988	₱143,316	₱ -	₱ -	₱6,090,352

Interest and financing charges as included in the Group's consolidated statements of cash flows from financing activities amounted to ₱21.1 million, ₱489.8 million,and ₱399.9 million in 2021, 2020 and 2019, respectively, attributable to bank charges interest and on standard cost and pension cost.

18. SHARE-BASED PAYMENTS

Long-Term Incentive

The Group has a long-term incentive scheme for its executives. In accordance with the terms of the LafargeHolcim's Long-term Incentive (LTI) Plan, the Group was instructed to process the LTI Share Award Payroll Instruction plan for executives with more than five years of service with the Group.

For the years 2021 and 2020, employees purchased 3,813 shares at an average price of CHF 37.37 per share and 4,490 shares at an average price of CHF 44.19 per share, respectively. Total incentive compensation related to the purchased plans is ₱6,181,036 and ₱3,997,295 for 2021 and 2020, respectively.

The following long-term incentive arrangements were in existence during the current and prior years:

	Number	Grant Date	Expiry Date	Exercise Price (in CHF)	Fair value at grant date (in CHF)
Granted on 30 March 2021	1,290	03/01/18	03/01/21	56.06	72,317
Granted on 30 March 2021	2,523	03/01/18	03/01/21	56.06	141,439
Granted on 16 September 2020	1,234	07/25/17	07/27/20	44.19	54,530
Granted on 16 September 2020	2,416	07/25/17	07/27/20	44.19	106,763
Granted on 16 September 2020	840	07/25/17	07/27/20	44.19	37,120

The LTI outstanding at the end of the year had a weighted average exercise price of CHF 37.37 in 2021 and CHF 44.19 in 2020, and a weighted average remaining contractual life of 0 days in 2021 and 59 days in 2020.

Other reserves represent the Group's share in the performance compensation scheme of the Lafarge Holcim Group.

19. LEASES

The Group has a number of lease agreement covering office spaces, warehouse, bulk terminals and various equipment that are accounted under PFRS 16, with periods ranging from more than one year to twenty-five years. Bulk of the commitments pertain to lease of vessels being used to transport cement and land agreements.

The discount rates used to calculate the lease liability for existing lease agreements range from 3.14% to 6.27%.

See out below are the carrying amounts of lease liabilities and the movement during the period:

	Note	**2021**	2020
		(In Thousands)	
January 1, 2021		**₱2,060,066**	₱2,164,503
Additions		**13,354**	269,406
Accretion of interest	29	**105,838**	165,854
Effect of foreign exchange		**(7)**	(10,376)
Impact on lease modification		**-**	(21,720)
Terminated lease		**(133,276)**	-
Payments		**(399,318)**	(507,601)
December 31, 2021		**₱1,646,657**	₱2,060,066
Current portion		**₱ 171,418**	₱ 218,047
Non-current portion		**₱1,475,239**	₱1,842,019

In 2021, the Group has terminated its lease contracts which were initially recognized as part of right-of-use assets and lease liabilities.

In 2020, the Group has benefited from a 2-month lease payment holiday on land and land improvements. The payment holiday reduces payments in the period to 2040 by ₱26.3 million. The Group has remeasured the lease liability using the revised lease payments and the discount rate originally applied to the lease, resulting in a decrease in the lease liability of ₱21.7 million, which has been correspondingly recorded as a decrease in right-of-use asset. The Group continued to recognize interest expense on the lease liability.

Shown below is the maturity analysis of the undiscounted lease payments:

	2021	2020
	(In Thousands)	
1 year	**₱ 171,418**	₱ 218,047
More than 1 year to 2 years	**191,353**	426,717
More than 2 years to 3 years	**156,595**	267,669
More than 3 years to 4 years	**135,942**	369,020
More than 5 years	**1,975,010**	2,036,872
	2,630,318	3,318,325
Less: Unamortized interest	**983,661**	1,258,259
	₱1,646,657	₱2,060,066

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The roll forward analysis of this account follows:

	Right-of-Use Land	**Right-of-Use Buildings and installations**	**Right-of-Use Machinery and equipment**	**Right-of-Use Furniture, vehicle and tools**	**Total**
2021					
			(In Thousands)		
Cost:					
At January 1, as previously reported	**₱1,677,889**	**₱349,708**	**₱20,790**	**₱442,069**	**₱2,490,456**
Additions	–	**13,354**	–	–	**13,354**
Termination	–	–	–	**(129,726)**	**(129,726)**
Adjustments	**14,439**	**8,943**	–	–	**23,382**
At December 31	**1,692,328**	**372,005**	**20,790**	**312,343**	**2,397,466**
Accumulated depreciation:	**233,307**	**121,257**	**14,406**	**254,590**	**623,560**
Depreciation	**125,138**	**78,402**	**6,218**	**106,420**	**316,178**
Termination	–	–	–	**(86,564)**	**(86,564)**
At December 31	**358,445**	**199,659**	**20,624**	**274,446**	**853,174**
Net book value	**₱1,333,883**	**₱172,346**	**₱ 166**	**₱ 37,897**	**₱1,544,292**
2020					
			(In Thousands)		
Cost:					
At January 1, as previously reported	₱1,644,962	₱403,423	₱11,551	₱625,312	₱2,685,248
Additions	63,489	4,699	9,239	191,976	269,403
Disposals	(8,842)	(58,414)	–	(375,219)	(442,475)
Impact of Lease Modification	(21,720)	–	–	–	(21,720)
At December 31	1,677,889	349,708	20,790	442,069	2,490,456
Accumulated depreciation:	121,744	95,413	7,173	330,399	554,729
Depreciation	120,405	84,258	7,233	299,410	511,306
Disposals	(8,842)	(58,414)	–	(375,219)	(442,475)
At December 31	233,307	121,257	14,406	254,590	623,560
Net book value	₱1,444,582	₱228,451	₱ 6,384	₱187,479	₱1,866,896

See out below, are the amounts recognized in the consolidated statements of comprehensive income:

	Notes	2021	2020
		(In Thousands)	
Depreciation expenses on right-of-use assets	28	**₱316,178**	₱511,306
Interest expense on lease liabilities	29	**105,838**	165,854
Rent expense - short-term lease	24, 26	**-**	4,406
		₱422,016	₱681,566

The breakdown of lease payments is as follows:

	2021	2020
	(In Thousands)	
Fixed payments	**₱293,480**	₱341,747
Interest payments	**105,838**	165,854
Total payments	**₱399,318**	₱507,601

Total cash outflow for leases amounted to ₱399.3 million and ₱507.6 million in 2021 and 2020, respectively.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to various financial risks, which include the effect of changes in debt structure, equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential and adverse effects on the financial performance of the Group. The Group does not enter into other derivative or financial transactions which are unrelated to its operating business as a risk-averse approach is pursued.

Financial risk management of the Group is governed by policies approved by Management. t provides principles for overall risk management, as well as policies covering specific risk areas such as interest rate risk, foreign exchange risk, counterparty risk, use of derivative financial instruments and investing assets in excess of liquidity requirements.

The Group's principal financial instruments, other than derivatives, consist of cash in banks. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group also has various other financial assets and liabilities such as trade and other receivables, advances to employees, guarantee deposits, restricted cash and trade and other payables which arise directly from operations.

The main risks arising from the Group's financial instruments are market risks (which include foreign currency risk and interest rate risk), credit risk and liquidity risk. The Management reviews and approves the policies for managing each of these risks and they are summarized below. The Group's accounting policies in relation to financial instruments are set out in Note 5 to the consolidated financial statements.

Market risks

The Group is exposed to market risks, such as foreign currency and interest rate risks. To manage volatility relating to these exposures, the Group enters into derivative financial instruments, when necessary. The Group's objective is to reduce, where appropriate, fluctuations in earnings and cash flows associated with changes in foreign currency, interest rate and equity price.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has foreign exchange exposures, arising primarily from purchases of goods and services in currencies other than the Philippine Peso that leads to currency translation effects. None of the Group's revenues in 2021 and 2020 were denominated in currencies other than the Philippine Peso.

Due to the local nature of the cement business, transaction risk is limited. However, income may primarily be in local currency and significant amount of capital expenditures may be in foreign currencies. As a consequence thereof, the Group may enter into derivative contracts whenever necessary, which may be designated either as cash flow hedges or fair value hedges, as appropriate.

As at December 31, 2021, the Group had minimal assets and liabilities exposed to foreign currency risks.
The table below summarizes the Group's exposure to foreign currency risk before considering the effect of hedging transactions. Included in the table are the Group's foreign currency denominated assets and liabilities at carrying amounts:

	December 31			
	2021		2020	
	In USD	**In PHP**	In USD	In PHP
	(In Thousands)			
Assets:				
Cash in banks	**$ 434**	**₱22,135**	$ 863	₱ 41,459
Other current asset	**-**	**-**	362	17,398
	434	**22,135**	1,225	58,857
Liabilities:				
Trade and other payables	**3,897**	**198,573**	20,262	973,792
Lease liabilities	**648**	**33,019**	3,091	148,498
	4,545	**231,592**	23,353	1,122,290
Net exposure	**($4,111)**	**(₱209,457)**	($22,128)	(₱1,063,433)

Converted to US$1.00: ₱50.955 as of December 31, 2021 and US$1.00: ₱48.04 as of December 31, 2020

The following table demonstrates the sensitivity of the Group's income before income tax (due to changes in fair value of monetary assets and liabilities after considering the impact of hedging transactions) to a reasonably possible change in U.S. dollar exchange rate, with all other variables held constant:

	US Dollar Appreciates (Depreciates) by	Effect on Income Before Income Tax
December 31, 2021		*(In Thousands)*
Sensitivity 1	**10%**	**(₱20,946)**
Sensitivity 2	**(5%)**	**10,473**
December 31, 2020		
Sensitivity 1	10%	(₱106,343)
Sensitivity 2	(5%)	53,172

In Management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

The impact of any change in foreign exchange rate on the embedded currency forwards of the Group is immaterial.

Interest rate risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group is exposed to fluctuations in financing costs and market value movements of its debt portfolio related to changes in market interest rates. The Group's interest rate exposure is mainly addressed through the steering of the fixed/floating ratio of net debt. To manage this mix, the Group may enter into derivative transactions, as appropriate. As at December 31, 2021 and 2020, the Group has minimal exposure to interest rate risk.

Credit risk

Credit risk is the risk that counterparties may not be able to settle their obligations as agreed. To manage this risk, the Group periodically assesses the financial reliability of customers.

The Group constantly monitors its credit risk exposures. Counterparties to financial instruments consist of a large number of major financial institutions. The Group does not expect any counterparties to fail in meeting their obligations, given their high credit ratings. In addition, the Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

The maximum and minimum exposure to credit risk is represented by the carrying amount of each financial asset, except for the following financial assets:

	Gross Maximum Exposure[a]		Net Maximum Exposure[b]	
	December 31, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
	(In Thousands)		*(In Thousands)*	
Loans and receivables:				
Cash in banks	**₱ 501,208**	₱2,080,791	**₱ 501,208**	₱1,885,710
Trade receivables	**803,910**	694,955	**803,910**	694,955
Other financial assets*	**2,135,778**	2,149,987	**2,135,778**	2,149,987
	₱3,440,896	₱4,925,733	**₱3,440,896**	₱4,730,652

(a) *Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements.*
(b) *Gross financial assets after taking into account any collateral or other credit enhancements or offsetting arrangements or deposit insurance.*
* *Included under "Other noncurrent assets" account in the consolidated statements of financial position.*

The Group trades only with recognized, credit-worthy third-parties. It is the Group's policy that all third-party customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts to minimum.

With respect to credit risk arising from the other financial assets of the Group, which consist of due from related parties, advances to employees, financial assets at FVTPL, and guarantee and refundable deposits, the Group's exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

In order to minimize credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
In default	Amount is >360 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off

The tables below detail the credit quality of the Group's financial assets and other items, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL?	Gross carrying amount	Loss allowance	Net carrying amount
				(In Thousands)			
2021							
Cash in banks	8	N/A	Performing	12m ECL	**₱ 501,208**	**₱ -**	**₱ 501,208**
Trade receivables	9	N/A	(i)	Lifetime ECL (simplified approach)	**803,910**	**(64,043)**	**739,867**
Due from related parties	9	N/A	Performing	12m ECL	**652,945**	**-**	**652,945**
Other receivables	9	N/A	Performing	12m ECL	**322,562**	**-**	**322,562**
	9	N/A	Doubtful	Lifetime ECL	**5,105**	**(5,105)**	-
Advances to employees	11	N/A	Performing	12m ECL	**691**	**-**	**691**
Other financial assets	15	N/A	Performing	12m ECL	**2,135,778**	**-**	**2,135,778**
Guarantee deposits	15	N/A	Performing	12m ECL	**69,062**	**-**	**69,062**
Refundable deposits	15	N/A	Performing	12m ECL	**447**	**-**	**447**
Loans receivable from related parties	32	N/A	Performing	Lifetime ECL (general approach)	**240,426**	**-**	**240,426**
					₱4,732,134	**(₱69,148)**	**₱4,662,986**
2020							
Cash in banks	8	N/A	Performing	12m ECL	₱2,080,791	₱ -	₱2,080,791
Trade receivables	9	N/A	(i)	Lifetime ECL (simplified approach)	694,955	(61,887)	633,068
Due from related parties	9	N/A	Performing	12m ECL	1,519,089	-	1,519,089
Other receivables	9	N/A	Performing	12m ECL	449,263	-	449,263
	9	N/A	Doubtful	Lifetime ECL	5,105	(5,105)	-
Advances to employees	11	N/A	Performing	12m ECL	8,970	-	8,970
Other financial assets	15	N/A	Performing	12m ECL	2,149,987	-	2,149,987
Guarantee deposits	15	N/A	Performing	12m ECL	101,729	-	101,729
Refundable deposits	15	N/A	Performing	12m ECL	447	-	447
Loans receivable from related parties	32	N/A	Performing	12m ECL	465,657	-	465,657
					₱7,475,993	(₱66,992)	₱7,409.001

(i) For trade receivables, the Group has applied the simplified approach in PFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 9 include further details on the loss allowance for these assets respectively.

For intercompany receivables, the Group has applied the general approach in PFRS 9 to measure the loss allowance.

The Group assessed the expected credit losses on these items by using the provision matrix, estimated based on historical information that the entity holds about the other entity, and adjusted for forward-looking information that is reasonable and supportable, and can be obtained without undue cost or effort.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its contractual obligations and commitments. The seasonality of revenue generation exposes the Group to shortage of funds during slack season and may result in payment defaults of financial commitments. The Group monitors this risk using a recurring liquidity planning tool. This tool considers the maturity of both its financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank credit facilities and purchase contracts. It is responsible for its own cash surpluses and the raising of loans to cover cash deficits, subject to policies and guidelines approved by management and, in certain cases, at the Management level.

The Group maintains sufficient reserves of cash in banks, which are short-term in nature and unused credit lines to meet its liquidity requirements at all times. In addition, the strong credit worthiness of the Group allows it to make efficient use of the financial markets for financing purposes. As at December 31, 2021 and 2020, the Group has unutilized credit facilities of ₱13.6 billion and ₱12.0 billion, respectively.

The tables below summarize the maturity profile of the Group's financial assets used for liquidity management as at December 31, 2021 and 2020:

	On Demand	Less than 3 Months	3 to 12 Months	>1 to 5 Years	Total
			(In thousands)		
2021					
Financial assets at FVTPL**:					
Quoted shares	**₱ 1,300**	**₱ -**	**₱ -**	**₱ -**	**₱ 1,300**
Unquoted shares	**3,756**	**-**	**-**	**-**	**3,756**
Loans and receivables:					
Cash in banks	**501,208**	**-**	**-**	**-**	**501,208**
Trade and other receivables:	**803,910**	**-**	**-**	**-**	**803,910**
Due from related parties	**-**	**-**	**652,945**	**-**	**652,945**
Other receivables	**-**	**-**	**322,562**	**-**	**322,562**
Advances to employees**	**-**	**-**	**-**	**691**	**691**
Other financial assets***	**-**	**-**	**-**	**2,135,778**	**2,135,778**
Guarantee deposits***	**-**	**-**	**-**	**69,062**	**69,062**
Loans receivable from related parties	**-**	**-**	**240,426**	**-**	**240,426**
	₱1,310,174	**₱ -**	**₱1,215,933**	**₱2,205,531**	**₱4,731,638**
			(In thousands)		
2020					
Financial assets at FVTPL**:					
Quoted shares	₱ 176	₱ –	₱ –	₱ –	₱ 176
Unquoted shares	3,764	–	–	–	3,764
Loans and receivables:					
Cash in banks	2,080,791	–	–	–	2,080,791
Trade and other receivables:	694,955	–	–	–	694,955
Due from related parties	–	–	1,519,089	–	1,519,089
Other receivables	–	–	454,368	–	454,368
Advances to employees**	–	–	–	8,970	8,970
Other financial assets***	–	–	–	2,149,987	2,149,987
Guarantee deposits***	–	–	–	101,729	101,729
Loans receivable from related parties	–	–	465,657	–	465,657
	₱2,779,686	₱ –	₱2,439,114	₱2,260,686	₱7,479,486

**Included under "Other current assets" in the consolidated statements of financial position.*
***Included under "Investments" in the consolidated statements of financial position.*
****Included under "Other noncurrent assets" in the consolidated statements of financial position.*

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2021 and 2020 based on contractual undiscounted payments:

	On Demand	Less than 3 Months	3 to 12 Months	More than 1 Year	Total
			(In thousands)		
2021					
Other financial liabilities:					
Trade and other payables:					
Trade payables*	**₱3,776,605**	**₱ -**	**₱ -**	**₱ -**	**₱ 3,776,605**
Accrued expenses and non-trade payables*	**2,249,824**	**-**	**-**	**-**	**2,249,824**
Due to related parties*	**1,308,671**	**-**	**-**	**-**	**1,308,671**
Lease liabilities	**-**	**-**	**171,418**	**2,458,900**	**2,630,318**
Advances from customers*	**744,143**	**-**	**-**	**-**	**744,143**
Other payables*	**487,097**	**-**	**-**	**-**	**487,097**
	₱8,566,340	**₱ -**	**₱ 171,418**	**₱2,458,900**	**₱11,196,658**
2020					
Other financial liabilities:					
Trade and other payables:					
Trade payables*	₱2,974,999	₱ –	₱ –	₱ –	₱ 2,974,999
Accrued expenses and non-trade payables*	3,551,780	–	–	–	3,551,780
Due to related parties*	781,730	–	–	–	781,730
Lease liabilities	–	–	218,047	1,842,019	2,060,066
Advances from customers*	1,948,302	–	–	–	1,948,302
Other payables*	9,091	–	–	–	9,091
	₱9,265,902	₱ –	₱218,047	₱1,842,019	₱11,325,968

**Included under "Trade and other payables" account in the consolidated statements of financial position.*

Management believes that it has the sufficient reserves to meet its liquidity requirements at all times. It has the financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The Group manages its negative liquidity ratio position in 2021 and 2020 by forecasting cash flow regularly, monitoring and optimizing net working capital and managing existing credit facilities. As of December 31, 2021 and 2020, the total available credit line from various bank partners is ₱15.9 billion and ₱15.1 billion, respectively.

Capital management policy

The Group considers equity attributable to the equity holders of the Parent Company as its capital. The Group's objectives when managing capital are to secure the Group's ongoing financial needs to continue as a going concern as well as to cater for its growth targets in order to provide returns to shareholders and benefits for other stakeholders and to maintain a cost-efficient and risk-optimized capital structure.

The Group manages the capital structure and makes adjustments to it in light of the changes in economic conditions, its business activities, investment and expansion program and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital, among others, on the basis of gearing ratio. Gearing ratio is calculated as net financial debt divided by total equity in the consolidated statements of financial position as shown in the table below:

	2021	2020
	(In Thousands)	
Customers' deposits (Cash bond)*	**₱ 278,693**	₱ 296,600
Financial debt (Excess)	**278,693**	296,600
Less: Cash in banks	**501,208**	2,080,791
Net financial asset	**(222,515)**	(1,784,191)
Total equity	**29,804,455**	29,632,055
Gearing ratio	**(0.01)**	(0.06)

**Included as part of "Trade and other payables"*

The Group's target is to maintain a gearing ratio in the range of no more than 100 percent. Total equity increased by 0.58% in 2021 as a result of increase in retained earnings coming from income from operations. There were no changes in the Group's approach to capital management during the year.

21. FINANCIAL ASSETS AND LIABILITIES

Fair Value of Financial Instruments

The estimated fair value of each class of the Group's financial instruments, is equal to their carrying amount as at December 31, 2021 and 2020. The following methods and assumptions are used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash in Banks, Trade and Other Receivables, Advances to Employees, Loan receivable from a related party, Long-term Financial Receivable, Loans Payable and Trade and Other Payables. Due to the short-term nature of the transactions, the fair values of these instruments approximate the corresponding carrying values as at end of each reporting period.

Derivatives. The fair values of the embedded currency forwards are calculated by reference to current forward exchange.

Financial Assets at FVTPL. The fair values of publicly traded instruments are determined by reference to quoted market prices as at the end of each reporting period.

Long-term Financial Receivable and Guarantee Deposits. These are carried at cost, less any impairment in value, which approximates their fair values calculated using the discounted cash flows method.

Summary of Financial Assets and Liabilities

	Note	**2021**	2020
Financial Assets at FVTPL			
Quoted shares	12	**₱ 1,300**	₱ 176
Unquoted shares	12	**3,756**	3,764
		5,056	3,940
Financial Assets at Amortized Cost			
Cash in banks	8	**501,208**	2,080,791
Trade receivables	9	**739,867**	633,068
Due from related parties	9	**652,945**	1,519,089
Other receivables	9	**322,562**	449,263
Advances to employees	11	**691**	8,970
Other financial assets	15	**2,135,778**	2,149,987
Guarantee deposits	15	**69,062**	101,729
Loan receivable from related parties	32	**240,426**	465,657
		4,662,539	7,408,554
Financial Liabilities at Amortized Cost			
Trade payables	16	**3,776,605**	2,974,999
Accrued expenses	16	**2,249,824**	3,551,780
Due to related parties	16	**1,308,671**	781,730
Other payables	16	**487,097**	44,484
		₱7,822,197	₱7,352,993

Fair Value Hierarchy

As at December 31, 2021 and 2020, the Group's financial instruments measured at fair value include only the quoted equity securities, classified as financial assets at FVTPL (Level 1), see Note 12. The Group's unquoted equity securities are not significant.

As at December 31, 2021 and 2020, the Group does not have financial instruments whose fair values are determined using inputs that are not based on observable market data (Level 3). There were no reclassifications made between the different fair value hierarchy levels in 2021 and 2020.

22. PROVISIONS

	2021	2020
	(In Thousands)	
Provisions for stranded cost	**₱63,043**	₱64,479
Provision for dispute and tax assessment	**10,000**	10,000
	₱73,043	₱74,479

Provisions pertain to probable claims arising from assessments and onerous contracts involving the Group. The timing of the cash outflows of these provisions is uncertain as it depends upon the outcome of the Group's negotiations and/or legal proceedings, which are currently ongoing with the parties involved.

The unamortized stranded cost as at December 31, 2021 and 2020 amounted to ₱63.04 million and ₱64.48 million, respectively. In 2021 and 2020, total interest cost on stranded cost amounted to ₱4.8 million and ₱4.8 million, respectively, as disclosed in Note 29.

The Group recognized a provision for probable losses amounting to ₱10 million related to a dispute with a former supplier of its aggregates. As at December 31, 2018, it was presented as part of trade payable, since the Group's negotiations and/or legal proceedings are still on-going. As at December 31, 2021 and 2020, the provision was classified to non-current liabilities as part of provisions due to the uncertainty of the settlement date.
In 2017, the Group recognized a provision for tax assessment amounting to ₱53,000 related to a final assessment notice received from the BIR in December 2014 for alleged deficiency of current income tax and VAT covering the taxable year 2011. The Management believes the amount of provision will cover the expected tax due after providing the supporting documents in their protest last January 2016. During 2020, the Group settled this through the availment of tax amnesty.

Disclosure of additional details beyond the present disclosure may prejudice the Group's position. Thus, as allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.

23. EQUITY

a. Capital Stock

The composition of the Parent Company's capital stock as at December 31, 2021 and 2020 is as follows:

	Number of Shares	Amount *(In Thousands)*
Authorized - P1 par value		
Preferred shares	20,000,000	₱ 20,000
Common shares	9,980,000,000	9,980,000
Issued, fully paid and outstanding - Common shares	6,452,099,144	₱6,452,099

The Parent Company has one class of common share which carries voting rights and right to dividends but none for fixed income.

The preferred shares are cumulative and non-participating and entitled to preferential dividend rate when declared by the Management of the Parent Company. There were no preferred shares issued and outstanding as at December 31, 2021 and 2020.

The Parent Company's common shares were registered/listed on June 17, 1996. Total shares registered and outstanding as at December 31, 2021 and 2020 is 6.5 billion. These shares are held by 5,248 and 5,257 stockholders as at December 31, 2021 and 2020, respectively. There have been no recent changes in the number of shares registered and outstanding.

b. Retained Earnings

The Parent Company's retained earnings available for dividend declaration amounted to ₱7.2 billion and ₱7.6 billion as at December 31, 2021 and December 31, 2020, respectively, based on the guidelines set in the Securities Regulation Code Rule 68.

c. On May 27, 2021, the Parent Company declared cash dividends amounting to ₱2.8 billion at ₱0.43 dividend per share. As of December 2021, the Parent Company has an outstanding dividend payable to UCHC amounting to ₱229.8 million as disclosed in Note 32.

24. COST OF SALES

	Notes	**2021**	2020	2019
		(In Thousands)		
Raw, packaging and production materials	10	**₱ 6,768,308**	₱ 9,609,195	₱11,085,665
Power and fuel	10	**7,986,391**	5,736,512	7,827,845
Outside services		**2,092,611**	1,964,562	2,188,254
Depreciation and amortization	13, 14, 19	**1,576,975**	1,703,306	1,500,590
Personnel	27	**1,295,572**	1,152,694	1,163,432
Transportation and communications		**718,907**	765,771	1,812,002
Repairs and maintenance		**803,553**	470,515	888,199
Taxes and licenses		**307,994**	326,148	328,976
Insurance		**119,531**	99,028	70,264
Rent	19	**-**	1,984	24,528
Others		**30,258**	54,909	151,159
		₱21,700,100	₱21,884,624	₱27,040,914

Others include inter-unit production freight, rent, provision for write-offs of spare parts and other miscellaneous expenses.

25. GENERAL AND ADMINISTRATIVE EXPENSES

	Notes	**2021**	2020	2019
		(In Thousands)		
Personnel	27	**₱ 470,975**	₱381,819	₱352,047
Depreciation and impairment	13, 19	**147,055**	133,619	136,377
Outside services		**148,978**	120,870	128,139
Software implementation costs		**147,504**	102,198	188,339
Taxes and licenses		**95,854**	89,188	57,040
Office expenses		**54,470**	55,369	69,892
Directors' fees		**15,613**	11,475	11,640
Transportation and communications		**8,194**	4,349	13,030
Entertainment, amusement and recreation		**216**	486	677
Others		**14,204**	7,219	2,101
		₱1,103,063	₱906,592	₱959,282

Others include rent, training expenses, community services and expenses related to the Group's ongoing internal projects.

26. SELLING EXPENSES

	Notes	2021	2020	2019
			(In Thousands)	
Personnel	27	**₱243,847**	₱215,901	₱258,148
Depreciation	13, 14, 19	**114,108**	130,998	109,833
Outside services		**25,455**	20,213	40,404
Advertising		**124,648**	19,856	21,523
Transportation and communication		**16,751**	17,224	42,829
Taxes and licenses		**16,780**	4,827	8,063
Rent	19	**-**	2,422	4,659
Office expenses		**5,573**	2,296	15,280
Others		**21,596**	46,869	43,809
		₱568,758	₱460,606	₱544,548

Others include provision for expected credit losses, entertainment & recreation, insurance, utilities and expenses related to the Group's ongoing internal projects.

27. PERSONNEL EXPENSES

	2021	2020	2019
		(In Thousands)	
Salaries, wages and employee benefits	**₱1,358,065**	₱1,204,967	₱1,307,954
Retirement benefit costs	**216,371**	248,553	360,502
Training	**5,032**	3,547	11,573
Others	**430,926**	293,347	93,598
	₱2,010,394	₱1,750,414	₱1,773,627

Retirement benefit costs above exclude net interest cost classified as part of interest and financing charges.

Others includes other labor expenses own, recruitment/hiring expense, meals (non-travel), retrenchment and dismissal costs etc.

28. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	Notes	2021	2020	2019
			(In Thousands)	
Property, plant and equipment				
Cost of sales	24	**₱1,412,237**	₱1,306,653	₱1,113,060
General and administrative	25	**94,487**	75,574	68,224
Selling expenses	26	**7,964**	25,322	6,799
		1,514,688	1,407,549	1,188,083
Right-of-use Assets				
Cost of sales	24	**158,929**	347,585	385,145
General and administrative	25	**52,568**	58,045	68,153
Selling expenses	26	**104,681**	105,676	103,034
		316,178	511,306	556,332
Intangible assets				
Cost of sales	24	**5,809**	49,068	2,385
Selling expenses	26	**1,463**	-	-
		7,272	49,068	2,385
		₱1,838,138	₱1,967,923	₱1,746,800

29. INTEREST AND FINANCING CHARGES

Details of interest and financing charges are as follows:

	Notes	2021	2020	2019
			(In Thousands)	
Interest on lease liabilities	19	**₱105,838**	₱165,854	₱143,316
Interest cost on defined benefit obligation		**15,359**	19,498	18,902
Accretion of provision for stranded cost	22	**4,804**	4,846	5,188
Interest on loans payable		**4,663**	150,936	404,823
Bank charges		**3,871**	16,326	9,286
		₱134,535	₱357,460	₱581,515

30. INTEREST AND OTHER FINANCIAL INCOME

	Notes	2021	2020	2019
			(In Thousands)	
Interest earned on cash in banks and on loans	8, 32	**₱20,750**	₱ 35,297	₱ 53,141
Interest income on defined benefit asset		**78,346**	123,458	265,987
		₱99,096	₱158,755	₱319,128

31. OTHER INCOME (EXPENSE) - net

	Note	2021	2020	2019
			(In Thousands)	
Gain on sale of by products and other revenue		**₱46,028**	85,801	37,284
Gain on termination of lease liabilities		**39,162**	₱ -	₱ -
Scrap sales		**3,957**	1,835	20,987
Revaluation of financial assets at FVTPL		**2,750**	-	-
Gain (Loss) on sale of properties - net	13	**(336)**	-	8,322
Write-off of investment		**(1,634)**	-	-
Foreign exchange (loss) gain – net		**(5,827)**	1,751	6,580
Reversal of revaluation of related party liability		**(21,731)**	-	-
Recovery of written off assets		**-**	53,415	-
Loss on disposal of intangible assets		**-**	-	(105,858)
Others		**(5,405)**	44,724	14,412
		₱56,964	₱187,526	(₱ 18,273)

Others include miscellaneous revenues from non-operating assets and loss on unrecoverable advances to officers and employees..

32. RELATED PARTY TRANSACTIONS

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The Group has transactions with the following related parties:

Parent Company:

- Clinco Corporation
- Cemco Holdings, Inc. (Cemco), a subsidiary of Clinco
- Union Cement Holdings Corporation (UCHC), a subsidiary of Cemco

Subsidiaries of Cemco, a stockholder of the Parent Company:

- Lafarge Holdings (Philippines) Inc. (LHPI)
- Calumboyan Holdings, Inc. (CHI)
- Seacem Silos, Inc. (SSI)

Subsidiaries of Lafarge Holcim Limited

- Holcim Trading Pte. Ltd., Singapore (Holcim Trading)
- Holcim Technology Ltd. (HTEC)
- Holcim Technology (Singapore) Pte. Ltd. (HTPL)
- Holcim Group Services Ltd. (HGSX)
- Holcim East Asia Business Service Centre B.V (HEABS)
- Lafarge Holcim Energy Solutions (LHES)
- LH Shipping PTE Ltd.
- Holcim US Inc.
- Other Holcim Group affiliates
- LH Global Hub Services Pvt Ltd. (LHGH)

Associate and Subsidiaries of HMDC:

- Holcim Mining and Development Corporation (HMDC)
- Holcim Resources and Development Corporation (HRDC)
- LafargeHolcim Aggregates Inc. (LHAI)
- Sigma Cee Mining Corporation (SCMC)
- APC Properties, Inc. (APC)
- Quimson Limestones, Inc. (QLI)
- Lucky One Realty Ventures, Inc. (LORVI)

The following table summarizes the related party transactions and outstanding balances as at and for the years ended December 31, 2021 and 2020:

		2021		2020			
Related Parties	**Nature**	**Transactions During the Year**	**Outstanding Receivable (Payable)**	Transactions During the Year	Outstanding Receivable (Payable)	**Terms**	**Conditions**
			(In thousands)				
Parent							
UCHC							
	Payment of expenses	₱ –	₱ –	₱ 5,110	₱ –	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Short-term loan	–	–	1,840,699	–	Interest-bearing, settled in cash, due and demandable	Unsecured, unguaranteed
	Interest payable	-	-	111,383	–	To be settled in cash, due and demandable	Unsecured, unguaranteed
	Dividend	**1,679,763**	**(229,763)**	-	-	To be settled in cash, due and demandable	Unsecured, unguaranteed

Related Parties	Nature	2021 Transactions During the Year	2021 Outstanding Receivable (Payable)	2020 Transactions During the Year	2020 Outstanding Receivable (Payable)	Terms	Conditions
Cemco							
	Payment of expenses	**–**	**–**	5,515	–	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Payment of short-term loan	**(83,826)**	**-**	-	-	Interest bearing, settled in cash	Unsecured, unguaranteed, not impaired
	Short-term loan	**-**	**–**	395,970	465,671	Interest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Interest payable	**-**	**-**	-	-	To be settled in cash, due and demandable	Unsecured, unguaranteed
	Long-term loan	**238,581**	**238,581**	(381,845)	–	Interest-bearing, fixed term	Unsecured, unguaranteed
	Interest receivable	**14,437**	**1,845**	22,738	54,305	To be settled in cash, fixed term	Unsecured, unguaranteed, , not impaired
	Operating expenses	**27,636**	**–**	59,920	27,636	To be settled in cash, due and demandable	Unsecured, unguaranteed, , not impaired
	Dividends	**196,377**	**-**	-	-	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
Clinco							
	Payment of expenses	**–**	**-**	1,296	–	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
Under common shareholder							
HTEC							
	Purchases and/or expense	**1,033,410**	**-**	1,628,854	5,348	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, , not impaired
LAFARGEHOLCIM LTD (HOFI)	Purchases and/or expense	**824,257**		15,863	–	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Various charges	**131**	**131**	-	-	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
LAFARGEHOLCIM INVESTMENT CO., LTD	Cost recharge for Expats	**(5,381)**	**(5,381)**	**–**	**–**	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
Holcim Trading							
	Purchases and/or expense	**(679,102)**	**(634,639)**	122,794	(60,208)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
HTSG							
	Advances	**–**	**–**	(76)	–	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
HEABS							
	Service contract	**–**	**–**	59,398	–	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Assignment of lease	**–**	**–**	31,627	–	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Sale of assets	**–**	**–**	22,000	–	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Short-term financial receivable			(32,556)	–	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Sublease	**–**	**–**	(9,405)	–	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Various charges	**-**	**-**	(14,429)	-	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired, , not impaired

		2021		2020			
Related Parties	**Nature**	**Transactions During the Year**	**Outstanding Receivable (Payable)**	Transactions During the Year	Outstanding Receivable (Payable)	**Terms**	**Conditions**
LHES							
	Purchases and/or expenses	**17,710**	**-**	6,318	21,559	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed, not impaired
Holcim US Inc.	Purchases and/or expenses	**-**	**-**	28,494	-	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed, not impaired
LH Shipping Pte Ltd							
	Purchases and/or expenses	**487,456**	**(46,924)**	263,601	(2,520)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
LHPI							
	Short-term loan	**–**	**–**	1,845,151	–	Interest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Interest payable	**–**	**–**	129,812	5,951	To be settled in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Various charges	**10,677**	**–**	–	(10,677)	Non-interest bearing, offsetting, due and demandable	Unsecured, unguaranteed
SSI							
	Short-term loan	**–**	**–**	240,000	–	Interest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Interest payable	**–**	**–**	17,629	–	To be settled in cash, due and demandable	Unsecured, unguaranteed
CHI							
	Various charges	**112**	**–**	520	112	Non-interest bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
LAFSA							
	Expat recharges	**2,163**	**-**	4,595	(2,163)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Expat charges	**–**	**–**	(3,926)	–	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
HGSX							
	Various charges	**–**	**–**	(35,375)	–	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Administrative fees	**108,486**	**(22,438)**	72,725	(1,313)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
HSSA	IT / Various charges	**53,025**	**(14,550)**	52.457	(45,520)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
LHGH	Service Fee	**19,016**	**(3,219)**	-	-	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
Associates							
HMDC							
	Interest on loan	**–**	**–**	299	–	To be collected in cash, due and demandable	Unsecured. unguaranteed
	Sale and transfer of assets	**–**	**426,072**	–	426,072	Noninterest- bearing, to be collected, due and demandable	Unsecured, unguaranteed, not impaired
	Expenses from various charges	**146,734**	**490,421**	102,504	674,505	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
	Purchases of quarried materials	**880,537**	**(8,076)**	516,516	(328,426)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	In-plant billing	**59,366**	**(153,550)**	101,674	(163,215)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed

Related Parties	Nature	**2021** Transactions During the Year	**2021** Outstanding Receivable (Payable)	2020 Transactions During the Year	2020 Outstanding Receivable (Payable)	Terms	Conditions
	Asset leasing	**103,761**	**(77,716)**	103,761	(69,174)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Sale of Motorpool Assets	**–**	**1,406**	–	1,406	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Dividend	**20,631**	**20,631**	74,283	–	Noninterest- bearing, to be collected in cash, demandable	Not applicable
	Expense from various charges	**152,816**	**(207,784)**	19,551	221,763	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
			491,404				
HRDC							
	Expenses from various charges	**–**	**(10,158)**	–	(499)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Purchases of quarried materials	**91,289**	**(126,410)**	250,708	(251,581)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Transfer of mining rights and related site restorations costs	**–**	**183,368**	–	173,708	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Advances	**73**	**40,542**	43,934	282,824	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Asset Lease	**1,270**	**(1,668)**	16,313	(1,025)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Advances	**-**	**(300,463)**	212,450	(209,626)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Fuel withdrawal/ quarried	**-**	**270,701**	47,903	208,690	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
			55,912				
LHAI	Purchases and/or expenses	**1,224,472**	**(352,617)**	646,597	(130,753)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Advances	**60,276**	**88,756**	2,130	28,480	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
			(263,861)				
APC	Short term loan receivable	**–**	**52,204**	–	52,204	Noninterest- bearing, to be collected in cash, fixed term	Unsecured, unguaranteed, not impaired
	Asset Lease and/or expenses	**12,172**	**(20,968)**	12,172	(8,332)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Expenses from various charges	**1,097**	**782**	1,100	1,880	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
			32,018				
QLI	Short term loan receivable	**–**	**77,314**	–	77,314	Noninterest- bearing, to be collected in cash, fixed term	Unsecured, guaranteed, not impaired
	Purchases and/or expenses	**1,099**	**(9,838)**	1,099	(3,764)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Expenses from various charges	**817**	**3,868**	824	4,686	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
			71,344				
SCMC	Purchases and/or expenses	**–**	**-**	–	(1,001)	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Expenses from various charges	**5**	**2,136**	9	2,131	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
			2,136				
LORVI	Foreshore lease	**(55,773)**	**(79,793)**	60,942	(19,675)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Expense from various charges	**5,148**	**4,364**	55,773	(29,188)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
			(75,429)				

Related Parties	Nature	2021 Transactions During the Year	2021 Outstanding Receivable (Payable)	2020 Transactions During the Year	2020 Outstanding Receivable (Payable)	Terms	Conditions
Huaxin Cement	Purchases and/or Expense	**-**	**-**	–	(2,122)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
Others	Expenses from various charges	**–**	**–**		(1,758)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
Other Holcim Group Affiliates							
	Purchases and/or Expense	**7,438**	**(12,467)**	5,808	(3,025)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Various Charges	**-**	**-**	110	3,032	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
Retirement Fund	Contributions	**–**	**–**	117,457	–	Not Applicable	Not applicable

	Notes	2021	2020
		(In Thousands)	
Due from related parties	9	**₱ 652,945**	₱1,519,089
Due to related parties	16	**1,308,671**	781,730

	Notes	2021	2020
		(In Thousands)	
Loans receivable from related parties	9	**₱240,426**	₱465,657

Offsetting Agreement

In 2021, the Group executed offsetting agreements with HMDC and its subsidiaries (LHAI, HRDC, LORVI, QLI, SCMC, and APC), whereby the parties formalize the agreements to offset their receivables from the other party, as against their payable to it. Accordingly, the related parties' balances as at December 31, 2021 covered by these offsetting agreements were presented at either net receivable or net payable position.

Parent

UCHC. In April 2018, the Group entered into a short-term loan agreement with UCHC, lender, amounting to ₱200 million which will be collected after three months from the date of the agreement. On June 28, 2018 the loan was extended for one year ended June 30, 2019. The loan was still outstanding and was further extended until July 30, 2020. The applicable interest rate of the loan is equal to the prevailing interest rate of 2.96% per annum which shall be due and payable monthly in arrears, net of any applicable withholding taxes. On September 1, 2018 additional loan was executed amounting to ₱1.64 billion with interest rate of 4.86%. In January 2020, loans were extended for five years until January 31, 2025 with interest rate of 4.382%. On June 30, 2020 principal loan was pre-terminated and settled.

On May 27, 2021, the BOD of the Group declared a cash dividend of ₱1.68 billion at ₱0.43 per share. The outstanding dividend payable as at December 31, 2021 amounted to ₱229 million.

Cemco. On September 28, 2018, the Group entered a long-term loan to Cemco amounting ₱381.8 million with 5.30% per annum interest to be paid on or before September 28, 2020. In 2020, it was reclassified to short term financial receivable and due on September 28, 2021 with rate of 1.839%.

On May 27, 2021, the BOD of the Group declared a cash dividend of ₱196 million at 0.43 per share. In September 28, 2021, the cash dividends paid to CEMCO was offset to the outstanding loan amounted to ₱ 143.3 million plus interest receivable of ₱53.1 million as of September 28, 2021. The outstanding loan balance of ₱238.6 million was extended until September 28, 2026 with an interest rate of 3.096% per annum. Interest earned as of December 31, 2021 and 2020 amounted to ₱14.4 million and ₱22.7 million, respectively.

In June 2021, the loan amounting to ₱83 million related to tax funding entered last 2019 with original due date of 2020 was extended until 2021 was collected during the year including interest of ₱7.3 million.

Clinco. In August 2020, the Group collected the outstanding receivable balance amounting to ₱1.3 million.

Entities under Common Shareholder

a. *HEABS*. On January 1, 2015, the Group entered into a service contract with HEABS for business process outsourcing and other information technology enabled services. Service fees billed to the Group amounted to ₱59.4 million and ₱285.3 million for 2020 and 2019, respectively.

   On July 1, 2019, HEABS executed a deed of assignment to transfer contract of lease of office space, including all rights, titles and obligations to the Group. Advance rent and security deposit recognized amounted to ₱31.6 million. In December 2019, HEABS sold leasehold improvements to the Parent Company amounting to ₱22.0 million.

   Consequently, HEABS leased a portion of the office space through a five-month sublease agreement ended November 31, 2019. Lease revenue earned by the Group amounted to ₱9.4 million.

b. *HTEC.* Effective January 1, 2013, a new contract with HTEC came into force introducing the application of new Industrial Franchise Fee (IFF). The new agreement is aligned with the Organization for Economic Co-operation and Development (OECD) principles and takes into account arm's length transfer pricing principles.

   The IFF shall cover all intellectual properties and value-adding solutions derived by the Group. IFF is an annual charge payable quarterly and is based on fair assessment of economic value of intellectual properties and value adding solutions.

   HTEC also renders managerial and project support services to the Group.

   In 2020, IFF was replaced by MIIPA- Master Industrial Intellectual Property Agreement.

   Total expenses incurred amounted to ₱1.03 billion and ₱1.63 billion in 2021 and 2020, respectively.

   As at December 31, 2020, outstanding receivables/payable with HEABS was collected and settled since the related party ceased its operations the same year.

c. *HOFI.* In 2020, new agreement was executed with LafargeHolcim Ltd, under Master Branding Agreement (MBA). Total expenses incurred amounted ₱824 million and ₱15.8 million in 2021 and 2020, respectively.

d. *Holcim Trading.* The Group imports clinker and raw materials, such as gypsum and granulated blast furnace slag.

e. *HTSG.* On January 1, 2014, the Group entered into a service agreement with HTSG, for support services. The new service agreement is complementary to the existing Franchise Agreement. The services shall be based on all costs and expenses incurred by HTPL plus a certain mark-up. This agreement will be in effect unless and until superseded.

f. LAFSA. The Group has an outstanding liability pertaining to expat recharges amounting to nil and ₱2.2 million as at December 31, 2021 and 2020, respectively.

g. LHES. The Group had an outstanding receivable to LH Energy Solutions (LHES) amounting to nil and ₱21.5 million as at December 31, 2021 and 2020, respectively.

h. LH Shipping. The Group had an outstanding payable to LH Shipping related to time-chartered shipping amounting to ₱ 46 million and ₱ 2.5 million as at December 31, 2021 and 2020, respectively.

i. HSSA. The Group has an outstanding liability pertaining to IT support services and Sales Force - Non-IT recharges amounting to ₱14 million and ₱45 million as at December 31, 2021 and 2020, respectively.

j. Other Holcim Group Affiliates. The Group's transactions with other Holcim Group Affiliates include intercompany charges for salaries and wages of inbound and outbound expatriates, and other expenses related to operations.

k. HGSX. On January 1, 2017, the Group entered into an agreement for the "Administrative Support" which include activities in the field of administration as well as clerical and operational support. The administrative support fee is calculated based on the allocated costs plus mark-up and other indirect costs in connection of rendering such support. The administrative support fee amounted to ₱108.4 million and ₱72.7 million in 2021 and 2020 respectively.

l. LHPI. The Group loan originally amounted to ₱2.4 billion in 2017 was partially settled in 2018. In August 2020, partial repayment was made for interest and portion of loan and as at December 31, 2020 remaining principal loan amounted to ₱669 million with 4.38% p.a. interest to be paid on or before May 31, 2025 was pre-terminated and settled. Interest expenses in 2020 amounted to ₱129.8 million.

m. SSI. On October 25, 2018, the Group availed a short-term loan amounting to ₱240.0 million with interest of 6.42% p.a.

   On December 31, 2020 principal loan with interest rate of 4.382% and will be due on January 31, 2025 was pre-terminated and settled. Interest expense in 2020 amounted to ₱17.63 million.

n. CHI. As of December 31, 2018, the Group had an outstanding payable to CHI amounting to ₱ 0.6 million which was subsequently paid in 2019 pertaining recharges of business taxes. Outstanding receivable was ₱0.11 million pertaining to working capital initially paid by the Group.

   In 2021, the outstanding balance with CHI was transferred to CEMCO upon merger.

o. LHGH. On June 1, 2021, the Group y entered into a service agreement contract with LH Global Service Hub (GHBS) to provide the support on Finance, Procurement and Human Resources function from January 1, 2022 to December 31, 2026 for an annualized fee of CHF 692,016 charged to the Group. The total service fees recognized amounted to ₱19 million in 2021.

Direct and Indirect Associates

a. In 2021 and 2020, the Group has an existing service agreement with HMDC for the quarry operations, in which HMDC provides quarry and related services for a fee plus operating costs charged back to the Group.

   Amount charged to the Group amounted to ₱880.5 million and₱ 516.5 million in 2021 and 2020, respectively.

b. In 2021 and 2020, HMDC declared dividends for its Class A and Class B preferred shares, as well as for its Common A and Common B shares. The Company received dividend payment from HMDC amounting to ₱20.6 million and ₱74.2 million in 2021 and 2020, respectively.

c. In January 2016, the Group has entered into various lease agreements with HMDC and its subsidiaries APC, HRDC, QLI and LORVI for certain plant sites and terminals from various locations. The term of the leases is for a period of 25 years.

d. The Group sold/transferred various assets to HMDC, such as motorpools in 2017.

e. Principal of the short-term loan granted to HMDC had been fully paid. Interest income from this loan is nil in 2021 and 2020.

f. LHAI. As at December 31, 2021 and 2020, the Company had a total payable of ₱352.6 million and ₱130.8 million, respectively, due and outstanding at the end of each year.

g. The Group grants non-interest bearing advances to HMDC, HRDC, LORVI and LHAI for working capital requirements.

h. In October 2021, the Group entered into a short term loan agreement with QLI and APC amounting to ₱77.3 million and ₱52.2 million with 1.6123% interest per annum for working capital requirements.

   On November 30, 2021, HMPC and QLI entered into a guarantee agreement where the former agreed to act as a guarantor of the latter in case of default or unable to settle its liabilities to the Company.

Retirement Benefit Funds

The Parent Company has a retirement with Holcim Philippines, Inc. Retirement Fund (HPI-RF). As at December 31, 2021 and 2020, HPI-RF has investments in HMDC, shares with a fair value of ₱596.3 million representing 60% of the total ownership, as disclosed in Note 12.

All of the funds' investing decisions are made by the Retirement Committee, the composition of which includes certain officers and employees of the Parent Company. The power to exercise the voting rights rests with the Board of Trustees.

Terms and Conditions of Transactions with Related Parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There is a guarantee provided or received to one of its related party receivable.

The Company regularly assessed whether there has been a significant increase in credit risk and considered reasonable and supportable information that is available without undue cost or effort and that is relevant for an individual financial instrument

Amounts due from related parties is included in "Trade and other receivables" and amounts due to related parties is included in "Trade and other payables" accounts in the consolidated statements of financial position.

Total amount of intercompany receivables eliminated as at December 31, 2021 and 2020 amounted to ₱3.6 billion and ₱2.6 billion, respectively.

Total amount of intercompany payables eliminated as at December 31, 2021 and 2020 amounted to ₱4.5 billion and ₱3.6 billion, respectively.

Key Management Personnel

The following are the details of the compensation of key management personnel:

	2021	2020	2019
		(In Thousands)	
Short-term employee benefits	**₱68,564**	₱82,759	₱109,404
Retirement benefit cost	**13,905**	15,150	9,638
	₱82,469	₱97,909	₱119,042

33. INCOME TAXES

The provision for current income tax in 2021, 2020 and 2019 are as follows:

Components of income tax expense charged to profit or loss are as follows:

	2021	2020	2019
		(In Thousands)	
Current tax expense	**₱858,857**	₱704,610	₱1,250,078
Deferred tax expense (benefit)	**16,330**	5,881	(44,207)
	₱875,187	₱710,491	₱1,205,871

The reconciliation between the statutory and effective income tax of the Group is as follows:

	2021	2020	2019
		(In Thousands)	
Profit before income tax	**₱3,440,350**	₱2,774,575	₱4,795,513
Income tax at statutory income tax rate of 30%	**₱ 860,088**	₱ 832,373	₱1,250,078
Income tax effects of:			
Effect of CREATE tax rate change	**32,882**	–	–
Difference in tax rates (25% vs. 20%)	**3,327**	–	–
Nondeductible expenses	**69,620**	1,437	108,829
Write off of deposits	–	–	72
Reversal of accrual	–	–	4
Penalties	**8,261**	137	1
Interest income from retirement fund not subject to income tax	**(19,587)**	(37,037)	(79,796)
Use of OSD	**(22,835)**	(61,413)	(66,580)
Income not subject to income tax	**(3,791)**	10	(6,737)
Interest and other income subjected to lower tax rates	**941**	(3,769)	–
Reversal of deferred income tax asset/ liability	–	(458)	–
Expired NOLCO	–	15,466	–
NOLCO utilized without DTA recognized	**(3,782)**	–	–
MCIT	**(235)**	–	–
Effect of dividend eliminations and other non-taxable income	**(49,702)**	(36,255)	–
Income tax at effective tax rate	**₱ 875,187**	₱ 710,491	₱1,205,871

The components of the Group's deferred tax liabilities – net as at December 31, 2021 and 2020 are as follows:

	2021	2020
	(In Thousands)	
Deferred tax assets		
Retirement benefit asset	**₱324,141**	₱258,558
Allowances for:		
Impairment losses on property, plant and equipment	**64,655**	89,039
Impairment losses on investments	**59,375**	71,250
Decline in value of inventories	**76,136**	84,405
Doubtful accounts	**15,938**	20,083
Provision for bonus accrual	**38,872**	18,770
Accrued expenses	**1,204**	1,800
Unamortized past service costs	**18,413**	24,745
Leases	**103,872**	65,131
NOLCO, excess MCIT and others	**155**	54,441
Provision for write-off of finished goods	**8,425**	10,029
Others	**35,025**	35,070
	746,211	733,321
Deferred tax liabilities		
Capitalized cost of property, plant and equipment from insurance proceeds	**54,782**	96,411
Remeasurement in OCI	**795,891**	755,763
Unrealized foreign exchange gain	**7,263**	17,851
Unamortized amount of capitalized land site restoration costs	**300**	416
Others	–	(1,021)
	858,236	869,420

Deferred tax liabilities – net	**(₱112,025)**	(₱136,099)

Total amount of deferred tax expense charged to OCI pertaining to the Group's remeasurement loss on retirement benefit amounted to ₱0.8 billion in 2021 and 2020.

Deferred income taxes for temporary differences for HPMC and HPBSCI affecting gross income were recognized using the effective tax rate of 18% as they availed of OSD as its method of deduction for income tax purposes. Management forecasts that HPMC and Mabini will be using OSD in the next three years and HPBSCI and Bulkcem in the next four years from 2020.

Deferred income tax assets for the following deductible temporary differences and carryforward benefits of unused tax losses and unused tax credits, have not been recognized as they have arisen in subsidiaries that have been incurring losses for some time and may not be used to offset taxable profits or tax liabilities of any other entity other than that of the entity from where such deductible temporary difference arose:

	2021	2020
	(In Thousands)	
Carryforward benefit of NOLCO	**₱4,254**	₱233,151
Excess MCIT over RCIT	**199**	–
Unrecognized deferred income tax assets	**₱4,453**	₱233,151

The following NOLCO can be claimed as deduction against future taxable income:

Date Incurred	Expiry Date	NOLCO
		(In Thousands)
December 31, 2020	December 31, 2025	₱4,254
		₱4,254

34. RETIREMENT BENEFIT ASSET

Defined Benefit Retirement Plans

The Parent Company and HPMC have distinct funded, noncontributory defined benefit retirement plans (the "Plans"). The Plans cover all permanent employees, each administered by their respective Retirement Committees or Board of Trustees.

The following tables summarize the components of retirement benefit costs, the funding status and the amounts recognized as retirement benefit liability of the Group.

Details of retirement benefit costs are as follows:

	Notes	**2021**	2020	2019
			(In Thousands)	
Current service cost		**₱104,861**	₱ 87,220	₱ 64,594
Net interest cost (income)	29,30	**(62,987)**	(103,960)	(247,085)
Retirement benefit costs recognized in profit or loss		**41,874**	(16,740)	(182,491)
Remeasurements (gain) loss recognized in OCI		**(343,333)**	286,800	1,564,752
Retirement benefit (gain) loss		**(₱301,459)**	₱270,060	₱1,382,261

Remeasurement gain (loss) on retirement benefits consists of:

	2021	2020	2019
		(In Thousands)	
Actuarial gain (loss) arising from:			
Changes in assumptions	**₱452,535**	(₱186,345)	(₱ 235,283)
Experience adjustments	**(6,404)**	(12,872)	(9,968)
Total actuarial gain (loss)	**446,131**	(199,217)	(245,251)
Loss on plan assets*	**(102,798)**	(87,583)	(1,319,501)
Total gain (loss) recognized in OCI	**₱343,333**	(₱286,800)	(₱1,564,752)

**Excluding amounts recognized in net interest cost.*

The reconciliation of retirement benefit asset recognized in the consolidated statements of financial position follows:

	2021	2020
	(In Thousands)	
Fair value of plan assets	**₱3,495,053**	₱3,586,725
Present value of benefit obligation	**(1,026,392)**	(1,425,521)
Balance at end of year	**₱2,468,661**	₱2,161,204

The breakdown of the retirement benefit asset per entity are as follows:

	2021	2020
	(In Thousands)	
HPI	**(₱ 326,305)**	(₱ 552,227)
HPMC	**2,794,966**	2,713,431
	₱2,468,661	₱2,161,204

Movements in the retirement benefit asset are as follows:

	2021	2020
	(In Thousands)	
Balance at beginning of year	**₱2,161,204**	₱2,313,807
Retirement benefit costs	**(41,874)**	16,740
Contributions	**5,998**	117,457
Remeasurement (gain)loss recognized in OCI	**343,333**	(286,800)
Balance at end of year	**₱2,468,661**	₱2,161,204

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

	2021	2020
	(In Thousands)	
Balance at beginning of year	**(₱1,425,521)**	(₱1,186,024)
Actuarial losses (gains)	**446,131**	(199,217)
Interest cost	**(41,449)**	(53,363)
Current service cost	**(104,861)**	(87,220)
Benefits paid from plan	**99,308**	100,303
Balance at end of year	**(₱1,026,392)**	(₱1,425,521)

The changes in the fair value of plan assets are as follows:

	2021	2020
	(In Thousands)	
Balance at beginning of year	**₱3,586,725**	₱3,499,831
Contributions	**5,998**	117,457
Gain (loss) on plan assets*	**(102,799)**	(87,583)
Interest income on plan assets	**104,436**	157,323
Benefits paid from plan	**(99,307)**	(100,303)
Balance at end of year	**₱3,495,053**	₱3,586,725

Excluding amounts recognized in net interest cost.

Actual return on plan assets amounted to a gain of ₱1.6 million and ₱7.0 million in 2021 and 2020, respectively.

The fund is administered by a trustee bank under the supervision of the duly Authorized Person or Trustee of the Plan. The Authorized Person or Trustee is responsible for investment of the assets. Based on the overall direction set by a Retirement Fund Committee, the Trustee proposes an investment strategy and as approved by the Retirement Fund Committee, executes such strategy. The Trustee defines the investment strategy based on the investment instructions found in the Trust Agreement. When defining the investment strategy, the Trustee takes into account the Plan's objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The control, direction, and management of the fund shall reside in and be the sole responsibility of the Trustee.

The percentages of fair value of total plan assets are as follows:

	2021		2020	
	HPI	**HPMC**	HPI	HPMC
Cash and receivables	**4.5%**	**0.09%**	8.8%	0.16%
Investments in debt securities:				
Government securities	**0.9%**	**1.15%**	0.9%	2.04%
Corporate debt securities	**3.2%**	**0.65%**	5.5%	0.80%
	4.1%	**1.80%**	6.4%	2.84%
Investment in equity securities				
Construction, infrastructure, property and mining	**91.4%**	**0.0%**	84.8%	0.72%
Holding firms	**0.0%**	**0.41%**	0%	0.35%
Power and utilities	**0.0%**	**0.0%**	0%	
Banks	**0.0%**	**0.0%**	0%	
Telecommunications	**0.0%**	**0.0%**	0%	
Others	**0.0%**	**97.70%**	0%	95.93%
	91.4%	**98.11%**	84.8%	97.00%
	100.0%	**100.0%**	100.0%	100.0%

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently, the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

Interest rate risk

A decrease in the government bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at December 31, 2021 by an independent actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Discount rate is determined by calculating the single effective discount rate determined by discounting the projected benefit payments using different term-dependent zero-coupon rates at the end of the reporting period.

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

	2021	2020	2019
Discount rates	**4.8%**	3.0%	4.7%
Future salary rate increases	**4.0%**	6.0%	6.0%

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

	Increase (decrease)	Effect on defined benefit obligation	
		HPI	HPMC
		(In Thousands)	
2021			
Discount rate			
Sensitivity 1	**0.5%**	**₱32,635**	**₱12,731**
Sensitivity 2	**(0.5%)**	**(30,263)**	**(12,103)**
Future salary rate increases			
Sensitivity 1	**0.5%**	**(30,629)**	**(12,251)**
Sensitivity 1	**(0.5%)**	**32,732**	**12,769**
2020			
Discount rate			
Sensitivity 1	0.5%	₱55,687	₱20,743
Sensitivity 2	(0.5%)	(51,072)	(19,339)
Future salary rate increases			
Sensitivity 1	0.5%	(49,912)	(23,617)
Sensitivity 1	(0.5%)	53,779	24,726

The Management and its trustee bank review the performance of the Plans on a regular basis and assess whether the Plans will achieve an investment return which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews its solvency position on an annual basis and estimates, through the actuary, the expected contribution to the Plans in the subsequent year.

The funding requirements are agreed between the Plan Trustees and Group, in consideration of the contribution advice from the Plan Actuary.

The tables below show the expected undiscounted future payments as at December 31:

	HPI	HPMC
	(In Thousands)	
2021		
Within one year	**₱ 67,490**	**₱23,261**
More than one year to five years	**203,562**	**90,157**
More than five years	**435,984**	**292,121**
2020		
Within one year	₱ 65,977	₱21,796
More than one year to five years	206,447	73,594
More than five years	461,820	306,292

The Group expects to make a contribution of ₱94.3 million in 2022 to the defined benefit plans during the next financial year.

Defined Contribution Retirement Plan

The Parent Company has a defined contribution plan wherein the obligation is limited to the specified contribution in the defined contribution plan. Total retirement benefits cost (benefit) related to the defined contribution plans amounted to ₱54.5 million, ₱54.5 million and ₱49.9 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Total retirement benefit costs under the defined benefit and defined contribution plans recognized in the Group's statements of comprehensive income as part of profit or loss are as follows:

	2021	2020	2019
		(In Thousands)	
Expense (Income) recognized for:			
Defined benefit plans	**₱41,874**	(₱16,740)	(₱ 182,491)
Defined contribution plan	**54,435**	54,461	49,933
Retirement benefit and contribution costs (benefits)	**₱96,309**	₱37,721	(₱132,558)

35. COMMITMENTS AND CONTINGENCIES

Lawsuits

The Group is either a defendant or plaintiff in several legal cases primarily involving collection and claims for damages. Based on the assessment of Management and the opinion of the Group's external legal counsels, the outflow of resources is not probable to happen.

The Group has an outstanding legal case with Seasia Nectar Port Services Inc. ("Seasia") concerning the termination of the port services agreement with the latter. The Group lodged multiple petitions that are still pending with the Regional Trial Court of Bataan and the Regional Trial Court of Taguig. An interim measure of protection in the form of a preliminary attachment of the Group's assets was secured by Seasia as disclosed in Note 15.

To date, these petitions and motions are pending for resolutions. The disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiation strategy.

Thus, as allowed by *PAS 37, Provisions, Contingent Liabilities, and Contingent Assets*, only general descriptions were provided.

Commitments

a. Electricity Supply Agreement (ESA)

   An amended electricity supply agreement was signed with AC Energy Philippines, Inc. (ACEPI) effective June 26, 2020 and valid until December 26, 2030 which will supply Bulacan, La Union and Mabini Grinding plants. The related expense under this contract is recognized as part of "Power and Fuel" account in Note 24.

b. Service Agreement with Misamis Oriental – 1 Rural Electric Service Cooperative, Inc. (MORESCO-1)

   On November 26, 2012, the Group entered into a Sub Transmission Line Wheeling Service Agreement with MORESCO-1 for supply of electric power exclusively for the operation and requirement of Lugait plant. The related expense under this contract is recognized as part of "Power and Fuel" account in Note 24.

c. Davao Light Service Contract

   The Group also entered into a contract with Davao Light and Power Group (DLPC) for electric service to the Group's plant in Davao commencing on November 14, 2013 and thereafter until the contract is terminated. The related expense under this contract is recognized as part of "Power and Fuel" account in Note 24.

d. Kalayaan – Davao Cement Mill Project 01 – EP

   On August 14, 2017, the Parent Company entered into a supply agreement with Huaxin Cement Co. Ltd for mechanical and electrical engineering and process control equipment and civil engineering design required for the cement mill system to be put into operation in the existing Davao Plant.

e. Others

   There are contingent liabilities for tax assessments occurring in the ordinary course of business. On the basis of information furnished by the Group's legal counsels, Management believes that none of these contingencies will materially affect the Group's financial position and financial performance.

f. Power Purchase Agreement (PPA)

   On November 16, 2021, the Company signed a 20-year power purchase agreement with Blueleaf Energy, to deliver solar power to its plants in Bulacan and La Union. Under the agreement, Blueleaf Energy will finance, build, operate, and maintain solar energy facilities in Norzagaray, Bulacan and Bacnotan, La Union with a combined capacity of 29-megawatt peak and an annual generation of more than 50 gigawatt hours that will supply up to 15% of the energy requirements of Holcim Philippines' plants there. The solar energy facilities are scheduled to be completed in 2024.

36. EARNINGS PER COMMON SHARE (EPS)

Basic/diluted EPS is computed as follows:

	2021	2020	2019
		(In Thousands)	
Consolidated profit for the year attributable to common equity holders of the Parent Company	**₱2,563,635**	₱2,062,303	₱3,587,301
Weighted average number of common shares - Issued and outstanding	**6,452,099**	6,452,099	6,452,099
Basic/diluted EPS of profit attributable to equity holders of the Parent Company	**₱ 0.40**	₱ 0.32	₱ 0.56

Basic EPS is computed based on weighted average number of issued and outstanding common shares during each year. Diluted EPS is computed as if the potential common share or instrument that may entitle the holder to common share were exercised as at the beginning of the year. Where the Parent Company does not have any potential common share or other instruments that may entitle the holder to common shares, diluted EPS is the same as basic EPS.

There are no dilutive financial instruments in 2021, 2020 and 2019; hence, diluted EPS is the same as basic EPS.

37. ENVIRONMENTAL AND REGULATORY MATTERS

a. Clean Air Act (RA 8749)

The Clean Air Act and the related IRR contain provisions that have an impact on the industry as a whole, and to the Group in particular, that needs to be complied with within 44 months from the effectivity date or by July 2004. Based on the assessment made on the Group's existing facilities and audits conducted by external stakeholders, management believes it complies with the provisions of the Clean Air Act and the related IRR.

b. Clean Water Act (RA 9275)

On February 4, 2004, the Senate and House of Representatives passed The Clean Water Act and the related IRR which contain provisions that have an impact on the industry as a whole, and to the Group in particular. Based on the assessment made on the Group's existing facilities and audits conducted by external stakeholders, management believes it complies with the provisions of the Clean Water Act and the related IRR.

c. Ecological Solid Waste Management Act (RA 9003)

On December 12, 2000, the Senate and House of Representatives passed The Ecological Solid Waste Management Act which contains provisions that have an impact to the Group. The Group adheres to all the rules and regulations and follows the waste management hierarchy which prioritizes waste avoidance, reduction, re-processing, and recycling. As an attestation to Geocycle's responsible handling and management of qualified wastes including hazardous wastes, the Group has valid Treatment, Storage and Disposal (TSD) Certificate.

HPI's four cement integrated plants continued to be recognized by the relevant national government agencies for its environmental programs.

38. CORRECTION OF CLASSIFICATION

In 2021, the Group reclassified the current and non-current portion of lease liability in 2020 to reflect the obligation that were due within the next 12 months after the reporting period and those that were beyond one year.

The Group believes that the above reclassifications would reflect the nature of the transactions and did not have any impact on prior year's profit or loss.

The impact of the reclassification on the Group's consolidated financial statements is summarized below:

December 31, 2020	As Previously Reported	Adjustments	As Restated
Lease liabilities – current portion	**₱1,218,146**	**(₱1,000,099)**	**₱ 218,047**
Lease liabilities – noncurrent portion	**841,920**	**1,000,099**	**1,842,019**
Total effect on liabilities	**₱2,060,066**	**₱ –**	**₱2,060,066**

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were reviewed and recommended for approval by the Audit Committee on March 7, 2022. The same were approved for issuance by the Board of Directors (BOD) on March 16, 2022.

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