

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended
Sep 30, 2023
2. SEC Identification Number
134800
3. BIR Tax Identification No.
000590608000
4. Exact name of issuer as specified in its charter
Jolliville Holdings Corporation
5. Province, country or other jurisdiction of incorporation or organization
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
4th Floor 20 Lansbergh Place, 170 Tomas Morato Avenue, Quezon City
Postal Code
1103
8. Issuer's telephone number, including area code
+632 83733038
9. Former name or former address, and former fiscal year, if changed since last report
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---------------------|---|
| Common | 281,500,000 |

11. Are any or all of registrant's securities listed on a Stock Exchange?

☒ Yes ☐ No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange, common shares

12. Indicate by check mark whether the registrant:

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

☒ Yes ☐ No

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

☒ Yes

☐ No

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



Jolliville Holdings Corporation JOH

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

| | |
|--|--------------|
| For the period ended | Sep 30, 2023 |
| Currency (indicate units, if applicable) | PHP |

Balance Sheet

| | Period Ended | Fiscal Year Ended (Audited) |
|-------------------------------|---------------|-----------------------------|
| | Sep 30, 2023 | Dec 31, 2022 |
| Current Assets | 1,280,444,558 | 1,212,640,231 |
| Total Assets | 6,500,555,166 | 6,520,193,031 |
| Current Liabilities | 2,133,232,672 | 2,077,589,795 |
| Total Liabilities | 3,112,993,351 | 3,197,759,943 |
| Retained Earnings/(Deficit) | 1,974,017,209 | 1,923,422,933 |
| Stockholders' Equity | 3,387,561,815 | 3,322,433,088 |
| Stockholders' Equity - Parent | 2,556,749,672 | 2,506,155,396 |
| Book Value per Share | 9.08 | 8.9 |

Income Statement

| | Current Year (3 Months) | Previous Year (3 Months) | Current Year-To-Date | Previous Year-To-Date |
|--------------------------|----------------------------|-----------------------------|----------------------|-----------------------|
| Gross Revenue | 362,859,427 | 349,773,064 | 1,027,208,817 | 990,679,830 |
| Gross Expense | 304,257,829 | 289,024,346 | 877,905,865 | 845,200,379 |
| Non-Operating Income | 257,636 | 692,887 | 4,586,593 | 1,588,118 |
| Non-Operating Expense | 26,791,022 | 25,656,871 | 78,220,685 | 76,406,008 |
| Income/(Loss) Before Tax | 32,068,212 | 35,784,734 | 75,668,860 | 70,661,561 |

| | | | | |
|---|------------|------------|------------|------------|
| Income Tax Expense | 2,844,690 | 5,767,729 | 10,540,133 | 11,605,025 |
| Net Income/(Loss) After Tax | 29,223,522 | 30,017,005 | 65,128,727 | 59,056,536 |
| Net Income Attributable to Parent Equity Holder | 20,506,351 | 27,380,022 | 50,594,276 | 48,969,638 |
| Earnings/(Loss) Per Share (Basic) | 0.07 | 0.09 | 0.17 | 0.17 |
| Earnings/(Loss) Per Share (Diluted) | 0.07 | 0.09 | 0.17 | 0.17 |

| | Current Year (Trailing 12 months) | Previous Year (Trailing 12 months) |
|-------------------------------------|-----------------------------------|------------------------------------|
| Earnings/(Loss) Per Share (Basic) | 0.6 | 1.31 |
| Earnings/(Loss) Per Share (Diluted) | 0.6 | 1.31 |

| |
|---|
| Other Relevant Information |
| Quarterly Report as of 30 September 2023. |

Filed on behalf by:

| | |
|-------------|---|
| Name | Ortrud Yao |
| Designation | Chief Financial Officer/ Treasurer/ Asst. Corporate Secretary |

COVER SHEET

SEC Registration Number

| | | | | | | | | | | |
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Company Name

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

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Form Type

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Department requiring the report

CRMD

Secondary License Type, If Applicable

| |
|-----|
| N/A |
|-----|

COMPANY INFORMATION

Company's Email Address

info@joh.ph

Company's Telephone Number/s

(02) 8 - 373 - 3038

Mobile Number

0966-854-4344

No. of Stockholders

29

Annual Meeting

Month/Day

| |
|-----------------|
| Any Day in June |
|-----------------|

Fiscal Year

Month/Day

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

ORTRUD T. YAO

Email Address

ortrud_ting@joh.ph

Telephone Number/s

(02) 8 - 373 - 3038

Mobile Number

0966-854-4344

Contact Person's Address

4/F 20 LANSBERGH PLACE BLDG., 170 TOMAS MORATO AVE. COR. SCOUT CASTOR ST., QUEZON CITY

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

JOLLIVILLE HOLDINGS CORPORATION

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2023**
2. SEC Identification No. **134800**
3. BIR Tax Identification **No. 000-590-608-000**
4. Exact name of registrant as specified in its charter:
JOLLIVILLE HOLDINGS CORPORATION
5. Province, Country or other jurisdiction of incorporation or organization:
PHILIPPINES
6. Industry Classification Code : _____ (SEC Use Only)
7. Address of principal office and Postal Code:
**4th Floor 20 Lansbergh Place, Tomas Morato Ave. cor. Scout Castor St.,
1103 Quezon City**
8. Registrant's telephone no. and area code: **(632) 373-3038**
9. Former name, address, and fiscal year, if changed since last report:
Not applicable
10. Securities registered pursuant to Sections 4 & 8 of the RSA:

| <u>Title of Each Class</u> | <u>No. of Shares of Common Stock</u> |
|------------------------------------|--|
| | <u>Outstanding &/or Amount of Debt</u> |
| | <u>Outstanding</u> |
| Common Stock, ₱ 1 par value | 281,500,000 shares |

11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes ☒ No ☐
12. Indicate by check mark whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes ☒ No ☐
 - (b) has been subject to such filing requirements for the past 90 days:
Yes ☒ No ☐

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FINANCIAL INFORMATION

Item 1. **FINANCIAL STATEMENTS**

Please find attached herein the Unaudited Consolidated Financial Statements (as Exhibit I) for the third (3rd) Quarter ending September 30, 2023.

Item 2. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Results of Operations

The consolidated financial statements for the nine months ended September 30, 2023 resulted in a net income after tax of ₱65,128,727 compared to ₱59,056,536 for the same period last year.

Power sales pertain to the electricity generation activity of Ormin Power Inc. (OPI). OPI supplies electricity to Oriental Mindoro Electric Cooperative Inc. (ORMECO) and operates a bunker fuel fired power plant (CDPP) in Calapan City and the Inabasan mini hydro power plant (IMHPP) in the Municipality of San Teodoro, Oriental Mindoro. Power sales slightly decreased by 0.13% from ₱746,181,062 for the third quarter of last year to ₱745,206,801 for the third quarter of this year, mainly due to lower fuel rates for the period. Fuel cost reimbursements form part of OPI's revenues despite being a passed on charge to ORMECO. Below are the billed power generation numbers in kWh from the power plants:

| Nine Months Ended September 30 | | | |
|---------------------------------------|-----------------------|----------------|------------------------|
| | 2023 | 2022 | Percentage of Increase |
| CDPP | 44,452,800 kWh | 44,452,800 kWh | 0% |
| IMHPP | 34,090,513 kWh | 30,988,828 kWh | 10% |

Water service revenues increased by ₱13,911,802 or 6.64% from ₱209,387,866 in the third quarter of 2022 to ₱223,299,668 in the third quarter of 2023. The increase is attributable to higher water production volume in the service areas. As of third quarter of 2023, total subscriber base stood at 25,370 compared to 23,644 subscribers for the same period in 2022 with 7.30% increase.

Rental revenues increased by 67.16% or ₱16,473,340 from ₱24,527,513 in 2022 to ₱41,000,853 in 2023. This resulted from opening of client's businesses due to easing of COVID-19 pandemic restrictions and increase in rental rates.

Technical services increased by 67.26% or ₱7,118,106 from ₱10,583,389 in 2022 to ₱17,701,495 in 2023. This is due to rate increase in technical fees.

Cost of services slightly increased by 0.56% or ₱4,232,406 for the period. This was due to the net effect of lower fuel costs from power operations and higher utilities and rentals incurred for the water operations, additional depreciation and increase in salaries and employee benefits.

Operating expenses increased by 33.55% or ₱28,473,080 for the period. The increase is attributable to higher utilities and transportation expenses and additional outside services incurred.

Net other charges decreased by 1.58% or ₱1,183,798 for the nine months ended September 30, 2023. This resulted from the net effect of gain on sale of investment property and additional finance costs incurred during the period.

Income tax expense decreased by 9.18% or ₱1,064,892 during the period mainly due to income tax benefit from application of NOLCO and cumulative gain from changes in fair value of the sold investment property. On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Bill was approved and signed by President of the Philippines. Under the CREATE Bill, domestic corporations will be subject to 25% or 20% regular corporate income tax (RCIT) depending on the amount of total assets or total amount of taxable income. In addition, minimum corporate income tax (MCIT) shall be computed at 1% of gross income for a period of three years, effective from July 1, 2020 to June 30, 2023. MCIT revert back to 2% starting July 1, 2023.

The increase in net income of this period compared to the same period last year is mainly due to higher revenues generated from business segments.

Non-controlling interest represents non-controlling stockholders' share in the net income or loss of 2Big Philippines Inc. and subsidiaries and Philippine Hydro Electric Ventures, Inc. and a subsidiary. The fluctuation in this account is tied-in to the operating results and to their overall ownership in these subsidiaries.

Financial Position

Total assets slightly decreased by 0.30% or ₱19,637,865 from ₱6,520,193,031 as of December 31, 2022 to ₱6,500,555,166 as of September 30, 2023.

The main decrease came from property, plant and equipment account with carrying value of ₱3,592,193,750 as of September 30, 2023. It decreased by 1.29% or ₱47,049,278 due to the net effect of additional capital expenditures and additional depreciation and amortization during the period.

Cash and cash equivalents increased by 8.21% or ₱15,601,172 during the period. This represents the net effect of collection of receivables and payment of obligations as of third quarter of 2023.

Trade and other receivables increased by 7.15% or ₱48,375,500 during the third quarter of 2023 due to longer collection turnover from customers.

Due from related parties decreased by 19.10% from ₱144,114,700 as of December 31, 2022 to ₱116,583,075 as of September 30, 2023 due to collections of advances from its affiliates.

Inventories amounting to ₱28,936,070 as of September 30, 2023 pertain mostly to OPI's fuel and oil. Fuel consumption is lower than the delivered amount which resulted to an increase of 25.18% or ₱5,820,665 during the period.

Other current assets increased by 14.27% from ₱179,020,936 as of December 31, 2022 to ₱204,559,551 as of September 30, 2023. The increase mainly pertains to the net effect of input VAT application as payment of output VAT payable, additional creditable withholding taxes received and advances made to suppliers.

Investment properties decreased by 1.96% or ₱30,448,255 as of third quarter of 2023. This pertains to the Parent Company's sale of land located at Malate, Manila with proceeds amounting to ₱40,590,950. This also resulted to a gain of ₱3,857,920 which presented as part of "Other Income (Charges) –net" in the consolidated statements of comprehensive income.

Deferred tax assets decreased by 15.03% or ₱5,590,798 during the period. The decrease pertains to the net effect of NOLCO application and carryforward benefit of MCIT recognized for the third quarter of 2023.

Other noncurrent assets decreased by 10.49% or ₱4,353,861 during the period. This is mainly due to lower special bank deposit which pertains to interest-bearing performance security in the form of a bank guarantee in relation to the lease agreement of CWWC with the LGU of Tabuk.

Financial assets at FVOCI were unchanged from its balances as of September 30, 2023.

Trade and other payables increased by 5.77% from ₱898,013,476 as of December 31, 2022 to ₱949,856,266 as of September 30, 2023. This is due to net effect of billings received and payments made to contractors and suppliers.

Loans payable decreased by 6.29% or ₱101,912,361 as of September 30, 2023. This mainly represents payments made for loan facility with local banks intended for the construction of IMHPP and short-term loan payments made by CWWC and OPI. CWWC's loan intended for Phase 1 rehabilitation, expansion and improvements of its waterworks system has been fully paid in 2022.

Due to related parties decreased by 11.88% from ₱246,333,675 as of December 31, 2022 to ₱217,074,203 as of September 30, 2023. This is due to net effect of payments made and advances received from affiliates for working capital purposes.

The income tax payable as of December 31, 2022 was due and paid in April 2023. The income tax payable as of September 30, 2023 consists of income tax accruals for the third quarter of 2023. Income tax payable decreased by 15.63% as of September 30, 2023.

Customers' deposits increased by 8.00% or ₱2,377,691 as of September 30, 2023. This account pertains to additional water meter maintenance collected by CWWC.

Deferred tax liabilities decreased by 2.05% or ₱7,221,000 as of September 30, 2023. This represents the tax effect of the cumulative gain from changes in fair value of the sold investment property.

Retirement benefits liability was unchanged from year-end.

Noncontrolling interest represents noncontrolling stockholders' share in the net income or loss of 2Big Philippines Inc. and subsidiaries and Philippine Hydro Electric Ventures, Inc. and a subsidiary. The fluctuation in this account is tied-in to the operating results and to the Group's overall ownership in these subsidiaries.

Liquidity and Solvency

The Group's cash balance increased from ₱190,029,184 as of end of 2022 to ₱205,630,356 as of September 30, 2023. The increase was due to the net effect of collection from customers and payments made to creditors. There are sufficient cash and credit to finance operating and investing activities of the Group.

Dividends

The Parent Company held a Special Stockholders' Meeting (SSM) last February 13, 2019 for the purpose of approving the 66.03% property dividend declaration made by the Parent Company's Board of Directors on January 4, 2019. Stockholders of record as of January 18, 2019 were entitled to vote at the SSM. The property dividends to be distributed are shares of stock of 2 subsidiaries of the Parent Company, Philippine Hydro Electric Ventures Inc. ("Phil Hydro") and 2Big Philippines Inc. ("2Big"). The property dividend amounted to ₱185,862,750, comprising of 76,500,000 shares of Phil Hydro carried at ₱1.00 per share and 42,225,000 shares of 2Big carried at ₱2.59 per share. Carrying values are computed based on interim financial statements of both subsidiaries as of September 30, 2018. Entitled shareholders shall receive 27 shares of Phil Hydro and 15 shares of TPC for every 100 shares of JOH.

Upon motion duly made and seconded, the stockholders approved, confirmed, and ratified the Board of Directors' declaration of the 66.03% property dividend.

The Board, in its meeting held on June 18, 2021, set the record date for stockholders entitled to the property dividend on August 27, 2021. The property dividend to be distributed remains to be 76,500,000 shares of PHEVI carried at ₱0.99 per share and 42,225,000 shares of 2Big Phil carried at ₱2.69 per share, or a total of ₱189,486,023.70. Carrying values are now computed based on the audited financial statements of both subsidiaries as of December 31, 2020. Entitled shareholders shall still receive 27 shares of PHEVI and 15 shares of 2Big Phil for every 100 shares of JOH. Fractional shares shall be converted into cash and be released to the shareholders at the same time as the property dividend.

As of September 30, 2023, the declaration of property dividends is still pending for approval by the SEC.

Issuances, Repurchases, and Repayments of Debt and Equity Securities

None

Events that will trigger Direct or Contingent Financial Obligation that is Material to the Company, including any Default or Acceleration of an Obligation

None

Material Off-Balance Sheet Transactions, Arrangements, Obligations (including Contingent Obligations), and Other Relationships of the Company with Unconsolidated Entities or Other Persons created during the Reporting Period

None

Known Trends, Demands, Commitments, Events or Uncertainties that will have a Material Impact on Liquidity or that are reasonably expected to have a Material Favorable or Unfavorable Impact on Net Sales/Revenues/Income from Continuing Operations

- Approval of Power Generation Rate by the Energy Regulation Commission (ERC)
On June 21, 2016, the ERC issued its Decision approving the PSA between ORMECO and OPI for the Modular Bunker Fuel-Fired Power Plant in Calapan City subject to the condition that the approved rates shall be ₱2.0931/kWh (pre-maximization) and ₱1.9686/kWh (post-maximization) as opposed to the PSA generation rate of ₱2.95/kWh.

On October 17, 2016, OPI filed an Omnibus Motion for Partial Reconsideration and for the issuance of a Status Quo Order to the ERC (Omnibus Motion). In its Omnibus Motion, OPI requested that the ERC should reconsider to (1) include the pre-operating expenses, contingency, permits/licenses and other development costs in ERC's computation of the total project cost as a component of the capacity fee and (2) use the historical average of the actual delivered energy instead of the contracted energy of 3,800,000 kWh/month and 4,939,200 kWh/month in fixing the billing determinants. In the Omnibus Motion, OPI prayed for the issuance of a Status Quo Order enjoining the ORMECO and National Power Corporation to observe the status prevailing prior to the issuance of the Decision dated June 21, 2016

In response, the ERC issued a Status Quo Ante Order on June 6, 2017 deferring the implementation of the approved generation rates for a period of no more than six (6) months or until the issues raised in OPI's Motions have been resolved. The ERC has extended the Status Quo Order dated June 6, 2017 until the date upon which OPI received the Order of the ERC resolving OPI's Omnibus Motion.

On June 8, 2020, OPI received an ERC's Order dated September 3, 2019 partially granting OPI's Motion for Partial Reconsideration and Supplementary Motion for Reconsideration and pronounced the basic tariff rate, net of fuel, of ₱2.2959 (pre-maximization) using contracted energy of 3,800,000 kWh/month and ₱2.1522 (post-maximization) using contracted energy of 4,939,000 kWh/month.

In the said Order, ERC also directed OPI and ORMECO to file recovery and refund schemes based on the final rates approved. OPI filed its Manifestation with the ERC recognizing the aboved-mentioned rates on June 23, 2020 and also filed its Notice of Compliance on July 8, 2020, detailing the recovery and refund scheme.

On January 22, 2021, OPI filed a Motion for Clarification dated January 14, 2021, seeking to clarify or confirm whether the indexation per approved adjustment formula in the Decision dated June 21, 2016 remains applicable in computing the O&M fees. In addition, OPI requested ERC to require NPC to settle the unpaid portion of OPI's billed O&M fees pertaining to adjustment, with interest from the time it was unilaterally withheld until full payment is made, considering that OPI was detrimentally affected by the act of NPC, and has resorted to borrowings to finance its continuous operation.

Additionally, on April 15, 2021, OPI filed a Comment to ORMECO's Compliance Ad Cautelam dated July 28, 2020 and prayed that the same be duly considered in the resolution of the Recovery Scheme submitted to implement ERC Order dated September 3, 2019.

On October 24, 2022, OPI wrote a Letter-Request to the ERC for Notice of Finality. OPI asserted that, based on records, no appeal from the September 3, 2019 Order was filed by any of the parties within the reglementary period. Thus, applying the relevant provisions of the ERC's Rules of Practice and Procedure the Decision dated 21 June 2016 has already become final and unappealable. In view of the foregoing, OPI requested the Honorable Commission for the issuance of a Notice of Finality of its Decision in ERC Case No. 2011-017 RC.

Also, on January 27, 2023, OPI filed a Reply with Motion to Resolve before the ERC. OPI alleged the following:

- a. NPC has already prematurely implemented the reliefs being prayed for pre-empting the Honorable Commission's ruling;
- b. In doing so, NPC seemed to disregard the Honorable Commission's mandate as the sole approving authority to grant rates, including appropriate adjustment and/or indexation thereof;
- c. In its letter to NPC dated 26 January 2022, ERC said that NPC's inclination to suspend approved rates pending prior approval from the Honorable Commission was inappropriate and without legal basis, and that NPC should refrain from continuing its act of withholding payments absent any formal ruling of the Commission thereon;
- d. O&M Fees are subject of indexation/adjustment:
 1. The adjustment/indexation of the O&M Fees is mutually agreed upon by OPI and ORMECO under their PSA;
 2. The adjustment/indexation was approved by the Honorable Commission in its 2016 Decision;
 3. OPI did not seek reconsideration of the O&M Fees, not being part of its Omnibus Motion for Partial Reconsideration, which was resolved in the 2019 Order. Further, the 2019 Order did not order OPI to discontinue the previously approved indexation/adjustment of the O&M Fees;
 4. Subjecting the O&M Fees to the approved adjustment formula is also in accordance with Section 43 (f) of the Electric Power Industry Reform Act of 2001 ("EPIRA") providing that rates must be such as to allow the recovery of just and reasonable costs to enable the entity, in this case OPI, to operate;
 5. Adjustment/indexation is in line with the ERC's policy of allowing indexation of O&M Fees owing to its nature as recurring expenses in the operation of power plant facilities. By directly collecting from OPI, NPC conveniently failed to mention the fact that ORMECO has yet to pay its obligation to OPI and that, in turn, OPI can only fulfill its financial obligations to NPC once OPI receives payment from ORMECO.
- e. OPI prayed that its Motion for Clarification dated 14 January 2021 be resolved.

As of September 30, 2023, OPI is waiting for the ERC ORDER resolving the respective motions of the parties as well as the resolving the Refund/Recovery Scheme.

The amount to be refunded and/or recovered depends on several variables including but not limited to, indexation and recovery period that are yet to be clarified and confirmed by the ERC for implementation by OPI, ORMECO and NPC. Accordingly, neither asset nor liability was recognized as at September 30, 2023 and December 31, 2022.

- ***COVID-19 Outbreak***

In 2020, the country experienced the coronavirus (COVID-19) pandemic crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. This has materially affected the technical and leasing activities of the Group since some clients' businesses are affected by the COVID-19 situation and some have decided to close. While the clients pay technical services and rent on a monthly basis under a yearly contract, their capacity to pay was compromised by the economic downturn resulting from the COVID-19 pandemic. On the other hand, management has assessed that the global pandemic did not have any significant impact on the Group's power generation and water utility business.

Cause for any Material Change from period to period which shall include Vertical and Horizontal Analyses of any Material Item

This is already incorporated in the discussion under "Results of Operations" and "Financial Position".

Seasonal Aspects that has a Material Effect on the Financial Statements

None

Material Commitments for Capital Expenditures, General Purpose of such Commitments, Expected Sources of Funds for such Expenditures

OPI has completed its 10 MW Mini Hydro Power Plant facility in San Teodoro, Oriental Mindoro. The project cost is ₱2.8 billion and financed through a term loan from the Development Bank of the Philippines. The total principal and interest released amounted to ₱1.25 billion and ₱122.7 million as of September 30, 2023.

CWWC has completed the 2nd Phase Expansion Program for Calapan City Water Supply System. Phase II involved development of new water production facilities, installation of storage facilities for the water system, and pipe laying of additional distribution lines. Phase II was estimated to cost about ₱162 million, about ₱118 million was financed through bank borrowing while the balance has been funded through internally generated funds.

Any Significant Elements of Income or Loss that did not arise from Continuing Operations

None

Financial Risk Disclosure

Please refer to Note 2 of the Notes to Consolidated Financial Statements for the description, classification and measurements applied for financial instruments of the Group.

The Group's principal financial instruments comprise of cash, receivables, short-term bank deposits, available-for-sale investments, bank loans, trade payables, due to related parties and payable to property owners. The main purpose of the Group's financial instruments is to fund the Group's operations and to acquire and improve property and equipment. The main risks arising from the use of financial instruments are liquidity risk, interest rate risk and credit risk.

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

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

The Group's Board reviews and agrees with policies for managing each of these risks. These are summarized below:

Liquidity risk

The Group seeks to manage its liquid funds through cash planning on a weekly basis. The Group uses historical figures and experiences and forecasts from its collections and disbursements. The Group's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term borrowings. The Group's policy is to minimize interest rate cash flow risk exposures. Long-term borrowings are therefore usually at agreed interest rates. Also, the Group manages its exposure to interest rate risk by closely monitoring bank interest rates with various banks and maximizing borrowing period based on market volatility of interest rates.

Credit risk

This risk refers to the risk that a customer/debtor will default on its contractual obligations resulting in financial loss to the Group. The Group controls this risk through monitoring procedures and regular coordination with the customers. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group also controls this risk by cutting its services and refusal to reconnect until the customer's account is cleared or paid.

The Group's credit risk is primarily attributable to its trade receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Given the Group's diverse customer base, it is not exposed to large concentration of credit risk.

Currency risk is the risk that a business' operations or an investment's value will be affected by changes in exchange rates. If Philippine pesos, the Group's functional currency, has to be converted into another currency to buy or sell goods and services, or to make certain investments, a gain or loss may arise when these are converted back into pesos. This risk has been assessed to be insignificant given that all the Group's transactions are made in pesos. The Group has no investments in foreign securities.

Market risk is the risk of losses arising from changes in market prices. This usually affects an entire class of assets or liabilities. The value of investments may decline over a given period of time simply because of economic changes or other events that impact large portions of the market. Management has assessed this risk to be insignificant since the Group's financial instruments are not openly traded in the open market (stock exchange, foreign exchange, commodity market, etc.) nor does it engage in exotic financial instruments such as derivatives, spot or forward contracts and the like. The fair values of the Group's financial instruments did not change between this period and the preceding period thus no gain or loss was recognized.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND DECEMBER 31, 2022
(Amounts in Philippine Pesos)

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|--------------------------------------|-----------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | P 205,630,356 | P 190,029,184 |
| Trade and other receivables | 724,735,506 | 676,360,006 |
| Due from related parties | 116,583,075 | 144,114,700 |
| Inventories | 28,936,070 | 23,115,405 |
| Other current assets | 204,559,551 | 179,020,936 |
| Total Current Assets | 1,280,444,558 | 1,212,640,231 |
| Noncurrent Assets | | |
| Financial assets at fair value through other comprehensive income (FVOCI) | 32,931,206 | 32,931,206 |
| Investment properties | 1,526,208,595 | 1,556,656,850 |
| Property, plant and equipment | 3,592,193,750 | 3,639,243,028 |
| Deferred tax assets | 31,614,802 | 37,205,600 |
| Other noncurrent assets | 37,162,255 | 41,516,116 |
| Total Noncurrent Assets | 5,220,110,608 | 5,307,552,800 |
| | P 6,500,555,166 | P 6,520,193,031 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Trade and other payables | P 949,856,266 | P 898,013,476 |
| Short-term loans | 732,784,800 | 699,224,800 |
| Current portion of long-term loans | 230,308,579 | 230,214,780 |
| Due to related parties | 217,074,203 | 246,333,675 |
| Income tax payable | 3,208,824 | 3,803,064 |
| Total Current Liabilities | 2,133,232,672 | 2,077,589,795 |
| Noncurrent Liabilities | | |
| Noncurrent portion of long-term loans | 555,728,235 | 691,294,395 |
| Customers' deposits | 32,098,507 | 29,720,816 |
| Retirement benefits liability | 46,933,118 | 46,933,118 |
| Deferred tax liabilities | 345,000,819 | 352,221,819 |
| Total Noncurrent Liabilities | 979,760,679 | 1,120,170,148 |
| Total Liabilities | 3,112,993,351 | 3,197,759,943 |

(Forward)

(Carryforward)

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|--------------------------------------|-----------------------------------|
| Equity | | |
| Attributable to Equity Holders | | |
| of Parent Company | | |
| Capital stock | P 281,500,000 | P 281,500,000 |
| Additional paid-in capital | 812,108 | 812,108 |
| Revaluation surplus on investment property and property, plant and equipment - net | 265,688,339 | 265,688,339 |
| Cumulative unrealized fair value changes on financial assets at FVOCI | 17,931,369 | 17,931,369 |
| Cumulative remeasurement gain on retirement benefits liability - net | 16,800,647 | 16,800,647 |
| Retained earnings | 1,974,017,209 | 1,923,422,933 |
| Total Equity of Parent Company | 2,556,749,672 | 2,506,155,396 |
| Non-controlling Interests | 830,812,143 | 816,277,692 |
| Total Equity | 3,387,561,815 | 3,322,433,088 |
| | P 6,500,555,166 | P 6,520,193,031 |

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Amounts in Philippine Pesos)

| | Note | Quarter Ended September 30, | | Nine Months Ended September 30, | |
|--|------|-----------------------------|---------------|---------------------------------|---------------|
| | | 2023 | 2022 | 2023 | 2022 |
| REVENUES | | | | | |
| Power sales | P | 265,947,122 | P 263,648,254 | P 745,206,801 | P 746,181,062 |
| Water services | | 77,196,513 | 71,536,349 | 223,299,668 | 209,387,866 |
| Rental | | 13,615,290 | 10,923,825 | 41,000,853 | 24,527,513 |
| Technical services | | 6,100,502 | 3,664,636 | 17,701,495 | 10,583,389 |
| | | 362,859,427 | 349,773,064 | 1,027,208,817 | 990,679,830 |
| COSTS OF SERVICES | | | | | |
| | | 265,634,905 | 268,506,415 | 764,572,050 | 760,339,644 |
| GROSS INCOME | | | | | |
| | | 97,224,522 | 81,266,649 | 262,636,767 | 230,340,186 |
| OPERATING EXPENSES | | | | | |
| | | 38,622,924 | 20,517,931 | 113,333,815 | 84,860,735 |
| INCOME FROM OPERATIONS | | | | | |
| | | 58,601,598 | 60,748,718 | 149,302,952 | 145,479,451 |
| OTHER INCOME (CHARGES) – Net | 6 | (26,533,386) | (24,963,984) | (73,634,092) | (74,817,890) |
| INCOME BEFORE INCOME TAX | | | | | |
| | | 32,068,212 | 35,784,734 | 75,668,860 | 70,661,561 |
| INCOME TAX EXPENSE (BENEFIT) | | | | | |
| | 7 | | | | |
| Current | | 2,744,522 | 5,821,860 | 12,170,337 | 11,719,026 |
| Deferred | | 100,168 | (54,131) | (1,630,204) | (114,001) |
| | | 2,844,690 | 5,767,729 | 10,540,133 | 11,605,025 |
| TOTAL COMPREHENSIVE INCOME | | | | | |
| | P | 29,223,522 | P 30,017,005 | P 65,128,727 | P 59,056,536 |
| NET INCOME ATTRIBUTABLE TO: | | | | | |
| Equity holders of the parent company | | 20,506,351 | 27,380,022 | P 50,594,276 | P 48,969,638 |
| Non-controlling interests | | 8,717,171 | 2,636,983 | 14,534,451 | 10,086,898 |
| | P | 29,223,522 | P 30,017,005 | P 65,128,727 | P 59,056,536 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | | |
| Equity holders of the parent company | P | 20,506,351 | P 27,380,022 | P 50,594,276 | P 48,969,638 |
| Non-controlling interests | | 8,717,171 | 2,636,983 | 14,534,451 | 10,086,898 |
| | P | 29,223,522 | P 30,017,005 | P 65,128,727 | P 59,056,536 |
| EARNINGS PER SHARE | | | | | |
| | 8 P | 0.0728 | P 0.0973 | P 0.1797 | P 0.1740 |

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Amounts in Philippine Pesos)

| | 2023 | 2022 |
|---|------------------------|-----------------|
| ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY | | |
| CAPITAL STOCK – P1 par value | | |
| Authorized – 1,000,000,000 shares | | |
| Subscribed and fully paid | | |
| – 281,500,000 shares | P 281,500,000 | P 281,500,000 |
| ADDITIONAL PAID-IN CAPITAL | 812,108 | 812,108 |
| REVALUATION SURPLUS ON INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT - Net | 265,688,339 | 255,962,905 |
| CUMULATIVE UNREALIZED FAIR VALUE CHANGES ON FINANCIAL ASSETS AT FVOCI | 17,931,369 | 18,429,996 |
| CUMULATIVE REMEASUREMENT GAIN ON RETIREMENT BENEFITS LIABILITY - Net | 16,800,647 | 16,800,647 |
| RETAINED EARNINGS | | |
| <i>UNAPPROPRIATED</i> | | |
| Balance at beginning of year | 1,737,560,183 | 1,580,634,941 |
| Net income during the period | 50,594,276 | 48,969,638 |
| Balance at end of period | 1,788,154,459 | 1,629,604,579 |
| <i>APPROPRIATED</i> | | |
| Balance at beginning of year and end of period | 185,862,750 | 185,862,750 |
| Total Retained Earnings | 1,974,017,209 | 1,815,467,329 |
| TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY | 2,556,749,672 | 2,388,972,985 |
| NON-CONTROLLING INTERESTS | | |
| Balance at beginning of year | 816,277,692 | 747,040,133 |
| Share in net income | 14,534,451 | 10,086,898 |
| Balance at end of period | 830,812,143 | 757,127,031 |
| | P 3,387,561,815 | P 3,146,100,016 |

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Amounts in Philippine Pesos)

| | 2023 | 2022 |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | P 75,668,860 | P 70,661,561 |
| Adjustments for: | | |
| Depreciation and amortization | 129,500,189 | 129,184,563 |
| Finance costs | 74,237,991 | 72,142,071 |
| Gain on sale of investment property | (3,857,920) | - |
| Interest income | (555,102) | (279,531) |
| Net foreign exchange (gain) | (7,158) | (16,708) |
| Operating income before working capital changes | 274,986,860 | 271,691,956 |
| Changes in operating assets and liabilities: | | |
| Increase in: | | |
| Trade and other receivables | (48,375,500) | (172,140,834) |
| Inventories | (5,820,665) | (1,467,791) |
| Other current assets | (25,538,615) | (26,182,957) |
| Increase in: | | |
| Trade and other payables | 47,493,760 | 13,548,805 |
| Customers' deposits | 2,377,691 | 2,345,953 |
| Cash generated from operations | 245,123,531 | 87,795,132 |
| Income taxes paid | (12,764,577) | (8,570,594) |
| Interest received | 555,102 | 279,531 |
| Net cash provided by operating activities | 232,914,056 | 79,504,069 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to: | | |
| Property, plant and equipment | (82,450,909) | (28,808,155) |
| Investment properties | (1,935,745) | - |
| Proceeds from sale of investment property | 40,590,950 | - |
| Decrease (increase) in: | | |
| Due from related parties | 27,531,625 | 12,957,416 |
| Other noncurrent assets | 4,353,861 | (4,756,258) |
| Net cash used in investing activities | (11,910,218) | (20,606,997) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments of: | | |
| Loans | (101,912,361) | (167,888,314) |
| Interest | (74,237,991) | (72,142,071) |
| Increase (decrease) in due to related parties | (29,259,472) | 1,903,709 |
| Proceeds from loan availments | - | 192,761,750 |
| Net cash used in financing activities | (205,409,824) | (45,364,926) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 7,158 | 16,708 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 15,601,172 | 13,548,854 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 190,029,184 | 136,707,502 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | P 205,630,356 | P 150,256,356 |

(Forward)

(Carryforward)

| | 2023 | 2022 |
|---|----------------------|---------------|
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | |
| CONSISTS OF: | | |
| Cash on hand | P 311,000 | P 301,000 |
| Cash in banks | 198,983,546 | 138,007,754 |
| Cash equivalents | 6,335,810 | 11,947,602 |
| | P 205,630,356 | P 150,256,356 |

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation of the Financial Statements

The accompanying consolidated financial statements have been prepared on the historical cost basis except for available-for-sale investments, investment property and certain property and equipment which are stated at fair market value and appraised values, respectively. These consolidated financial statements are presented in Philippine pesos, which is the Group's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

Basis of Consolidation

The consolidated financial statements include the accounts of Jolliville Holdings Corporation (the Parent Company) and the following subsidiaries held directly or indirectly through wholly and majority-owned subsidiaries.

| Subsidiaries | Percentage of Ownership | |
|--|-------------------------|----------|
| | Direct | Indirect |
| Ormina Realty and Development Corporation (ORDC) | 100.00 | |
| Jolliville Group Management, Inc. (JGMI) | 100.00 | |
| Servwell BPO International Inc. (Servwell) | 100.00 | |
| Jollideal Marketing Corporation (JMC) | 100.00 | |
| Ormin Holdings Corporation (OHC) and subsidiaries: | 100.00 | |
| OTY Development Corp. (ODY) | | 100.00 |
| Melan Properties Corp. (MPC) | | 100.00 |
| KGT Ventures, Inc. (KVI) | | 100.00 |
| Ibaya Island Resort Corp. (IIRC) | | 100.00 |
| NGTO Resources Corp. (NRC) | | 100.00 |
| Philippine Hydro Electric Ventures, Inc. (PHEVI) and a subsidiary: | 100.00 | |
| Ormin Power, Inc. (OPI) | | 59.95 |
| 2Big Philippines Inc.** (2BIG)* and subsidiaries: | 88.50 | 11.50 |
| Calapan Waterworks Corporation (CWWC) | | 99.75 |
| Nation Water Corporation (NWC)* | | |
| Group's ownership through 2BIG | | 34.99 |
| Group's ownership through CWWC | | 39.89 |
| Tubig Bohol Corporation* (TBC)*** | | 49.87 |
| Greater Rosario Water, Inc. (GRWI)* | | 99.75 |

*preoperating stage

**formerly Tubig Pilipinas Corp.

*** Although the Group's equity interest in TBC is less than 50%, TBC is considered as a subsidiary because the Group's voting power over TBC is sufficient to provide the practical ability to direct and control.

Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany accounts, transactions, and income and expenses and losses are eliminated upon consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Noncontrolling interests share in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Noncontrolling interests consist of the amount of those interests at the date of the original business combination and the noncontrolling interest's share of changes in equity since the date of the combination. Losses applicable to the noncontrolling interests in excess of the noncontrolling interests share in the subsidiary's equity are allocated against the interest of the Group except to the extent that the noncontrolling interests has a binding obligation and is able to make an additional investment to cover losses.

2. **Summary of Significant Accounting and Reporting Policies**

The significant accounting policies used in the preparation of consolidated financial statements are consistently applied to all the years presented, unless otherwise stated.

Adoption of Amended PFRSs

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRSs –

- Amendments to PFRS 3, *Business Combinations - Reference to Conceptual Framework* – The amendments replaced the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, Provisions, Contingent Liabilities and Contingent Assets, or IFRIC 21, Levies, instead of the Conceptual Framework. The requirement ensures that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarify that an acquirer shall not recognize contingent assets acquired in a business combination
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first-time adopters.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The 'costs of fulfilling' a contract comprise the 'costs that relate directly to the contract'. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.
 - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removed from Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

The adoption of the amended PFRSs did not materially affect the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

New and Amended PFRSs and PIC Issuances in Issue But Not Yet Effective or Adopted

Relevant new and amended PFRSs and PIC issuances, which are not yet effective as at December 31, 2022 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

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

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity’s right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - Noncurrent Liabilities with Covenants for that period.
- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

Under prevailing circumstances, the adoption of the foregoing amended PFRSs is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

The principal accounting policies applied in the preparation of the Group's consolidated financial statements are set out below:

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 when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period;
- expected to be settled on demand; or
- cash and cash equivalents 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 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;
- it is expected to be settled on demand; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to 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.

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

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

For assets and liabilities that are recognized in the 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.

Accounting Policies for Financial Instruments Upon Adoption of PFRS 9 – Policies Applied from January 1, 2019

Financial Instruments

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

The Group recognizes financial assets or financial liabilities in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Financial Assets

The Company classifies its financial assets in the following measurement categories:

- Financial assets measured at amortized cost;
- Financial assets measured at fair value through other comprehensive income (FVOCI) where:
 - gains and losses previously recognized are reclassified to profit and loss; and
 - gains and losses previously recognized are not reclassified to profit and loss;
- Financial assets measured at fair value through profit or loss (FVPL).

Financial assets measured at amortized cost

The amortized cost of a financial asset is the present value of future cash receipts (payments) discounted at the effective interest rate. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The Group classifies its financial assets as at amortized cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

This category includes cash and cash equivalents, receivables (excluding advances to suppliers and advances to employees for liquidation), due from related parties, and reserve fund, special bank deposit and utilities and other deposits which are held by the Group with the objective to collect the contractual cash flows.

Financial assets at FVOCI

The Group classifies the following financial assets at FVOCI:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest on the principal amount outstanding and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

This category includes equity investment at FVOCI.

Financial assets at FVPL

The Group classifies the following financial assets at FVPL:

- Debt investments that do not qualify for measurement at either amortized cost or FVOCI;
- Equity investments that are held for trading; and
- Equity investments for which the entity has not elected to recognize fair value gains and losses through other comprehensive income (OCI).

The Group does not have financial assets at FVPL.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment FVOCI.

The Group reclassifies debt investments when and only when its business model for managing such assets changes.

Measurement

Initial measurement

At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement

Debt instruments

There are three measurement categories into which the Group classifies its debt instruments:

- *Amortized cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statements of profit or loss.

Short-term receivables with no stated interest rate are measured at their invoice amounts or expected amounts of settlement without discounting, when the effect of not discounting is immaterial.

- *FVOCI:* Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as separate line item in the statements of profit or loss.
- *FVPL:* Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains (losses) in the period in which it arises.

The Group has no debt instruments measured at fair value as at September 30, 2023 and December 31, 2022.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

The Group has equity instruments measured at FVOCI as at September 30, 2023 and December 31, 2022.

Impairment of Financial Assets

PFRS 9 establishes a new model, 'expected credit loss' (ECL) model, for recognition and measurement of impairments in loans and receivables that are measured at amortized cost, contract assets and debt instruments at FVOCI, but not to investments in equity instruments.

PFRS 9 provides that in measuring ECL the Company must reflect:

- An unbiased evaluation of a range of possible outcomes and their probabilities of occurrence.
- Discounting for the time value of money.
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, due from related parties, special bank deposit, reserve fund and utilities and other deposits, the Group applies the general approach in calculating ECLs. The Group recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its financial assets since initial recognition. The cash and cash equivalents and other deposits are deposited in the top banks of the Philippines and highly credible lessors and service providers, respectively. Also, the management has reasonable grounds to believe that the due from related parties and cash dividend receivable are collectible, if demanded. Moreover, should this not be the case, the Board of Directors (BOD) expect these related parties to have the support of their major stockholders to meet their obligations.

For receivables, the Group applies the simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group has determined that the application of impairment requirements of PFRS 9 at January 1, 2019 and December 31, 2019 did not result into any additional impairment losses in the Company's cash and cash equivalents, due from related parties, special bank deposit, reserve fund and utilities and other deposits which are measured at amortized cost.

Financial Liabilities

The Group classifies its financial liabilities in the following measurement categories:

- Financial liabilities measured at amortized cost;
- Financial liabilities measured at FVPL;

Measurement

Financial liabilities at amortized cost are recognized initially at fair value and are subsequently measured at amortized cost using effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gains or losses on derecognition is also recognized in profit or loss. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

This category includes loans payable, accounts payable and other current liabilities, due to related parties and customers' deposits.

Cash and Cash Equivalents

Cash which includes cash on hand and in banks are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

Special Bank Deposit and Reserve Fund

Certain bank deposits are restricted for withdrawal by the creditor bank as hold-out fund for the Group's loan availments. These are classified as noncurrent assets.

Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined using weighted average method. NRV is the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale.

Other Current Assets

This account comprises the following:

- *Input tax* is recognized when an entity in the Group purchases goods or services from a Value Added Tax (VAT)-registered supplier. This account is offset, on a per entity basis, against any output tax previously recognized.
- *Prepayments* are apportioned over the period covered by the payment and charged to the appropriate account in the consolidated statements of comprehensive income when incurred. These are expected to be realized for no more than 12 months after the reporting period and are classified as current assets. Otherwise, these are classified as other noncurrent assets.
- *Creditable withholding tax* is deducted from income tax payable in the same year the revenue is recognized.

Investments in Associates

An associate is an entity in which the Group's ownership interest ranges between 20% and 50% or where it has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not in control or joint control over those policies.

The Group carries its investment in an associate at cost, increased or decreased by the Group's equity in net earnings or losses of the investee Group since date of acquisition and reduced by dividends received. Equity in net losses is recognized only up to the extent of acquisition costs.

Investment Property

Investment property represents property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for under the fair value model. Generally, it is revalued on a regular basis and is included in the Group's consolidated statements of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property.

Investment property, which consists mainly of land, buildings and condominium units, is initially measured at acquisition cost, including transaction costs.

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in profit or loss as fair value adjustment on investment property under other income (charges) in the Group's consolidated statements of comprehensive income. In case of fair value loss and there is a carrying revaluation surplus balance as a result of transfer from property, plant and equipment carried at appraised value, the loss shall be applied first to the balance of revaluation surplus before recognizing the remaining loss to profit or loss.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

A Group-occupied property classified under property and equipment account becomes an investment property when it ends Group-occupation.

Property, Plant and Equipment

Land and building improvements, and power plant facilities and equipment are carried at appraised values as determined by an independent firm of appraisers on various dates in 2020. The appraisal increment resulting from the revaluation was credited to "Revaluation Surplus" shown under Equity section in the consolidated statements of financial position. Other property, plant and equipment are carried at cost less accumulated depreciation, amortization and any allowance for impairment in value.

Initial cost of property, plant and equipment comprises its construction cost or purchase price and any directly attributable cost of bringing the assets to its working condition and location for its intended use. Expenses incurred and paid after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income when the costs are incurred. In situation where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation and amortization is computed using the straight-line method over the following estimated useful lives except for leasehold improvements which are amortized over the estimated useful life of the assets or term of the lease, whichever is shorter.

| | Years |
|---|---|
| Leasehold improvements | 20 or term of lease, whichever is shorter |
| Furniture and fixtures | 5 to 10 |
| Water utilities and distribution system | 5 to 40 |
| Transportation equipment | 5 to 8 |
| Land improvements | 5 to 20 |
| Building and improvements | 10 to 40 |
| Power plant facilities and equipment | 3 to 40 |

The residual values, useful life and depreciation and amortization method are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction in progress, included in the property, plant and equipment, is stated at cost. This includes cost of construction, equipment and other direct costs. Construction in progress and equipment for installation is not depreciated until such time as the relevant assets are completed or installed and put into operational use.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts, and any gain or loss resulting from their disposal is credited or charged to current operations.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs incurred during the construction period on loans and advances used to finance construction and property development are capitalized as part of construction and development costs included under "Property, Plant and Equipment" account in the consolidated statements of financial position.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate.

All other borrowing costs are charged to operation in the period in which they are incurred.

Impairment of Nonfinancial Assets

The carrying values of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less cost to sell. 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 assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the smallest cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of comprehensive income in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss is credited to current operations.

Loans Payables

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds, net of transaction costs, and the settlement amount is recognized over the term of the loan in accordance with the Group's accounting policy for borrowing costs.

Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired, as well as through the amortization process.

Employee benefits

Short-term benefits

Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the accounting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Group to its employees include salaries and wage, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

Retirement benefit obligation

Retirement benefit obligation, as presented in the consolidated statement 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 actuarially determined using the projected unit credit method. The retirement benefit costs comprise of the service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

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 regularly by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government 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.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Deposit for Future Stock Subscription

Deposit for future stock subscription which are received in view of call for future subscriptions are stated at actual amount of cash received. Deposit for future stock subscription is recorded at historical cost. This is classified as equity when all of the following criteria are met:

- a. the unissued authorized capital stock of the Company is insufficient to cover the amount of shares indicated in the contract;
- b. there is BODs' approval on the proposed increase in authorized share capital (for which a deposit was received by the Company);
- c. there is stockholders' approval of said proposed increase; and
- d. the application for the approval of the proposed increase has been presented for filing or has been filed with the Commission.

Deposits for future stock subscription is classified as a liability when the above criteria are not met.

Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Foreign Currency Transactions and Translations

Transactions denominated in foreign currencies are recorded in Philippine pesos using the exchange rate at the date of the transactions. Outstanding monetary assets and liabilities denominated in foreign currencies are stated using the closing exchange rate at the end of financial reporting period. Gains or losses arising from foreign currency transactions are credited or charged directly to current operations.

Equity

- *Capital stock* is determined using the nominal value of shares that have been issued.
- *Additional paid-in capital* includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related taxes.
- *Revaluation reserves on equity investment at FVOCI* accounts are the excess (deficiency) of the fair market value over the carrying amounts of these investments. When fluctuation is deemed permanent, the gain or loss resulting from such fluctuation will be reversed and charged to profit or loss in the year that the permanent fluctuation is determined.
- *Revaluation surplus* accounts for the excess of the fair market value over the carrying amounts of "Land and improvements" and "Power plant" included under the Property, plant and equipment account and certain investment property. Any appraisal decrease is first offset against appraisal increment on earlier revaluation with respect to the same property and is thereafter charged to operations.
- *Reserve for actuarial loss* comprises the net actuarial gains and losses on the Group's retirement obligation as a result of re-measurement.
- *Retained earnings* include all current and prior period net income less any dividends declared as disclosed in the consolidated statements of comprehensive income.

Leases

Leases are classified as finance leases whenever the term of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting period so as to reflect a constant periodic rate of return on the Group's net investment in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the lease asset and recognized on a straight-line basis over the term of the lease.

The Group as lessee

Assets held under finance lease are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rental is recognized as expense in the periods in which it is incurred.

Rental expense under operating leases is charged to profit or loss on a straight-line basis over the term of the lease.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Revenue Recognition

The Group recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group applies the following five steps:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct.
3. Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer.
4. Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract.
5. Recognize revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied.

- *Power sales and water services* are recognized when the related services are delivered.
- *Rental income* is recognized on a straight-line basis in accordance with the substance of the lease agreement.
- *Technical services* comprise the value of all services provided and are recognized when rendered.
- *Sale of goods* is recognized upon delivery of goods sold, and the transfer of risks and rewards to the customer has been completed.
- *Interest income* is recognized on a time proportion basis that reflects the effective yield on the asset.
- *Other income* is recognized when the related income/service is earned.

Cost and Expenses Recognition

Cost and expenses are recognized in the consolidated statements of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Income Taxes

Income taxes represent the sum of current year tax and deferred tax.

Current Income Tax

The current year tax is based on taxable income for the year. Taxable income differs from income as reported in the consolidated statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted at the end of financial reporting period.

Deferred Income Tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the end of financial reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and carryforward benefits of net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT). Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred tax assets is reviewed at end of each financial reporting period and reduced to the extent that it is not probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Income tax relating to items recognized directly in equity is recognized in equity and other comprehensive income.

Segment Information

For management purposes, the Group is organized into four (4) major operating businesses which comprise the bases on which the Group reports its primary segment information. The Group has no geographical segments as all of the companies primarily operate only in the Philippines.

Segment revenue, expenses and performance include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products and services. The measurement policies the Group used for segment reporting are the same as those used in the consolidated financial statements. There have been no changes from prior periods in the measurement methods used to determine profit and loss. No asymmetrical allocations have been applied between segments.

Inter-segment assets, liabilities, revenue, expenses and results are eliminated in the consolidated financial statements.

Earnings per Share (EPS)

EPS is determined by dividing net income for the year by the weighted average number of shares outstanding during the year including fully paid but unissued shares as of the end of the year, adjusted for any subsequent stock dividends declared. Diluted earnings per share is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The Group has no existing dilutive shares.

Provisions

Provisions are recognized only when the following conditions are met: a) there exists a present obligation (legal or constructive) as a result of past event; b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and, c) reliable estimate can be made of the amount of the obligation. Provisions are reviewed at end of each financial reporting period and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable.

Events after the End of Financial Reporting Period

Post year-end events that provide additional information about the Group's position at the end of financial reporting period (adjusting events) are reflected in the Group's consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Management's Use of Judgments and Estimates

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. The effect of any changes in estimates will be recorded in the Group's consolidated financial statements when determinable.

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

- *Classification of Financial Instruments and Measurement Criteria*
Under PFRS 9, the Group classifies financial assets at initial recognition depends on the financial assets contractual cash flows characteristics of the Group's business model for managing them. The adoption of PFRS 9, has not had a significant effect on the Group's policy related to financial liabilities.

Prior to the adoption of PFRS 9, the Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The Group determines the classification at initial recognition and reevaluates this designation at every reporting date.

- *Determination of Control*
The Group determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the equity. The Group controls an entity if and only if the Group has all of the following:
 - Power over the entity;
 - Exposure, or rights, to variable returns from its involvement with the entity; and,
 - The ability to use its power over the entity to affect the amount of the Group's returns.

The Group regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

- *Classification of Leases*
The Group has entered into various lease agreements as either a lessor or a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Currently, all of the Group's lease agreements are determined to be operating leases.
- *Determination of Impairment of Equity Investment at FVOCI*
The Group follows the guidance of PAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of the near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.
- *Determination of Fair Value of Financial Instruments*
PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e. interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect income and equity.
- *Measurement of Security Deposits*
The future cash flows of security deposits from the leases cannot be readily determined nor reliably measured because the actual timing of payment cannot be reasonably predicted as these deposits are generally redeposited every renewal of lease contracts, the new terms and conditions thereof are not yet known. Further, the deposit that will actually be repaid to the Group is also attached to a conditional repayment provision that is the faithful performance by the Group as a lessee of its obligations under the lease contracts. Accordingly, security deposits are carried at cost less any impairment.
- *Distinction between Investment Property and Owner-Occupied Property*
The Group determines whether a property qualifies as an investment property. In making its judgments, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also other assets used in the supply process.

Some properties are held to earn rentals or for capital appreciation and other properties are held for use in rendering of services or for administrative purposes. If the portion cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods and services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Estimates

The preparation of financial statements in accordance with PFRS requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities.

- *Impairment of Receivables*

The Group uses the expected credit losses model in estimating the level of the allowances which includes forecast of future events and conditions. A credit loss is the difference between the cash flows that are expected to be received discounted at the original effective interest rate. The model represents a probability – weighted estimate of the difference over the remaining life of receivables. The maturity of the remaining trade receivables of the Group is less than one year so the lifetime expected credit losses and the 12 months expected credit losses are similar. In addition, management assessed the credit risk of the trade receivables as at the reporting date as low, therefore the Group's trade receivables and due from related parties did not have to assess whether significant increase in credit risk has occurred.

Prior to adoption of PFRS 9, the Group provides an allowance for impairment losses on due from related parties at a level considered adequate for potential uncollectible amounts or are doubtful of collection. The level of allowance is evaluated by the management based on best available facts and circumstances, the length of the Group's relationship with its customers and debtors, the customers or debtors' payment behavior and known market factors. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated to be uncollectible. Any increase in allowance would increase operating expenses and decrease related accounts.

- *Net Realizable Value (NRV) of Inventories*

The Group's estimate of the NRV of inventories is based on evidence available at the time the estimates are made of the amount that these inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at financial reporting date. The amount and timing of recorded expenses for any period would differ if different judgments were made of different estimates were utilized.

- *Allowance for Inventory Obsolescence*

Provision is established as a certain percentage based on the age and movement of stocks. In case there is write-off or disposal of slow-moving items during the year, a reduction in the allowance for obsolescence if any, is made.

- *Fair Value Measurement of Investment Property*

The Group's investment property composed of parcels of land and buildings and improvements that are carried at revalued amount at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers. The fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets.

- *Useful Lives of Property, Plant and Equipment*

Useful lives of property, plant and equipment are estimated based on the period over which these assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. Any reduction in the estimated useful lives of property, plant and equipment would increase the Group's recorded cost of services and operating expenses and decrease on the related asset accounts.

There were no significant changes in the estimated useful lives of the Group's property, plant and equipment during the year.

- *Determination of Pension and Other Retirement Benefits*

The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts.

Actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Group's pension and other retirement obligations.

The Group also estimates other employee benefits obligation and expense, including the cost of paid leaves based on historical leave availments of employees, subject to the Group's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

- *Impairment of Nonfinancial Assets*

The carrying values of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction less cost to sell. 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 an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is charged to operations in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

An assessment is made at each end of financial reporting period to determine whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

- *Impairment of Goodwill*
Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at the acquisition date. It also requires the acquirer to recognize goodwill. The Group's business acquisitions have resulted in goodwill which is subject to a periodic impairment test. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate to calculate the present value of those cash flows.
- *Realizability of Deferred Tax Assets and Deferred Tax Liabilities*
Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.
- *Fair Value of Financial Assets and Liabilities*
PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e. interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect income and equity.
- *Provisions for Contingencies*
The estimate of the probable costs for possible third party claims, including tax liabilities, if any, has been developed based on management's analysis of potential results. When management believes that the eventual liabilities under these claims, if any, will not have a material effect on the consolidated financial statements, no provision for probable losses is recognized in the consolidated financial statements.

4. Loans Payable

Details of loans availed from local banks are as follow:

Short-term loans

- a. In 2023 and 2022, OPI availed short-term loans from various local banks. Interest rates on loans range from 5.375% to 7.625% per annum. The loans are payable within 1 month to 12 months from the date of availment. Outstanding balance of the loan amounted to ₱722.8 million and ₱679.8 million as of September 30, 2023 and December 31, 2022 respectively.
- b. CWWC availed short-term loans from a local bank which are payable in 90 days and renewable. Interest rates is at 5.375% to 7.625% per annum. Outstanding balance of the loan amounted to ₱10.0 million and ₱19.4 million as of September 30, 2023 and December 31, 2022, respectively.

Long-term loans

- a. On April 8, 2011, OPI entered into a loan agreement with a local bank for the establishment of Calapan Diesel Power Plant for ₱275.9 million payable in ten (10) years with six months grace period. Interest is fixed at 9.0% per annum but subject to re-pricing. As of May 5, 2021, interest rate is 6.0% per annum. The loan has been fully paid on May 5, 2021.

On July 15, 2015, OPI availed a term loan agreement with a local bank amounting to ₱90.6 million to finance the costs incurred for OPI's Calapan Diesel Power Plant Expansion. The loan is payable within 10 years with six months grace period. Interest rate is at 8.75% and 6% per annum as of September 30, 2023. As of September 30, 2023 and December 31, 2022, the loan amounted to ₱19.9 million and ₱28.1 million, respectively.

Debt Covenant

OPI entered into a Deed of Assignment with Hold-Out relative to the loan, in favor of the bank, OPI's trade receivable under the Power Supply Agreement (PSA) entered with Oriental Mindoro Electric Cooperative, Inc. (ORMECO). Also, the loan requires a portion of OPI's cash in bank pertaining to a Reserve Fund equivalent to two (2) months amortization payable under the loan agreement.

Also, as a security for the loan, OPI mortgaged its 6.4 MW Bunker C-Fired Packaged Power Station in favor of the bank.

On June 25, 2013, OPI availed a term loan agreement with a local bank for the construction of Inabasan Mini-Hydro Power Plant (IMHPP) amounting to ₱1.3 billion. The release of loan proceeds depends on the fulfillment, compliance or submission by OPI of the specific conditions for the following project components: civil works, electro-mechanical works, and contingent works. As of September 30, 2023 and December 31, 2022, the total loan amounted to ₱746.6 million and ₱863.3 million, respectively.

The loan for the construction of Inabasan Mini-Hydroelectric Power Plant requires OPI to maintain a debt to equity ratio of 65:35, current ratio of 1.02:1, and debt-service coverage ratio (DSCR) of 1.0:1. These covenants shall be effective after two years from the date of commercial operation of the power plant. IMHPP was completed and started commercial operation on January 14, 2019.

In 2021, the local bank relaxed certain terms of the loan agreement. New agreed term removed the current ratio requirement and required OPI to maintain a debt to equity ratio of 80:20. OPI is compliant with the ratio requirements as at September 30, 2023 and December 31, 2022.

In 2023 and 2019, OPI entered into various car loan agreements with a local bank for OPI's BOD and officers' requirements. The cost of the cars was capitalized as part of "Transportation equipment" account. The amount financed by the bank is payable in monthly installments for 5 years with annual interest rates of 8.70%-14.02% in 2023 and 2022. As of September 30, 2023 and December 31, 2022, the loan balance amounted to ₱1.3 million and ₱0.8 million, respectively.

- b. In 2005, CWWC entered into a loan agreement with a local bank for the rehabilitation, expansion and improvements of its waterworks system for ₱137.0 million payable in monthly installments until 2022. Interest is fixed at 10.5% per annum, reviewable and subject to adjustment annually thereafter but not to exceed 15% per annum. CWWC was able to negotiate the interest rate at 6.25% in 2023 and 2022.

In 2014, CWWC entered into another loan agreement with local bank for ₱118.2 million. The loan is payable in ten (10) years with annual interest of 6% to 7%. The proceeds of the loan will be used exclusively to finance the water source development, acquisition of three (3) sets of electro-mechanical equipment, site and land development, construction of a high ground reservoir and expansion of its waterworks system.

Debt Covenant

CWWC executed a Deed of Assignment relative to the loan, in favor of the bank of (a) a portion of CWWC's Reserve Fund (via Savings or Other Investment Account) equivalent to two monthly interest amortization during the grace period, to increase to two monthly principal and interest amortization after the grace period onwards and (b) billed water/receivables until the amount of the loan is fully paid. The Reserve Fund shall be maintained for CWWC's expenses for maintenance, operation and emergency fund.

Also, the Parent Company, CWWC and major stockholders mortgaged their real estate and other equipment situated in Calapan City, Oriental Mindoro in favor of the bank. The titles of the mortgaged property have already been delivered to the bank.

As of September 30, 2023 and December 31, 2022, this loan amounted to ₱18.3 million and ₱29.3 million, respectively.

5. Related Party Transactions

The Group has the following transactions with related parties:

- a. Unsecured and non-interest bearing cash advances made by stockholders to the Group for working capital purposes which are payable on demand and usually settled in cash.
- b. Unsecured and noninterest bearing cash advances from affiliates for working capital purposes which are payable on demand and usually settled in cash.
- c. In 2017, CWWC entered into a contract with an entity under common management for Phase 2 of the 2014 waterworks system development and expansion plan in Calapan City. The total contract cost amounted to ₱152.1 million. In 2020, the contract price was amend to ₱227.0 milion.

Affiliates are entities that are owned and controlled by the Parent Company and neither a subsidiary nor associate of the Group. These affiliates are effectively sister companies of the Group by virtue of ownership of the Parent Company.

6. Other Income (Charges) - net

This account consists of:

| | Nine months ended September 30 | |
|---|--------------------------------|----------------------|
| | 2023 | 2022 |
| Financial costs | (P74,237,991) | (P72,142,071) |
| Gain on sale of investment property | 3,857,920 | - |
| Bank charges | (3,298,166) | (3,591,742) |
| Financial host expense | (684,528) | (672,195) |
| Interest income | 555,102 | 279,531 |
| Net foreign exchange gain | 7,158 | 16,708 |
| Gain on disposal of property, plant and equipment | - | 315,000 |
| Others | 166,413 | 976,879 |
| | (P73,634,092) | (P74,817,890) |

7. Income Taxes

The provision for income tax differs from the amount computed by applying the statutory income tax rate to income before income tax due mainly to interest income already subjected to final tax at a lower rate.

Deferred tax assets consist of tax effect of retirement benefits liability, net operating loss carry-over, allowance for impairment losses of receivables, carryforward benefit of minimum corporate income tax, prepaid rental and unrealized foreign exchange loss.

Deferred tax liabilities include tax effect of fair value adjustments in investment property and property and equipment, capitalized borrowing costs, unrealized foreign exchange gain/loss and revaluation surplus recognized under OCI.

8. Earnings Per Share (EPS)

Computation of EPS is as follows:

| | Nine months ended September 30 | |
|---|--------------------------------|--------------------|
| | 2023 | 2022 |
| Net income attributable to equity holders of the parent company | P50,594,276 | P48,969,638 |
| Divided by weighted average number of common shares | 281,500,000 | 281,500,000 |
| | P0.1797 | P0.1740 |

9. Other Matters

The following are major events affecting the Parent Company and subsidiaries:

PHEVI

On February 28, 2022, the SEC approved the amended articles of incorporation reflecting the reduction of par value from ₱1.00 to ₱0.10 a share resulting to an increase in the authorized capital stock from 1 billion shares to 10 billion shares.

2Big Phil

On January 19, 2022, the SEC approved the amendment of 2Big Phil's secondary purpose; the change to perpetual corporate existence; the increase in number of directors from five to nine; the provision for waiver of pre-emptive rights for its stockholders.

OHC

On September 20, 2022, the SEC approved the amended articles of incorporation reflecting the reduction of the par value of its stocks from ₱100.00 per share to ₱1.00 per share; OHC shall have perpetual corporate existence; the authorized capital stock shall be 80 million divided into 80,000,000 common shares, with a par value of ₱1.00 per share and that 19,237,563 shares are to be subscribed by JOH with subscription price of ₱10.00 per share.

ODC, MPC, NRC and KVI

On June 3, 2021 and June 9, 2021, the BOD of ODC, MPC, NRC, and KVI unanimously approved the reduction of the par value of its stocks from 100.00 per share to ₱1.00 per share; the Company shall have perpetual corporate existence; the authorized capital stock shall be 10 million divided into 10,000,000 common shares, with a par value of ₱1.00 per share and that 2,899,500 shares are to be subscribed by OHC with subscription price of ₱10.00 per share. As of September 30, 2023, the Company's application for these amendments is still pending SEC's approval except for NRC which was approved by the SEC on April 11, 2022.

COVID-19 Outbreak

In 2020, the country experienced the coronavirus (COVID-19) pandemic crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. This has materially affected the technical and leasing activities of the Group since some clients' businesses are affected by the COVID-19 situation and some have decided to close. While the clients pay technical services and rent on a monthly basis under a yearly contract, their capacity to pay was compromised by the economic downturn resulting from the COVID-19 pandemic. On the other hand, management has assessed that the global pandemic did not have any significant impact on the Group's power generation and water services.

KEY PERFORMANCE INDICATORS

September

2023 2022

I PROFITABILITY

Return on Total Assets

It measures efficiency of the Group in using its assets to generate net income.

| | | | |
|------|--|---------------|---------------|
| ROA= | $\frac{NI + \{(interest\ exp \times (1 - tax\ rate)\}}{Ave.\ Total\ Assets}$ | 120,807,220 | 113,163,089 |
| | | 6,510,374,099 | 6,248,410,524 |
| | | 0.0185 | 0.0181 |

Return on Equity

It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.

| | | | |
|------|---|---------------|---------------|
| ROE= | $\frac{Net\ Income}{Ave.\ Stockholder's\ Equity}$ | 65,128,727 | 59,056,536 |
| | | 3,354,997,452 | 3,116,571,748 |
| | | 0.0194 | 0.0189 |

Water Revenue per Subscriber

Measures how well service and facilities improvements have influence consumer's usage.

| | | | |
|------|--|-------------|-------------|
| WRS= | $\frac{Water\ Revenue}{Ave.\ No.\ of\ Water\ Subscribers}$ | 223,299,668 | 209,387,866 |
| | | 25,370 | 23,644 |
| | | 8,802 | 8,856 |

II FINANCIAL LEVERAGE

Debt Ratio

It is a solvency ratio and it measures the portion of the assets of a business which are financed through debt.

| | | | |
|-------------|--|---------------|---------------|
| Debt Ratio= | $\frac{Total\ Liabilities}{Total\ Assets}$ | 3,112,993,351 | 3,154,748,944 |
| | | 6,500,555,166 | 6,300,848,960 |
| | | 0.4788 | 0.5007 |

Debt to Equity Ratio

It measures the degree to which the assets of the business are financed by the debts and the shareholders' equity of a business.

| | | | |
|-----------------|--|---------------|---------------|
| Debt to Equity= | $\frac{Total\ Liabilities}{Shareholder's\ Equity}$ | 3,112,993,351 | 3,154,748,944 |
| | | 3,387,561,815 | 3,146,100,016 |
| | | 0.9189 | 1.0027 |

III MARKET VALUATION

Price to Book Ratio

Relates the Group's stock to its book value per share.

| | | | |
|-----------|---|--------|--------|
| PB ratio= | $\frac{Market\ value/share}{Book\ value/share}$ | 3.70 | 4.50 |
| | | 9.08 | 8.49 |
| | | 0.4074 | 0.5300 |

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
SEPTEMBER 30, 2023 AND DECEMBER 31, 2022

| SEPTEMBER 30, 2023 | | | | | |
|---------------------------|--------------------|------------------|----------------|-------------------|--------------------|
| | Current | 1-30 days | 31-60 days | Over 60 days | Total |
| Trade | 648,732,293 | 535,526 | 99,011 | 54,772,908 | 704,139,738 |
| Advances and nontrade | 13,450 | - | - | 20,582,318 | 20,595,768 |
| | <u>648,745,743</u> | <u>535,526</u> | <u>99,011</u> | <u>75,355,226</u> | <u>724,735,506</u> |
| | | | | | |
| DECEMBER 31, 2022 | | | | | |
| | Current | 1-30 days | 31-60 days | Over 60 days | Total |
| Trade | 620,549,281 | 1,877,204 | 196,321 | 34,193,887 | 656,816,693 |
| Advances and nontrade | 1,621,598 | - | - | 17,921,715 | 19,543,313 |
| | <u>622,170,879</u> | <u>1,877,204</u> | <u>196,321</u> | <u>52,115,602</u> | <u>676,360,006</u> |

JOLLIVILLE HOLDINGS CORPORATION
SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS OF SEPTEMBER 30, 2023

| | |
|--|--------------------|
| Total unappropriated retained earnings, as adjusted at beginning of year | 372,416,546 |
| Net loss during the period | (251,940) |
| Less: Movement in deferred tax assets | (2,941,339) |

| | |
|---|----------------------|
| TOTAL UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AT END OF PERIOD | P 369,223,267 |
|---|----------------------|

Reconciliation:

| | |
|--|----------------------|
| Unappropriated retained earnings at end of period | 901,607,085 |
| Add deferred tax liabilities at end of period | 166,915,706 |
| Less: | |
| Revaluation surplus | (124,035,790) |
| Cumulative fair value changes on investment properties | (572,511,032) |
| Deferred tax assets at end of period | (2,752,702) |

| | |
|---|----------------------|
| TOTAL UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AT END OF PERIOD | P 369,223,267 |
|---|----------------------|

SIGNATURES

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

Issuer: **JOLLIVILLE HOLDINGS CORPORATION**

FOR THE REGISTRANT

Chief Executive Officer: **JOLLY L. TING**

Signature and Title:

A handwritten signature in black ink, appearing to read 'Jolly L. Ting', is written over a horizontal line.

Chief Executive Officer

Chief Financial Officer: **ORTRUD T. YAO**

Signature and Title:

A handwritten signature in blue ink, appearing to read 'Ortrud T. Yao', is written over a horizontal line.

Chief Financial Officer

Date: November 10, 2023

CERTIFICATION

I, **ORTRUD T. YAO**, Assistant Corporate Secretary of **JOLLIVILLE HOLDINGS CORPORATION (the "Corporation")**, with SEC Registration Number 134800 and principal office at 4th Floor 20 Lansbergh Place, 170 Tomas Morato Avenue, Quezon City, do hereby certify and state that:

- 1) That on behalf of the Corporation, I have caused this Quarterly Report (SEC Form 17-Q) to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records; and
- 3) That the Corporation will comply with the requirements set forth in SEC Notice dated 24 June 2020 for a complete and official submission of reports and/or documents through electronic mail.

IN WITNESS WHEREOF, I have hereunto set my hand this November 10, 2023.

ORTRUD T. YAO

SUBSCRIBED AND SWORN to before me this **10 NOV 2023** in **MAKATI CITY**,
affiant exhibiting to me her driver license no. X01-13-003107 valid until July 13, 2024 as
competent evidence of identity.

Doc. No. 306;
Page No. 63;
Book No. 170;
Series of 2023

JOSHUA P. LAPUZ

Notary Public for Makati City
Appointment No. M-19 / Until 12-31-23
Roll No. 45790 / IBP Lifetime No. 04897 / 07-03-03
PTR O.R. No. 9563523 / 01-03-23 / Makati City
MCLE No. VII-0016370 / Issued 04-26-22
G/F Fedman Suites, 199 Salcedo St.,
Legaspi Village, 1229 Makati City