ANNEX E

CEMEX HOLDINGS PHILIPPINES, INC.

Audited 2022 Consolidated Financial Statements (with Schedules) and Audited 2022 Separate Financial Statements

Audited 2022 Consolidated Financial Statements

(with consolidated statements of financial position as at December 31, 2022 and 2021, and consolidated comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2022, 2021 and 2020) and Schedules

CEMEX HOLDINGS PHILIPPINES, INC.

AR 3/23

CEMEX PHILIPPINES

NCO LOSADA NOTARIO DE MADRID

0.15 €

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Management of **CEMEX Holdings Philippines, Inc. and Subsidiaries** (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2022 and 2021, and each of the three years ended December 31, 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free form material misstatement, whether due to fraud or error.

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

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

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

R. G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature **SERGIO MAURICIO MENÉNDEZ MEDINA**
Chairman of the Board

Signature **LUIS GUILLERMO FRANCO CARILLO**
President/Chief Executive Officer

Signature **STEVE KUANSHENG WU**
Treasurer/Chief Financial Officer

Signed this 13 day of APRIL 2023

...-GITIMACIÓN. - YO, JOSÉ BLANCO LOSADA, Notario de esta Capital y Colegio, **DOY FE**: ————

Que, por cotejo con otras indubitadas, considero legítima la firma y rúbrica que antecede, de Don SERGIO MAURICIO MENÉNDEZ MEDINA, [redacted] puesta en el presente documento redactado en inglés, idioma conocido por mí, el Notario, y extendido en un folio de papel común que numero, reintegro y sello con el de la Notaría.———

En Madrid, trece de abril de dos mil veintitrés.

Libro 1. Asiento 301.————

ESTA PÁGINA NO ESCRITA, QUEDA INHABILITADA PARA SU USO.

PAPEL EXCLUSIVO PARA DOCUMENTOS NOTARIALES

TIMBRE DEL ESTADO

0,15 €

GZ9021191

/2022

=FOLIO HABILITADO PARA LEGALIZACIONES POR EL ILUSTRE COLEGIO NOTARIAL DE MADRID=

Este folio ha quedado unido con el sello de este Ilustre Colegio Notarial al Testimonio expedido por
D. José Blanco Losada
Notario de Madrid
el día 13/04/2023

APOSTILLE (Convention de La Haye du 5 octobre 1961)	
1. País: Country / Pays : ESPAÑA	
El presente documento público This public document / Le présent acte public	
2. ha sido firmado por has been signed by / a été signé par — D. José Blanco Losada	
3. quien actúa en calidad de acting in the capacity of / agissant en qualité de — NOTARIO	
4. y está revestido del sello / timbre de bears the seal / stamp of / est revêtu du sceau / timbre de — SU NOTARÍA	
Certificado Certified / Attesté	
5. en at / à — MADRID	**6. el día** the / le — 13/04/2023
7. por by / par — el Decano del Colegio Notarial de Madrid	
8. bajo el número No / sous no — N7201/2023/023334	
9. Sello / timbre: Seal / stamp: / Sceau / timbre: — FE PÚBLICA NOTARIAL · CONSEJO GENERAL DEL NOTARIADO ESPAÑOL · NOTARIADO EUROPA · NIHIL PRIUS FIDE · 286419220	**10. Firma:** Signature: / Signature : — Don Enrique Augusto Franch Quiralte, Firma delegada del Decano

Esta Apostilla certifica únicamente la autenticidad de la firma, la calidad en que el signatario del documento haya actuado y, en su caso, la identidad del sello o timbre del que el documento público esté revestido.
Esta Apostilla no certifica el contenido del documento para el cual se expidió.
[No es válido el uso de esta Apostilla en España]
[Esta Apostilla se puede verificar en la dirección siguiente: https://eregister.justicia.es/]
Código de verificación de la Apostilla:NA:fswo-Op4z-81Td-M8qs

This Apostille only certifies the authenticity of the signature and the capacity of the person who has signed the public document, and, where appropriate, the identity of the seal or stamp which the public document bears.
This Apostille does not certify the content of the document for which it was issued.
[This Apostille is not valid for use anywhere within Spain]
[To verify the issuance of this Apostille, see https://eregister.justicia.es/]
Verification Code of the Apostille:NA:fswo-Op4z-81Td-M8qs

Cette Apostille atteste uniquement la véracité de la signature, la qualité en laquelle le signataire de l'acte a agi et, le cas échéant, l'identité du sceau ou timbre dont cet acte public est revêtu.
Cette Apostille ne certifie pas le contenu de l'acte pour lequel elle a été émise.
[L'utilisation de cette Apostille n'est pas valable en / au Espagne.]
[Cette Apostille peut être vérifiée à l'adresse suivante https://eregister.justicia.es/]
Code de verification de l'Apostille:NA:fswo-Op4z-81Td-M8qs

CEMEX

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Management of **CEMEX Holdings Philippines, Inc. and Subsidiaries** (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2022 and 2021, and each of the three years ended December 31, 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free form material misstatement, whether due to fraud or error.

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

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

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

R. G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature **SERGIO MAURICIO MENENDEZ MEDINA**
Chairman of the Board

Signature **LUIS GUILLERMO FRANCO CARILLO**
President/Chief Executive Officer

Signature **STEVE KUANSHENG WU**
Treasurer/Chief Financial Officer

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

BEFORE ME, Notary public for and in the City of Makati personally appeared

Signed this day of April 2023

APR 17 2023

NAME ID ID NO.

Known to me and to me known to be the same persons who executed the foregoing instrument and acknowledged to me that the same is their free and voluntary act and deed

Doc. no.: 147
Page no.: 81
Book no.: 457
Series of 2023

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. [illegible] UNTIL DEC. 31, 2023
ROLL NO. 68402 / MCLE COMPLIANCE NO. VII-0010136/2-15-2022
IBP O.R No. [illegible] MAY 5, 2017
PTR No. MKT [illegible] JAN 03, 2023-MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR. JUPITER ST., MAKATI CITY

COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 5 1 8 8 1 5

COMPANY NAME

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

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

3 4 t h F l o o r , P e t r o n M e g a P l a z a B u i l d i n g , 3 5 8 S e n . G i l J . P u y a t A v e n u e , M a k a t i C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	8849 - 3600	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
32 (as of 31 Dec 2022)	1st Wednesday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Steve Kuansheng Wu	steve.wu@cemex.com	(02) 8849 3647	

CONTACT PERSON's ADDRESS

34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City

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

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

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2022 and 2021 and
For the Years Ended December 31, 2022, 2021 and 2020

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
CEMEX Holdings Philippines, Inc.
34/F Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue
Brgy. Bel-Air, Makati City

Opinion

We have audited the consolidated financial statements of CEMEX Holdings Philippines, Inc. and Subsidiaries (the “Group”), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the years in the period ended December 31, 2022, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

KPMG

Key Audit Matter

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

<u>Goodwill Impairment Assessment</u>
Refer to Note 19 to the consolidated financial statements for the disclosure regarding the Group's Goodwill.

The Group has goodwill amounting to P27.86 billion as at December 31, 2022 which arose from the Group's business acquisition transactions in 2016. Such goodwill has been allocated to the Group's cash-generating units (CGUs), comprising APO Cement Corporation and Solid Cement Corporation. Management has undertaken an annual impairment review in respect of this goodwill in accordance with the requirements of PAS 36, *Impairment of Assets*, and concluded that there was no impairment as at December 31, 2022.

The Risk

In assessing impairment of goodwill, complex and subjective judgments in determining a number of key assumptions, such as growth rate, discount rate and other economic assumptions (i.e. inflation rate and gross domestic product growth), are made to determine its value-in-use. We focused on this area due to both the significance of the carrying amount of the goodwill and because management's assessment of the value-in-use of the Group's CGUs involves significant judgments about the future results of the business and the discount rates applied to future cash flow forecasts.

Our Response

Our procedures included assessment of the consistency and appropriateness of the allocation of goodwill to CGUs identified by the Group. We evaluated management's future cash flow forecasts and the process by which they were prepared and approved, including checking the mathematical accuracy of the underlying calculations. With the involvement of our valuation specialists, we assessed the methodology and key assumptions used by the Group in preparing the discounted cash flows for each CGU. We evaluated the key assumptions applied by comparing them to historical results and external economic forecasts, with the consideration of the potential risk of management bias. We performed our own sensitivity analysis on the key assumptions, such as discount rates and growth rates, used to assess the extent of change that individually would be required for the goodwill to be impaired. We also evaluated the adequacy of the disclosures in respect of the impairment assessment in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Enrico E. Baluyut.

R.G. MANABAT & CO.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 65537-SEC, Group A, valid for five (5) years
  covering the audit of 2020 to 2024 financial statements
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-026-2020
  Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 9563816
  Issued January 3, 2023 at Makati City

April 17, 2023
Makati City, Metro Manila

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	Notes	December 31 2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	*11, 22*	**P2,720,304**	P5,811,635
Trade receivables - net	*6, 12, 22*	**637,410**	696,868
Due from related parties	*13, 22*	**4,108**	17,161
Insurance claims and premiums receivable	*15, 22*	**538,740**	91,798
Other current accounts receivable	*15, 22*	**69,249**	49,361
Inventories	*16*	**5,813,896**	3,099,092
Derivative asset	*22*	**49,605**	12,540
Prepayments and other current assets	*17*	**3,056,051**	2,209,600
Total Current Assets		**12,889,363**	11,988,055
Noncurrent Assets			
Investment in an associate and other investments	*14*	**13,173**	14,097
Advances to contractors	*18*	**768,525**	454,805
Other assets and noncurrent accounts receivable	*15, 22*	**638,789**	436,240
Property, machinery and equipment and assets for the right-of-use - net	*18*	**25,167,401**	22,788,019
Derivative asset - net of current portion	*22*	**–**	17,910
Deferred income tax assets - net	*25*	**615,170**	828,946
Goodwill	*19*	**27,859,694**	27,859,694
Total Noncurrent Assets		**55,062,752**	52,399,711
		P67,952,115	P64,387,766
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables	*22*	**5,730,604**	P5,056,497
Due to related parties	*13, 22*	**4,674,927**	2,196,565
Unearned income, other accounts payable and accrued expenses	*20, 22*	**1,736,691**	1,269,378
Current portion of:			
Lease liabilities	*21, 22*	**456,625**	404,736
Long-term bank loan	*22, 24*	**420,000**	3,376,906
Contract liabilities	*6*	**273,692**	391,422
Income tax payable		**5,712**	–
Total Current Liabilities		**13,298,251**	12,695,504
Noncurrent Liabilities			
Long-term bank loan - net of current portion	*22, 24*	**P7,723,630**	P5,515,700
Lease liabilities - net of current portion	*21, 22*	**2,385,963**	1,403,169
Retirement benefits liability	*23*	**397,084**	544,413
Deferred income tax liabilities - net	*25*	**2,764**	1,445
Other noncurrent liabilities		**20,610**	20,610
Total Noncurrent Liabilities		**10,530,051**	7,485,337
Total Liabilities		**P23,828,302**	P20,180,841

	Notes	2022	2021
Equity			
Common stock	*26A*	**13,489,227**	13,489,227
Additional paid-in capital	*26A*	**26,217,799**	26,217,799
Other equity reserves	*26B*	**1,459,326**	528,221
Retained earnings	*26E*	**2,957,360**	3,971,553
Equity Attributable to Equity Holders of the Parent Company		**44,123,712**	44,206,800
Non-controlling interest (NCI)	*26C*	**101**	125
Total Equity		**44,123,813**	44,206,925
		P67,952,115	P64,387,766

The accompanying notes are part of these consolidated financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in Thousands, except per share data)

		Years Ended December 31		
	Notes	**2022**	2021	2020
REVENUES	*6*	**P20,570,666**	P20,886,573	P19,706,682
COST OF SALES	*7*	**(13,820,651)**	(12,982,087)	(11,614,953)
GROSS PROFIT		**6,750,015**	7,904,486	8,091,729
OPERATING EXPENSES				
Distribution expenses	*8*	**(2,985,814)**	(3,109,135)	(3,502,053)
Administrative and selling expenses	7	**(2,835,428)**	(2,870,189)	(2,782,058)
TOTAL OPERATING EXPENSES		**(5,821,242)**	(5,979,324)	(6,284,111)
OPERATING INCOME BEFORE OTHER INCOME (EXPENSES) - Net		**928,773**	1,925,162	1,807,618
Other income (expenses) - net	*9*	**(60,793)**	1,947	(30,310)
OPERATING INCOME AFTER OTHER INCOME (EXPENSES)- Net		**867,980**	1,927,109	1,777,308
Foreign exchange gain (loss) - net	*22*	**(934,080)**	(437,485)	170,224
Financial expenses	*13, 18, 21, 24*	**(161,360)**	(196,410)	(506,376)
Other financial expenses - net	*10*	**(69,510)**	(78,243)	(120,044)
PROFIT (LOSS)BEFORE INCOME TAX		**(296,970)**	1,214,971	1,321,112
INCOME TAX EXPENSE	*25*	**(717,247)**	(489,468)	(336,018)
PROFIT (LOSS)		**(1,014,217)**	725,503	985,094
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Gain on remeasurement on retirement benefits liability	*23*	**30,297**	89,324	90,274
Tax effect	*25*	**(7,574)**	(28,371)	(27,082)
		22,723	60,953	63,192
Items that will be reclassified subsequently to profit or loss				
Currency translation gain (loss) of foreign subsidiaries	*26*	**887,489**	518,556	(381,924)
Cash flow hedges - effective portion of changes in fair value	*22,26*	**19,532**	12,374	24,179
Cash flow hedges - reclassified to profit or loss	*22,26*	**279**	(24,179)	-
		907,300	506,751	(357,745)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		**930,023**	567,704	(294,553)
TOTAL COMPREHENSIVE INCOME (LOSS)		**(P84,194)**	P1,293,207	P690,541

Forward

	Note	**2022**	2021	2020
PROFIT(LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**(P1,014,193)**	P725,528	P985,114
NCI		**(24)**	(25)	(20)
		(P1,014,217)	P725,503	P985,094
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**(P84,170)**	P1,293,232	P690,561
NCI		**(24)**	(25)	(20)
		(84,194)	P1,293,207	P690,541
Basic/Diluted Earnings(Loss) Per Share	*27*	**(P0.08)**	P0.05	P0.08

The accompanying notes are part of these consolidated financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Thousands)

		Attributable to Equity Holders of the Parent Company						
	Notes	**Common Stock** (see Note 26)	**Additional Paid-in Capital**	**Other Equity Reserves**	**Retained Earnings**	**Total**	**NCI**	**Total Equity**
As at December 31, 2019		P5,195,395	P21,959,159	P249,852	P2,260,911	P29,665,317	P170	P29,665,487
Transactions with owners of the Company:								
Issuance of common stock	*26A*	8,293,832	4,478,668	–	–	12,772,500	–	12,772,500
Share issuance cost	*26A*	–	(220,028)	–	–	(220,028)	–	(220,028)
Share-based compensation	*26D*	–	–	2,088	–	2,088	–	2,088
Total comprehensive income:								
Profit for the year		–	–	–	985,114	985,114	(20)	985,094
Other comprehensive loss for the year		–	–	(294,553)	–	(294,553)	–	(294,553)
As at December 31, 2020		13,489,227	26,217,799	(42,613)	3,246,025	42,910,438	150	42,910,588
Transactions with owners of the Company								
Share-based compensation	*26D*	–	–	3,130	–	3,130	–	3,130
Total comprehensive income:								
Profit for the year		–	–	–	725,528	725,528	(25)	725,503
Other comprehensive income for the year		–	–	567,704	–	567,704	–	567,704
As at December 31, 2021		13,489,227	26,217,799	528,221	3,971,553	44,206,800	125	44,206,925
Transactions with owners of the Company								
Share-based compensation	*26D*	–	–	1,082	–	1,082	–	1,082
Total comprehensive income (loss):								
Loss for the year		–	–	–	(1,014,193)	(1,014,193)	(24)	(1,014,217)
Other comprehensive income for the year		–	–	930,023	–	930,023	–	930,023
As at December 31, 2022		**P13,489,227**	**P26,217,799**	**P1,459,326**	**P2,957,360**	**P44,123,712**	**P101**	**P44,123,813**

The accompanying notes are part of these consolidated financial statements.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

		Years Ended December 31		
	Notes	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit		**(P1,014,217)**	P725,503	P985,094
Adjustments for:				
Depreciation and amortization of property, machinery and equipment and assets for the right-of-use	*5*	**1,913,344**	1,936,443	2,364,089
Financial expenses, other financial expenses (income) and unrealized foreign exchange result		**985,815**	608,738	(527,506)
Income tax expense	*25*	**717,247**	489,468	336,018
Retirement benefit expense	*23*	**84,261**	84,927	101,473
Loss (gain) on disposal of assets		**15,565**	11,561	(182)
Impairment loss (reversal of impairment loss) on trade receivables, inventory write-down and provisions during the year	*16, 22*	**15,333**	(11,583)	22,056
Stock-based compensation expense		**1,082**	3,130	2,088
Gain on remeasurement of lease liability and derecognition of asset for the right-of-use from lease termination and sublease, and gain from rent concessions	*9, 10, 18*	**218**	(1,099)	(4,748)
Operating profit before working capital changes		**2,718,648**	3,847,088	3,278,382
Changes in working capital:				
Decrease (increase) in:				
Trade receivables		**54,079**	11,732	186,583
Due from related parties		**758,298**	560,154	23,483
Insurance claims and premiums receivable		**(446,942)**	(4,229)	357,966
Other current accounts receivable		**25,142**	(299)	26,180
Inventories		**(2,687,488)**	(752,450)	593,096
Derivative asset		**(19,155)**	(9,832)	–
Prepayments and other current assets		**(1,076,488)**	(446,447)	(394,147)
Increase (decrease) in:				
Trade payables		**1,011,749**	487,134	(252,934)
Due to related parties		**1,801,449**	223,494	560,069
Unearned income, other accounts payable and accrued expenses		**434,013**	(39,391)	(384,408)
Contract liabilities		**(117,730)**	86,291	37,343
Cash generated from operations		**2,455,575**	3,963,245	4,031,613
Interest received		**30,310**	28,041	54,025
Interest paid	*21, 24*	**(574,897)**	(534,947)	(858,086)
Income taxes paid		**(230,698)**	(210,476)	(268,450)
Pension plan contribution	*23*	**(138,219)**	(84,432)	(101,400)
Retirement benefits paid to employees	*23*	**(74,242)**	(20,704)	(50,054)
Net cash provided by operating activities		**1,467,829**	3,140,727	2,807,648

Forward

	Notes	2022	2021	2020
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from:				
Refund of advances to contractor	*18*	**(P872,079)**	P379,370	P–
Sale of property, machinery and equipment		**1,207**	7,431	1,167
Increase in other assets and noncurrent accounts receivables		**7,059**	55,839	54,820
Collection (payment) of debt service reserve account	*15C*	**(208,684)**	294,974	–
Additions to property, machinery and equipment and assets for the right of use	*18*	**(2,148,203)**	(1,757,929)	(2,962,449)
Net cash used in investing activities		**(3,220,700)**	(1,020,315)	(2,906,462)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Bank loan	*24*	**(8,397,739)**	(1,840,123)	(640,124)
Lease liabilities - net of interest	*21*	**(587,246)**	(608,184)	(625,421)
Long-term payable to a related party	*13*	–	–	(7,742,450)
Share issuance cost		–	–	(155,981)
Proceeds from:				
Issuance of capital stock	*26A*	–	–	12,772,500
Bank loan	*24*	**7,648,763**	-	-
Long-term loan from related parties, net of issuance cost	*13*	**–**	–	1,269,568
Net cash provided by (used in) financing activities		**(1,336,222)**	(2,448,307)	4,878,092
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(3,089,093)**	(327,895)	4,779,278
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(2,238)**	119	(39,047)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**5,811,635**	6,139,411	1,399,180
CASH AND CASH EQUIVALENTS AT END OF YEAR	*11*	**P2,720,304**	P5,811,635	P6,139,411

The accompanying notes are part of these consolidated financial statements.

NOTE 1 - DESCRIPTION OF BUSINESS

CEMEX Holdings Philippines, Inc. (the “Parent Company”), a subsidiary of CEMEX Asian South East Corporation (CASEC), was incorporated as a stock corporation on September 17, 2015 under Philippine laws, primarily to invest in or purchase real or personal property; and to acquire and own, hold, use, sell, assign, transfer, mortgage all kinds of properties, such as shares of stock, bonds, debentures, notes, or other securities and obligations; provided that the Parent Company shall not engage either in the stock brokerage business or in the dealership of securities, and in the business of an open-end investment company as defined in Republic Act 2629, Investment Company Act.

CASEC was incorporated as a stock corporation on August 25, 2015 under Philippine laws.

On a consolidated group basis, the Parent Company is an indirect subsidiary of CEMEX, S.A.B. de C.V. (CEMEX), a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable*) incorporated in Mexico with address of its principal executive office at Avenida Ricardo Margáin Zozaya #325, Colonia Valle del Campestre, San Pedro Garza García, Nuevo León, Mexico.

The term "Parent Company" used in these accompanying notes to the consolidated financial statements refers to CEMEX Holdings Philippines, Inc. without its subsidiaries. The term “Company” refers to CEMEX Holdings Philippines, Inc., together with its consolidated subsidiaries. Unless otherwise indicated or the context otherwise requires, all references in these accompanying notes to the consolidated financial statements to “CEMEX Group” refer to CEMEX and its consolidated subsidiaries (other than the Company).

On January 1, 2016, the Parent Company became the holding company of the consolidated entities, majority of whom are doing business in the Philippines. The Parent Company's two principal manufacturing subsidiaries, i.e., APO Cement Corporation (APO) and Solid Cement Corporation (Solid), are involved in the production, marketing, distribution and sale of cement and other cement products. APO and Solid are both stock corporations organized under the laws of the Philippines. The Parent Company holds APO directly and indirectly, through Edgewater Ventures Corporation and Triple Dime Holdings, Inc., whereas the Parent Company holds Solid and Solid’s subsidiaries directly and indirectly, through Bedrock Holdings, Inc. and Sandstone Strategic Holdings, Inc. (see Note 30).

The Company also includes CEMEX Asia Research AG (CAR), a wholly-owned subsidiary incorporated in December 2015 under the laws of Switzerland. Pursuant to license agreements that CAR entered into with the CEMEX Group, CAR became a licensee for certain trademarks, including the CEMEX trademark, and other intangible assets forming part of the intellectual property portfolio owned and developed by the CEMEX Group. CAR is engaged primarily in the development, maintenance and customization of these intangible assets for the Asia Region and it in turn provides non-exclusive licenses to Solid and APO to use the CEMEX trademark and other trademarks and intangible assets of the CEMEX Group.

In May 2016, the Parent Company incorporated a wholly-owned subsidiary named Falcon Re Ltd. (Falcon) under the Companies Act of Barbados. Falcon is registered to conduct general insurance business, all risk property insurance, political risks insurance and non-damage business interruption insurance, and received its license to operate as an insurance company in July 2016. Falcon acts as a re-insurer to the extent of 10% of the risks associated with the property insurance coverage and 100% of the risks associated with political violence and non-damage business interruption programs, professional liability program, and cyber risks for the operating subsidiaries of the Parent Company.

On June 30, 2016, the Philippine Securities and Exchange Commission (SEC) resolved to render effective the Registration Statement of the Parent Company and issued a Certificate of Permit to Offer Securities for Sale in favor of the Parent Company. On July 18, 2016, the Parent Company’s initial public offering (IPO) of 2,337,927,954 common shares at P10.75 per share culminated with the listing and trading of shares of the Parent Company on the Main Board of the Philippine Stock Exchange (PSE), resulting in an increase in capital stock of P2,337,928 and additional paid-in capital of P21,959,159, net of P835,639 transaction cost that is accounted for as a reduction in equity. A total of 5,195,395,454 common shares of the Parent Company was initially listed on the PSE.

On April 2, 2019 and October 16, 2019, the Board of Directors (BOD) and stockholders of the Parent Company, respectively, approved the amendment of the Seventh Article of the Amended Articles of Incorporation of the Parent Company to reflect an increase in the Parent Company's authorized capital stock (ACS) from P5,195,395, consisting of 5,195,395,454 common shares with a par value of P1 per share, to P18,310,395, consisting of 18,310,395,454 common shares with a par value of P1 per share. In connection with the proposed capital increase, a stock rights offering (SRO) was pursued by the Parent Company. On December 11, 2019, the SEC issued a Notice of Confirmation of Exempt Transaction, confirming that the SRO is exempt from the registration requirements of the Revised Securities Regulation Code of the Philippines, and the board of directors of the PSE approved the Parent Company's application for listing of the shares to be offered in the SRO, subject to the fulfillment of certain listing conditions, such as but not limited to the Parent Company having obtained the SEC's approval of the increase in its ACS.

On January 6, 2020, the Parent Company announced that the Stock Rights Offering would involve the offer of 8,293,831,169 common shares with a par value of P1.00 per share (the "Rights Shares") at an offer price of P1.54 per Rights Share that would be issued from the Parent Company's increased ACS. The proceeds from the Stock Rights Offering would be used primarily (i) to fund the expansion of Solid's cement plant in Antipolo City, Rizal, involving the construction and installation of a 1.5 million metric tons per year new integrated cement production line (the "Solid New Line Project"), including to pay outstanding amounts owed by Solid under a revolving credit facility agreement dated November 21, 2018, as amended and restated from time to time, between Solid, as the borrower, and CEMEX Asia, B.V. ("CABV"), as the lender (the "Solid Expansion Facility Agreement"), which facility agreement had been used primarily but not exclusively to fund the Solid New Line Project, and (ii) for other general corporate purposes, including to pay outstanding amounts owed by APO under a master loan agreement dated October 1, 2014, as amended and restated from time to time, between APO, as borrower, and CABV, as lender (as assignee to CEMEX Hungary KFT) (the "APO Operational Facility Agreement").

The offer period for the Stock Rights Offering was concluded on January 24, 2020. The total proceeds raised from the Stock Rights Offering amounted to P12,772,500.

On February 27, 2020, the SEC approved the Parent Company's application for increase of ACS and on March 4, 2020, the 8,293,831,169 common shares comprising the Rights Shares were listed on the Main Board of the PSE. After the Stock Rights Offering and the approval by the SEC of the Parent Company's application for ACS, the Parent Company's issued and outstanding shares totaled 13,489,226,623 common shares at P1 par value per share or total par value of P13,489,226.

As of December 31, 2020, the shareholdings in the Parent Company owned by CASEC was 10,500,624,662 common shares at P1 par value per share. During the month of September 2022, CASEC increased its shareholdings in the Parent Company to 10,507,954,662 common shares at P1 par value per share.

Based on the lists of stockholders registered with the stock transfer agent of the Parent Company, the Parent Company had 32 and 29 stockholders as at December 31, 2022 and 2021, respectively, with each of PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino) recorded as a stockholder.

The Parent Company's principal office is at 34th Floor Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Philippines.

NOTE 2 - BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs, which are issued by the Philippine Financial and Sustainability ~~and~~ Reporting Standards Council (FSRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis of accounting, except for retirement benefits liability which is measured at the present value of the defined benefit obligation less the fair value of plan assets and derivative financial asset and other investments that are measured at fair value.

C) DEFINITION OF TERMS

When reference is made to "P", it means Philippine Peso. Unless otherwise indicated, the Philippine Peso amounts in the consolidated financial statements and the accompanying notes are stated in thousands. When reference is made to "US$" or dollar and "€" or euro, it means thousands of dollars of the United States of America (the "United States" or "U.S.") and euros of the European Union, respectively.

D) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements of the Company are presented in Philippine Peso, the functional currency of the Parent Company and each of its subsidiaries, except for Falcon and CAR whose functional currencies are both in U.S. dollar. All values are rounded to the nearest thousand, except when otherwise stated.

E) STATEMENTS OF COMPREHENSIVE INCOME

The line item "Other income (expenses) - net" in the consolidated statements of comprehensive income consists primarily of income and expenses not directly related to the Company's main activity, or which are non-recurring in nature. Includes but not limited to recovery of receivable previously written - off, gain on sale of scraps, gain on rent concession, COVID-19 related expenses, gain or loss from disposal of property, machinery and equipment, transportation service income, other losses related to natural disasters, among others.

F) STATEMENTS OF CASH FLOWS

The consolidated statements of cash flows present cash inflows and outflows, excluding unrealized foreign exchange result and the following that did not represent sources or uses of cash:

a) The increases in other equity reserves associated with equity settled share-based compensation in 2022, 2021, and 2020 as part of the executive's long-term compensation programs amounting to P1,082, P3,130, and P2,088, respectively, as described in Note 26D.
b) The Company has incurred liability amounting to P1,132,315, P1,015,874, and P728,515, arising from the acquisition of various property, machinery and equipment in 2022, 2021 and 2020, respectively.
c) The Company acquired right of use assets through recognition of lease liabilities amounting to P1,578,972, P357,052, and P558,218 in 2022, 2021 and 2020, respectively (see Note 21). In 2021, the Company derecognized right of use assets amounting to P8,318, upon recognition of receivables from a sublease classified as finance lease (see Note 18 and 21).
d) In 2020, The Company has paid its liability to Island Quarry and Aggregates Corporation (IQAC) by assigning its loan receivable from CEMEX Philippines Foundation, Inc. amounting to P39,244.

G) APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements were authorized for issue by the BOD on April 13, 2023.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

A) CHANGES IN ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements except for the changes in accounting policies as explained below.

1. Adoption of Amendments to Standards and Interpretations

The Company has adopted the following amendments to standards starting January 1, 2022 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Company's consolidated financial statements.

1.1 COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16 Leases). The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments but becomes eligible as a result of the extension.

1.2 Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, Property, Plant and Equipment). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

1.3 Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, Provisions, Contingent Liabilities and Contingent Assets). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. 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 appropriate. The comparatives are not restated. Earlier application is permitted.

1.4 Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to the following relevant standards:

- *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, Financial Instruments).* The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- *Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16).* The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

2. Standards Issued But Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Company has not early adopted the following amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's consolidated financial statements.

Effective January 1, 2023

2.1 Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors). To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

2.2 Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

2.3 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12 Income Taxes). The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Effective January 1, 2024

2.4 Lease Liability in a Sale and Leaseback (Amendments to PFRS 16). The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. For example, the seller-lessee could determine the lease payments to be deducted from the lease liability as expected lease payments or as equal periodic payments over the lease term, with the difference between those payments and amounts actually paid recognized in profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. Under PAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of PFRS 16.

2.5 Classification of Liabilities as Current or Non-current (2020 amendments and Non-Current Liabilities with Covenants – 2022 amendments (Amendments to PAS 1, Presentation of Financial Statements). To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

- removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
- clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date;
- provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and
- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

Effective January 1, 2025

2.6 PFRS 17, Insurance Contracts, replaces the interim standard, PFRS 4 Insurance Contracts. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

- combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
- presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
- requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 on or before the date of initial application of PFRS 17.

B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include those of the Parent Company and those of the subsidiaries in which the Parent Company exercises control (see Note 30), by means of which the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Among other factors, control is evidenced when the Parent Company: a) holds directly or through subsidiaries, more than 50% of an entity's common stock; or b) has the power, directly or indirectly, to govern the administrative, financial and operating policies of an entity.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voting holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Company obtains control and continue to be consolidated until the date that such control ceases.

The consolidated financial statements of the Company are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. NCI is the equity in a subsidiary not attributable, directly or indirectly, to a parent. It is measured at its proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Parent Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Company.

If the Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any NCI;
- derecognizes the related other comprehensive income (OCI) recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statements of comprehensive income.

The Company has P101 and P125 NCI as at December 31, 2022 and 2021, respectively (see Note 26C).

All intragroup transactions, balances and income and expenses are eliminated in consolidation. Each subsidiary is a legally responsible separate entity and maintains custody of its own financial resources.

C) USE OF JUDGMENTS, ESTIMATES AND CRITICAL ASSUMPTIONS

The preparation of consolidated financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the period. These estimates and underlying assumptions are reviewed on an ongoing basis using available information. Actual results could differ from these estimates.

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

Determining Functional Currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the management to use its judgment to determine an entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, each of the consolidated entities in the Company considers the following:

a) The currency that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for its goods and services are denominated and settled);
b) The currency in which funds from financing activities are generated; and
c) The currency in which receipts from operating activities are usually retained.

In case of a subsidiary, the principal consideration of management is whether it is an extension of the Parent Company and performing the functions of the Parent Company - i.e., whether its role is simply to hold the investment in, or provide finance to, the foreign operation on behalf of the Parent Company or whether its functions are essentially an extension of a local operation (e.g., performing selling, payroll or similar activities for that operation) or indeed it is undertaking activities on its own account. In the former case, the functional currency of the entity is the same with that of the Parent Company; while in the latter case, the functional currency of the entity would be assessed separately.

Determining Whether the Company has Control over its Investee Companies

The Parent Company uses judgment in determining control over its investee companies. The Parent Company controls the entity when it is exposed, or has rights, to variable returns from its involvement with the investee; has the ability to affect those returns through its power over the investee; and there is a link between power and returns. Thus, the principle of control sets out the following three elements of control:

- power over the relevant activities of the investee;
- exposure, or rights, to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor's returns.

The Parent Company assessed that it has control over its investee companies disclosed in Note 30 and treats these investee companies as its subsidiaries.

Judgment on the Term to be Considered in Computing for Lease Liabilities

The Company determines the term of lease or right-of-use as the non-cancellable term of the arrangement, together with any periods covered by an option to extend the lease or right-of-use if it is reasonably certain to be exercised. The Company has contracts that include extension option to lease or right to use parcels of land. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease or right-of-use arrangement. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. The Company included the complete renewal period as part of the term for such leases or right-of-use arrangements of parcels of land as this is reasonably certain to be exercised considering the costs and business disruption required to replace the leased asset or right-of-use asset. After the commencement date, the Company reassesses the term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

Determining Whether the Company is Acting as a Principal or an Agent

Determining whether an entity is acting as a principal or as an agent depends on certain facts and circumstances and requires judgment by management. Features that, individually or in combination, indicate that an entity is acting as a principal include:

- the entity is primarily responsible for fulfilling the promise to provide the specified good or service;
- the entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- the entity has discretion in establishing the price for the specified good or service.

An entity is acting as a principal if it controls the promised goods or services before transferring them to the customer. The Company assessed that it is acting as principal on all of its revenue transactions.

Classifying Financial Instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement 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 consolidated statements of financial position.

In addition, classification of financial assets depends on the results of the solely payments of principal and interest test and the business model test. The Company determines the business model at the level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including the risks that affect the performance of the assets and how these are managed. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income (FVOCI) to understand the reason for any disposal prior to maturity and determine whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Financial assets are classified as financial assets at amortized cost or at fair value through profit or loss (FVTPL), debt investments at FVOCI and equity investment at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVTPL or other financial liabilities.

Assessing Whether the Insurance Contract with the Third Party Insurer and Reinsurance Contract of Falcon are Linked Transactions

The Company, through Solid and APO, insures certain risks with a third party insurer in which Falcon takes some of the risks back into the Company. It was assessed that the insurance transactions between the third party insurer and Solid and APO are interdependent with the reinsurance transaction to Falcon. Since Falcon does not have the regulatory approval required to issue direct insurance contract to Philippine entities, the third party insurer acts as a conduit for Falcon, the captive insurer. This makes the transactions, in substance, form a single arrangement that achieves an overall commercial effect of self-insurance. In addition, the reinsurance contract by Falcon were entered in contemplation of the insurance contracts entered by Solid and APO with the third party insurer. Thus, the insurance expense of Solid and APO and revenue from insurance contracts of Falcon were offset during consolidation.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty as at reporting date that have the most significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year are as follows:

Expected credit loss of Trade Receivables

In 2022 and 2021, the loss allowances for trade receivables are based on assumptions about risk of default and expected credit loss (ECL) rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Details of key assumptions and inputs and other information about the Company's ECL are disclosed in Note 22. As at December 31, 2022 and 2021, the carrying amount of trade receivables amounted to P637,410 and P696, 868, respectively (see Note 12).

Impairment of Goodwill

The Company performed its annual impairment test on its goodwill as at the reporting date. The recoverable amount of goodwill was determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The assumptions that were applied to the cash flow projections are disclosed in Note 19 to the consolidated financial statements. The following bases were used to develop the assumptions used in computing value-in-use, among others:

Growth rate estimates - growth rates were based on experiences and strategies developed for the main operating subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Calculated value-in-use for goodwill impairment testing is most sensitive to changes in discount rate and terminal growth rate. The carrying amount of goodwill as at December 31, 2022, and 2021 amounted to P27,859,694 (see Note 19). No impairment on goodwill has been recognized in 2022 and 2021.

Estimating Realizability of Deferred Income Tax Assets

The Company reviews its deferred income tax assets at each reporting date and reduces the deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The deferred income tax assets include an amount which relates to the carried forward tax losses, excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and other deductible temporary differences of the Parent Company and its local subsidiaries (see Note 25B). The Parent Company and its subsidiaries have incurred tax losses and excess MCIT over RCIT. The carried forward tax losses and excess MCIT over RCIT have an expiration of three years from the taxable year when such tax losses were incurred, except for losses incurred in 2020 and 2021 which have an expiration of five years from the year they were incurred (see Note 25A). However, the Company has concluded that they will only benefit from a portion of the said tax losses and excess MCIT over RCIT before they eventually expire. Deferred income tax assets were recognized only up to the extent of forecasted taxable income in subsequent periods. Each forecast was based on each of the Parent Company and the subsidiaries' past results and future expectations of revenue and expenses. As at December 31, 2022, and 2021, net deferred income tax assets amounted to P615,170 and P828,946, respectively (see Note 25B). The Company has unrecognized deferred income tax assets in respect of its net operating loss carryover (NOLCO), excess MCIT over RCIT and other deductible temporary differences amounting to P1,910,915 and P189,978 as at December 31, 2022 and 2021, respectively. For the years ended December 31, 2022, 2021 and 2020, the Company has deferred income tax expense (benefit) amounting to P335,381, P170,675, and P157,146, respectively, resulting from the write-down (reversal of write-down) of previously recognized deferred income tax assets and reversal of previously unrecognized deferred tax assets (see Note 25A). The outcomes within the next financial year with respect to the results of operations of the Parent Company and local subsidiaries that are different from the assumption could require a material adjustment to the carrying amount of the Company's deferred income tax assets.

Estimating Provision for Tax Liabilities

The Company sets up appropriate provision based on the probable outcome of legal proceedings, including national and local tax investigations, that have arisen in the ordinary course of business. As at December 31, 2022 and 2021, the balance of the provisions for taxes amounted to P5,000 and nil, respectively.

Assessing the Probability of an Outflow from Legal Proceedings

Pending legal cases are reviewed continuously to assess whether an outflow of resources has become probable. If the recognition criteria in the Company's policy (see Note 3M) are met, then the liability is recognized in the consolidated statements of financial position in the period in which the probability occurs. Further information about the Company's assessment on its legal proceedings are disclosed on Notes 29 and 31.

D) FOREIGN CURRENCY

Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currencies of each of the consolidated entities in the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities that are denominated in foreign currencies are translated into the functional currency at the closing exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

However, foreign currency differences arising from the transaction of the following items are recognized in OCI:

- FVOCI equity and debt investments; and
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign currency gains and losses are reported on a net basis. During the period, there was no hyperinflationary economy, which is generally considered to exist when the cumulative inflation rate over the last three years is approaching or exceeds 100%. In a hyperinflationary economy, the accounts of the entity's income statements should be restated to constant amounts as at the reporting date.

Foreign Operation

The assets and liabilities of foreign operation with functional currency other than the Philippine peso are translated into Philippine peso at the exchange rates at the reporting date. The income, expenses and cash flows of foreign operations are translated into Philippine peso at the monthly weighted average exchange rates for the period. Capital transactions of the foreign operations are translated to Philippine Peso at the exchange rates at the dates of the relevant transactions. Foreign currency differences are recognized in OCI and accumulated in "Other equity reserves" account in equity, except to the extent that the translation difference is allocated to the NCI.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount of exchange difference relating to that foreign operation, recognized in OCI and accumulated in "Other equity reserves" account in the consolidated statements of financial position is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. If the Company disposes of part of its interest in a subsidiary but retains control, the relevant proportion of the cumulative amount is reattributed to NCI.

E) FINANCIAL INSTRUMENTS

Recognition and Initial Measurement
Financial instruments within the scope of PFRS 9 are recognized in the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

A financial asset (unless it is a receivable without a financing component) or financial liability is initially measured at fair value. Except for financial instruments classified or designated at FVTPL, the initial measurement of financial assets includes directly attributable transaction costs. A receivable without a significant financing component is initially measured at the transaction price.

Classification and Subsequent Measurement - Financial Assets
The Company determines the classification of its financial assets on initial recognition. The Company classifies its financial assets into the following categories: financial assets at amortized cost, financial assets at FVTPL, debt investments at FVOCI and equity investments at FVOCI. The classification depends on the Company's business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

As at December 31, 2022 and 2021, the Company has no debt investments at FVOCI.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Impairment losses on trade receivables are recognized under selling expenses. Any gain or loss on derecognition is recognized in profit or loss. Financial assets at amortized cost are classified as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Company's cash and cash equivalents, trade receivables, due from related parties, insurance claims and premiums receivable, other current accounts receivable and noncurrent accounts receivable (long-term time deposits, rental guaranty deposits and sublease receivable, net of current portion) are included in this category.

Cash equivalents are mainly represented by short-term investments of high liquidity, which are easily convertible into cash, and which are not subject to significant risks of changes in their values, including overnight investments, which yield fixed returns and have maturities of less than three months from the investment date. Cash and cash equivalents exclude those which are restricted from Company's use in operations. Interest income accruing from cash and cash equivalents are recognized as part of "Other financial expenses - net" account in the consolidated statements of comprehensive income.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. Included in this category is the Company's other investments.

All financial assets not classified and measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see policy on cash flow hedges for derivatives designated as hedging instruments). On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business Model Assessment
The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the standard policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets; and
- the frequency, volume and timing of sales of financial assets in prior period, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of assets.

Financial assets that are held for trading or- are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Classification and Subsequent Measurement - Financial Liabilities
Trade payables, due to related parties, other accounts payable and accrued expenses (excluding liabilities covered by other PFRSs, such as statutory liabilities), and bank loan, are recognized initially at fair value, less directly attributable transaction cost and subsequently measured at their amortized cost using effective interest method. Interest accrued on financial instruments is recognized in the consolidated statements of financial position within "Unearned income, other accounts payable and accrued expenses" and "Due to related parties" against financial expenses. As at December 31, 2022 and 2021, the Company did not have financial liabilities classified as at FVTPL or associated to fair value hedge strategies with derivative financial instruments. Direct costs incurred in debt issuances or borrowings are deducted from the fair value of the financial liability at initial recognition and amortized as interest expense as part of the effective interest rate of each transaction over its maturity. The amortized debt issuance cost from third party borrowings is recognized under "Financial expenses" account in the consolidated statements of comprehensive income. Debt issuance cost from intra-group borrowings is charged under "Other financial expenses" account in the consolidated statements of comprehensive income. When a loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged against profit or loss. Financial liabilities are classified as current liabilities if the liability is due to be paid within 12 months from the reporting date and the Company has no unconditional right to defer settlement of the liability for at least 12 months after the reporting date, otherwise, these are classified as noncurrent liabilities.

Derivative Financial Instruments and Hedge Accounting

Derivatives are initially measured at fair value on the date which the derivative contract is entered into. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss. The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in commodity prices. At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other. To qualify for hedge accounting, the hedging relationship must comply with the strict requirements such as the eligibility of both the hedging instrument and hedged item must have formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge, and the hedging relationship has to meet all of the following hedge accounting requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness (irrespective of whether recognized or not) that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

Cash Flow Hedges
When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve within equity. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Company designates only the change in fair value of the intrinsic value of the purchased option contract as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value ('forward points') of the purchased option contract is separately accounted for as a cost of hedging and recognized in costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognized.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

'Day 1' Profit

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has an enforceable legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Derecognition of Financial Instruments

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

- the rights to receive cash flows from the financial asset have expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- the Company has transferred its rights to receive cash flows from the financial asset and either: (a) has transferred substantially all the risks and rewards of the financial asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Company has transferred its rights to receive cash flows from a financial asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability (including lease liability) is derecognized when the obligation under the liability is discharged or cancelled or has expired. The difference between the carrying amount of financial liability (or part of a financial liability) extinguished and the consideration paid is recognized in profit or loss. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the carrying amount of the original liability and the recognition of a new liability at fair value, and any resulting difference in the respective carrying amounts is recognized in profit or loss.

F) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Company discloses balances and transactions with related parties. These balances and transactions resulted primarily from: i) the sale and purchase of goods and equipment between related parties; ii) lease contracts or right-of-use contracts; iii) corporate administrative services, royalties and other services rendered between related parties; and iv) loans and advances between related parties, among others.

G) INVENTORIES

Inventories are valued using the lower of their cost and net realizable value (NRV). The cost of inventories is based on the moving average method and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition, including attributable non-production overheads. NRV of inventories, other than spare parts, is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The NRV of spare parts is the replacement cost. The Company analyzes its inventory balances to determine if, as a result of internal events, such as physical damage, or external events, such as technological changes or market conditions, certain portions of such balances have become obsolete or impaired.

When an impairment situation arises, the inventory balance is adjusted to its NRV, whereas, if an obsolescence situation occurs, the inventory obsolescence reserve is increased. In both cases, these adjustments are recognized against the results for the period. Advances to suppliers of inventory are presented as part of "Prepayments and other current assets" account in the consolidated statements of financial position.

When the inventories are sold, the carrying amounts of those inventories are recognized under "Cost of Sales" account in profit or loss in the period when the related revenue is recognized.

H) PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments are carried at cost. Prepaid taxes represent creditable withholding taxes which are deducted from income tax payable, and input value added tax (see Note 3Q). Prepaid insurance is subsequently amortized over the terms of the contract to which the payment applies. Advances to suppliers of clinker and raw materials are subsequently recognized as inventories or expense when the goods are received, or services are rendered. Advances to employees pertain to advance payments made by the Company for its revolving fund which is used to defray immediate Company expenses and is subsequently recognized as an expense when incurred.

I) INVESTMENT IN AN ASSOCIATE

An associate is an entity in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Interest in an associate is accounted for using the equity method. It is initially recorded at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share in the profit or loss and OCI of the associate, until the date on which the significant influence ceases.

J) PROPERTY, MACHINERY AND EQUIPMENT

An item of property, machinery and equipment is initially recognized at its cost, which consists of its purchase price and any directly attributable cost in bringing the asset to the location and condition of its intended use. Property, machinery and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any.

The acquisition or construction cost includes all expenditures directly attributable to bringing the assets to a working condition for their intended use. Major components of an item of property, machinery and equipment with different useful lives are accounted for as separate items.

Depreciation of property, machinery and equipment is recognized as part of "Cost of Sales" and "Operating Expenses" accounts in the consolidated statements of comprehensive income and is calculated using the straight-line method over the estimated useful lives of the assets.

As at December 31, 2022 and 2021, the Company's maximum estimated useful lives by category of property, machinery and equipment are as follows:

Type of asset	Years
Buildings and improvements	3 - 50
Machinery and equipment:	
Plant Machinery and equipment	10 - 35
Ready-mix trucks and motor vehicles	5
Office equipment and other assets	3

The assets' residual values, useful lives and method of depreciation are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property, machinery and equipment. Any change in the expected residual values, useful lives and method of depreciation are adjusted prospectively from the time the change was determined necessary.

The Company capitalizes, as part of the historical cost of property, machinery and equipment, interest expense arising from existing debt during the construction or installation period of significant property, machinery and equipment, considering the Company's corporate average interest rate and the average balance of investments in process for the period.

Construction in-progress represents property, machinery and equipment under construction and is recognized at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for operational use but is tested for impairment.

Costs incurred in respect of operating property, machinery and equipment that result in future economic benefits, such as an extension in their useful lives, an increase in their production capacity or in safety, as well as those costs incurred to mitigate or prevent environmental damage, are capitalized as part of the carrying amount of the related assets. The capitalized costs are depreciated over the remaining useful lives of such property, machinery and equipment. Other costs, including periodic maintenance on property, machinery and equipment, are expensed as incurred. Advances to suppliers of property, machinery and equipment, measured at cost, are presented as part of "Advances to contractors" account in the consolidated statements of financial position and capitalized as property, machinery and equipment once the costs to which the advances pertain are incurred.

Major spare parts and stand-by equipment items that the Company expects to use over more than one period and can be used only in connection with an item of property, machinery and equipment are accounted for as property, machinery and equipment. Depreciation on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Company).

An item of property, machinery and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the consolidated statements of comprehensive income in the period the item is derecognized.

K) GOODWILL

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Company's cash-generating units (CGUs), or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether the assets or liabilities of the Company are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Company's operating segments as determined in accordance with PFRS 8, *Operating Segments.*

Following initial recognition, goodwill is measured at cost, less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see Note 3L).

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

L) IMPAIRMENT

Non-derivative Financial Assets

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities and other receivables (i.e., insurance claims and premiums receivable) that are determined to have low credit risk at the reporting date; and
- other debt securities, other receivables and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when: (1) the borrower is unlikely to pay its obligations to the Company in full, without recourse by the Company to actions such as realizing any collateral; or (2) the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when: i) the debt security has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired Financial Assets
At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of Allowance for ECL in the Consolidated Statements of Financial Position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written-off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company categorizes a financial asset for write-off when the debtor fails to make contractual payments more than 365 days past due. Financial assets written-off are no longer subject to enforcement activities of the Company. However, previously written-off financial assets which are subsequently collected are recognized in profit or loss.

Property, Machinery and Equipment, Assets for the Right-of-Use and Investment in an Associate

Property, machinery and equipment, assets for the right-of-use and investment in an associate are tested for impairment upon the occurrence of factors, such as a significant adverse event, changes in the Company's operating environment, changes in projected use or in technology, as well as expectations of lower operating results for each CGU, in order to determine whether their carrying amounts may not be recovered, in which case an impairment loss is recognized in profit or loss for the period when such determination is made within "Other income (expenses) - net" account in the consolidated statements of comprehensive income.

The impairment loss of an asset results from the excess of the asset's carrying amount over its recoverable amount, corresponding to the higher between the fair value of the asset, less costs of disposal, and its value-in-use, the latter represented by the net present value of estimated cash flows related to the use or disposal of the asset.

Significant judgment by management is required to appropriately assess the fair values and value-in-use of these assets. The main assumptions utilized to develop these estimates are a discount rate that reflects the risk of the cash flows associated with the assets evaluated and the estimations of generation of future income. Those assumptions are evaluated for reasonableness by comparing such discount rates to market information available and by comparing to third-party expectations of industry growth, such as governmental agencies or industry chambers of commerce.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statements of comprehensive income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill

Goodwill is tested for impairment when needed due to significant adverse changes or at least once a year by determining the recoverable amount of the group of CGUs to which goodwill was allocated, which consists of the higher between the CGU´s fair value, and their value-in-use, represented by the discounted amount of estimated future cash flows to be generated by such CGUs to which those net assets relate. The Company determines discounted cash flows over a 5-year period. If the value-in-use of any CGU is lower than their respective carrying amount, the Company determines the fair value of its CGUs using a methodology widely accepted in the market to determine the value of entities, such as multiples of Operating Earnings Before Income Tax, Depreciation and Amortization (EBITDA) and by reference to other market transactions, among others. An impairment loss is recognized in profit or loss within "Other income (expenses) - net" account in the consolidated statements of comprehensive income, if the recoverable amount is lower than the carrying amount of the group of CGUs to which goodwill was allocated. Impairment charges recognized on goodwill are not reversed in subsequent periods.

The Company operates through its major operating subsidiaries, Solid and APO, which represents the Company's groups of CGUs to which goodwill has been allocated for purposes of testing goodwill for impairment and represents the lowest level at which goodwill is monitored for internal management purposes.

Impairment tests are significantly sensitive, among other factors, to the estimation of future prices of the Company's products, the development of operating expenses, economic trends in the relevant construction industry, the long-term growth expectations in the market, as well as to the discount rate and the growth rate in perpetuity applied. For purposes of estimating future prices, the Company uses, to the extent available, historical data plus the expected increase or decrease according to information issued by trusted external sources and/or governmental economic expectations. Operating expenses are estimated taking into account past experience. However, such operating expenses are also reviewed and adjusted considering inflation and other external information sources in respect to inputs that behave according to international prices, such as gas and oil that may have an impact on future costs.

The Company uses pre-tax discount rates which are applied to discount pre-tax cash flows. The amounts of estimated undiscounted cash flows are significantly sensitive to the growth rate in perpetuity applied. Likewise, the amounts of discounted estimated future cash flows are significantly sensitive to the discount rate applied. The higher the growth rate in perpetuity applied, the higher the amount obtained of undiscounted future cash flows by CGU. Conversely, the higher the discount rate applied, the lower the amount obtained of discounted estimated future cash flows by CGU.

M) PROVISIONS AND CONTINGENCIES

The Company recognizes provisions when it has a legal or constructive obligation resulting from past events, whose resolution would imply probable and reliably measurable cash outflows or delivery of other resources owned by the Company. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as an interest expense.

Restructuring

The Company recognizes provisions for restructuring costs only when the restructuring plans have been properly finalized and authorized by management and have been communicated to the third parties involved and/or affected by the restructuring prior to the reporting date. These provisions may include costs not associated with the Company's ongoing activities.

Asset Retirement Obligations

Unavoidable obligations, legal or constructive, to restore operating sites upon retirement of long-lived assets at the end of their useful lives are measured at the net present value of estimated future cash flows to be incurred in the restoration process and are initially recognized against the related assets' carrying amount. The increase in the assets' carrying amount is depreciated during its remaining useful life. The increase in the liability related to the passage of time is charged to profit or loss. Adjustments to the liability for changes in estimations are recognized against the related property, machinery and equipment and depreciation is modified prospectively. Once the related asset is fully depreciated over its useful life, all subsequent changes in the liability shall be recognized in profit or loss as they occur. These liabilities relate mainly to the future costs of demolition, cleaning and rehabilitation and vacating from, under certain conditions, production or operating sites, including maritime terminals.

Costs Related to Remediation of the Environment

Provisions associated with environmental damage represent the estimated future cost of remediation, which are recognized at their nominal value when the time schedule for the disbursement is not clear, or when the economic effect for the passage of time is not significant; otherwise, such provisions are recognized at their discounted values. Reimbursements from insurance companies are recognized as assets only when their recovery is virtually certain. In that case, such reimbursement assets are not offset against the provision for remediation costs.

Commitments and Contingencies

Obligations or losses related to contingencies are recognized as liabilities in the consolidated statements of financial position when present obligations exist resulting from past events that are expected to result in an outflow of resources and the amount can be measured reliably. Otherwise, a qualitative disclosure is included in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. The effects of long-term commitments established with third parties are recognized in the consolidated financial statements on an incurred or accrued basis, after taking into consideration the substance of the agreements. Relevant commitments are disclosed in the notes to the consolidated financial statements. The Company does not recognize contingent revenues, income or assets.

Reimbursements and Compensation

Reimbursements related to provision are recognized as a separate asset when recovery is virtually certain. The loss and the recovery are recognized at the same time. However, if the party that will make the reimbursement cannot be identified, then the reimbursement is not considered as virtually certain and is not recognized. If the only uncertainty regarding the recovery of an insured loss is the amount of the recovery, then the reimbursement amount will qualify to be recognized as an asset. Receivable from compensation for lost income is recognized when the Company has an unconditional right to receive the compensation. The Company's unconditional contractual right to receive compensation is established when: (1) the Company has an insurance contract under which it can make a claim for compensation; and (2) the loss event that creates a right for the Company to assert a claim at the reporting date has occurred and the claim is not disputed by the insurer. The compensation receivable should be measured based on the amount and timing of the expected cash flows discounted at a rate that reflects the credit risk of the insurer. Income arising from compensation is offset against the loss recognized from where such right to compensation arises.

N) FAIR VALUE MEASUREMENTS

The Company applies the guidance of PFRS 13, *Fair Value Measurement*, for its fair value measurements of financial assets and financial liabilities recognized or disclosed at fair value. Under PFRS 13, fair value represents an "Exit Price," which 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, considering the counterparty's credit risk in the valuation. The concept of exit value is premised on the existence of a market and market participants for the specific asset or liability. When there is no market and/or market participants willing to make a market, PFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement), secondly, to inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly (Level 2 measurement), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurement). The Company recognizes transfers between levels of fair value hierarchy at the end of the reporting period during which the change has occurred.

O) EMPLOYEE BENEFITS

Defined Benefit Pension Plans

Pursuant to PAS 19, *Employee Benefits*, the Company recognizes the costs associated with employees' defined benefit pension plans as services are rendered, based on actuarial estimations of the benefits' present value with the advice of external actuaries. The actuarial assumptions consider the use of nominal rates.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. The service cost, corresponding to the increase in the obligation for additional benefits earned by employees during the period, is recognized as part of "Cost of Sales" and "Operating Expenses" accounts in the consolidated statements of comprehensive income. The interest cost related to the increase in the liability by the passage of time is recognized in profit or loss within "Other financial expenses - net" account in the consolidated statements of comprehensive income.

The effects from modifications to the pension plans that affect the cost of past services are recognized as part of "Cost of Sales" and "Operating Expenses" accounts in the consolidated statements of comprehensive income during the period in which such modifications occur or when any related restructuring or termination benefits are recognized, if earlier. Likewise, the effects from curtailments and/or settlements of obligations occurred during the period, associated with events that significantly reduce the cost of future services and/or reduce significantly the population subject to pension benefits, respectively, are recognized as part of "Cost of Sales" and "Operating Expenses" accounts in the consolidated statements of comprehensive income.

Remeasurements such as the return on plan assets, excluding amounts included in net interest on the net defined benefit liability, and actuarial gains and losses, related to differences between the previous actuarial assumptions and actual occurrences, and changes in actuarial assumptions at the end of the period, are recognized in the period in which they are incurred as part of OCI for the period within equity. Such remeasurements are not reclassified to profit or loss in subsequent periods. Termination benefits, not associated with a restructuring event, which mainly represent severance payments by law, are recognized in profit or loss for the period in which they are incurred.

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present, legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Transportation Allowance

The Company grants transportation allowance to "entitled executives" for the purpose of purchasing a motor vehicle and to cover other transportation-related expenses such as, but not limited to, maintenance cost, gasoline, registration expenses and insurance premiums on motor vehicle for a period of five (5) years from the date of grant. The amount paid to executives in respect of the Company's transportation allowances is recorded as an asset carried at cost (the current portion is part of "Prepayments and other current assets" account, while the noncurrent portion is part of "Other assets and noncurrent accounts receivable" account in the consolidated statements of financial position) and subsequently amortized as an expense over the term of the contract.

Termination Benefits

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

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

P) BORROWING COSTS

Interest and other finance costs incurred on borrowings used to finance property development are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. The capitalization of borrowing costs: (a) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are incurred; (b) is suspended during extended periods in which active development, improvement and construction of the assets are interrupted; and (c) ceases when substantially all activities necessary to prepare the assets are completed (i.e., at 90% completion). These costs are amortized using the straight-line method over the estimated useful life of the related property, machinery and equipment to which it is capitalized. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Other borrowing costs are generally expensed in the period in which these are incurred.

Q) TAXES

Income Taxes

Pursuant to PAS 12, *Income Taxes*, the effects reflected in profit or loss for income taxes include the amounts payable or recoverable in respect of taxable profit or loss during the period and the amounts of deferred income taxes pertaining to amounts payable or recoverable in future periods, determined according to the income tax law applicable to each entity. Consolidated deferred income taxes represent the addition of the amounts determined in each legal entity by applying the enacted statutory income tax rate to the total temporary differences resulting from comparing the book and taxable amounts of assets and liabilities, considering tax loss carryforwards as well as other recoverable taxes and tax credits, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income taxes for the period represent the difference between balances of deferred income taxes at the beginning and at the end of the period. Deferred income tax assets and liabilities relating to different tax jurisdictions are not offset. Pursuant to PFRSs, all items charged or credited directly in equity or as part of OCI for the period are recognized net of their current and deferred income tax effects. The effect of a change in enacted statutory tax rates is recognized in the period in which the change is enacted or substantially enacted.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused excess MCIT over RCIT and unused NOLCO, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized except:

- when the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

Future taxable profits are determined based on the reversal of relevant taxable temporary differences. Deferred income tax asset is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. If the amount of taxable temporary differences is insufficient to recognize a deferred income tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Parent Company and of the individual subsidiaries in the Company. Deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is not considered probable that the related tax benefit will be realized. In conducting such assessment, the Company analyzes the aggregate amount of self-determined tax loss carryforwards included in its income tax returns in each country where the Company believes, based on available evidence, that the tax authorities would not reject; and the likelihood of the recoverability of such tax loss carryforwards prior to their expiration through an analysis of estimated future taxable income. If the Company believes that it would not be able to use a tax loss carryforward before its expiration or any other deferred income tax asset, the Company will not recognize such deferred income tax assets. Both situations would result in additional income tax expense for the period in which such determination is made. In order to determine whether it is probable that deferred income tax assets will ultimately be realized, the Company takes into consideration all available positive and negative evidence, including factors such as market conditions, industry analysis, expansion plans, projected taxable income, carryforward periods, current tax structure, potential changes or adjustments in tax structure, tax planning strategies, future reversals of existing temporary differences, etc. Likewise, every reporting period, the Company analyzes its actual results versus the Company's estimates and adjusts its estimations as necessary. If actual results vary from the Company's estimates, the deferred income tax asset may be affected, and necessary adjustments will be made based on relevant information. Any adjustments recorded will affect the Company's profit or loss in such period.

Excess income tax payments are recognized as "Prepaid taxes" under "Prepayments and other current assets" account in the consolidated statements of financial position and are carried at cost.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The income tax effects from an uncertain tax position are recognized when it is not probable that the position will be accepted based on its technical merits and assuming that the tax authorities will examine the uncertain tax treatments and have full knowledge of all relevant information. They are measured by either determining the single most likely amount or the sum of the probability-weighted amounts in a range of possible outcomes depending on which method the Company expects to better predict the resolution of the uncertainty. It is measured using tax rates enacted or substantively enacted at the reporting date.

Value-added Tax (VAT)

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

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

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of "Prepayments and other current assets" or "Unearned income, other accounts payable and accrued expenses" accounts, respectively, in the consolidated statements of financial position.

R) EQUITY

Common Stock and Additional Paid-in Capital

Common stock is classified as equity. Common stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement, net of any subscription receivable, and is measured at par value. The transaction costs incurred as a necessary part of completing an equity transaction are accounted for as a part of that transaction and are deducted from equity, net of related tax benefits. Costs that are related directly to a probable future equity transaction is recognized as "Deferred share issuance costs" under "Prepayments and other current assets" in the consolidated statements of financial position. The cost is transferred to equity when the equity transaction is recognized, or recognized in profit or loss if the issue is no longer expected to be completed. Considerations received in excess of the par value of shares issued are recognized in "Additional paid-in capital" account in the consolidated statements of financial position.

Other Equity Reserves

Represent the horizontal sum of each consolidated entity's cumulative effects of items and transactions that are, temporarily or permanently, recognized directly to equity, and includes the elements presented in the OCI for the period, which includes certain changes in equity during a period not resulting from investments by owners and distributions to owners. As at December 31, 2022 and 2021, the "Other equity reserves" account in the consolidated statements of financial position represents the share-based compensation, remeasurements on retirement benefits liability, changes in fair value of the derivative instrument in an effective cash flow hedge and cumulative currency translation of foreign subsidiaries.

Retained Earnings

Retained Earnings represent the cumulative balance of periodic profit or loss, prior period adjustments and effect of changes in accounting policy.

S) EXECUTIVE SHARE BASED COMPENSATION

Certain executives of the Company receive compensation under a long-term incentive program using CPOs or the Parent Company's shares. Pursuant to the guidance of PFRS 2, *Share-based Payment*, stock awards based on the ultimate parent company and Parent Company's shares granted to the Company's executives are treated as equity instruments, considering that services received from employees are settled by delivering such CEMEX's shares. The cost of equity instruments represents the estimated fair value at the date of grant and is recognized in profit or loss during the period in which the exercise rights of the employees become vested against other equity reserves.

T) REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company's consolidated revenue represents the value of products sold by the consolidated entities, net of VAT on sales, as a result of their ordinary activities, after the elimination of transactions between consolidated entities, and is measured at the consideration specified in a contract with a customer. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer.

Revenue from Sale of Cement and Cement Products
Customers obtain control of the cement or cement products when these goods are delivered to and have been accepted by customers at their premises. Hence, revenue is recognized at that point in time. Invoices are usually collectible within 30 to 60 days. The transaction price is therefore not adjusted for the effects of a significant financing component. No discounts are provided for the sale of cement and cement products, but customers may earn loyalty points instead which they can redeem against future orders or other packages defined in the program.

Customer Loyalty Programme
The Company has three customer loyalty programmes whereby customers are awarded credits known as "Points" entitling customers against any future purchases of the Group's cement goods and other products, goods and services offered by third parties. The Company grants Points to a customer as part of the sales transaction and subject to condition set-out in the programme. These Points expire at an exact date right before the next run of the rewards program.

The Company allocates a portion of the consideration received to the Points. This allocation is based on the relative stand-alone selling prices, taking into account the expected forfeiture rate. The amount allocated to the Points is deferred, and is recognized as revenue when the Points are redeemed or the right to redeem the Points expires. The deferred revenue is recognized as "Contract liabilities" under current liabilities in the consolidated statements of financial position.

Revenue from Co-Processing of Alternative Fuel Resources
Revenue from co-processing agreements is recognized as the services are rendered over time based on the quantity of waste materials processed in the Company's cement kiln.

Contract Balances

Trade Receivables
Trade receivables are recognized when the goods are delivered and represent the Company's right to consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of Trade receivables in Notes 3E and 3L.

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier).

U) INSURANCE CONTRACTS

An insurance contract is an agreement whereby one party, called the insurer, undertakes for a consideration paid by the other party, called the insured, promises to pay money, or its equivalent or to do some act valuable to the latter, upon happening of a loss, liability or disability arising from an unknown or contingent event.

Premiums from insurance contracts are recognized as revenue over the period of the contracts. The portion of the premiums written that relate to the unexpired periods of the policies at each reporting date is accounted for as “Unearned income” and is presented under current liabilities section of the consolidated statements of financial position. The net changes in this account between reporting dates are credited to or charged against profit or loss. Insurance revenue is presented as an offset to insurance expense in the consolidated statements of comprehensive income.

Benefits and Claims

Benefits and claims consist of all costs incurred during the year, which are recognized when the Company receives notification from policyholders. Estimates have to be made as at the reporting date both for the expected ultimate cost of claims reported and for the expected ultimate cost of the claims incurred but not yet reported (IBNR). The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claim settlement trends to project future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to profit or loss against insurance liability. Claims provisions are not discounted for the time value of money.

V) COST OF SALES, ADMINISTRATIVE AND SELLING EXPENSES AND DISTRIBUTION EXPENSES

Cost of sales represents the production cost of goods sold. Such cost of sales includes power and fuel, raw materials and supplies, personnel expenses, depreciation and amortization of property, machinery and equipment and assets for the right-of-use involved in production, as well as freight expenses of raw material in plants. Cost of sales excludes expenses related to personnel, equipment and services involved in sale activities and storage of product at points of sales and costs related to warehousing of products at the selling points, which are included as part of administrative and selling expenses, as well as freight expenses of finished products between plants and points of sale and freight expenses between points of sales and the customers’ facilities, which are included as part of the distribution expenses line item in the consolidated statements of comprehensive income. Administrative expenses are costs incurred in the direction and general administration of day-to-day operation of the Company. Administrative, selling and distribution expenses are recognized when incurred.

W) LEASES

Pursuant to PFRS 16, the determination of whether an arrangement is, or contains a lease is, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such assessment is made at the inception of the contract.

As a Lessee
The Company recognizes a right-of-use asset and a lease liability at the commencement date of the right-of-use or lease arrangement, as the case may be. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is measured subsequently at cost less any accumulated amortization and impairment losses, and adjusted for certain remeasurements of the lease liability. Right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, machinery and equipment. When a right-of-use asset meets the definition of investment property, it is presented in investment property.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate as the discount rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company applies the practical expedient per PFRS 16 relating to rent concessions occurring as a direct consequence of COVID-19. The Company may elect not to assess whether a rent concession is a lease modification, and the resulting decrease in lease liability from such rent concessions is recognized in profit or loss. Such option is available if (a) the change in lease payments results in revised consideration of the lease that is substantially the same as, or less than, the consideration of the lease preceding the change; (b) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (c) there is no substantive change to other terms and conditions of the lease.

For lease contracts that contains a non-lease component, where such non-lease component has no variable considerations, such non-lease component is considered as part of the lease component as a single lease component.

Short-term Leases and Leases of Low-value Assets
The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets (if the underlying asset is office or computer equipment) and short-term leases (leases with a term of 12 months or less). The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Variable Lease Payments
Variable lease payments that varies each period and is linked to or based on a per unit fee over the use of an asset is excluded from initial recognition of the right-of-use assets and lease liability and is recognized in profit or loss in the period in which the performance or use occurs.

As a Lessor
At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

At commencement of finance leases, the lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease, which comprises the present value of the lease payments and any unguaranteed residual value accruing to the lessor. The present value is calculated by discounting the lease payments and any unguaranteed residual value, at the interest rate implicit in the lease. Initial direct costs are included in the measurement of the finance lease receivable because the interest rate implicit in the lease, used for discounting the lease payments, takes initial direct costs incurred into consideration.

The lessor derecognizes the underlying asset and recognizes the difference between the carrying amount of the underlying asset and the finance lease receivable as gain or loss in profit or loss when recognizing the finance lease receivable.

Over the lease term, the lessor accrues finance income on the net investment. The receipts under the lease are allocated between reducing the net investment and recognizing finance income, to produce a constant rate of return on the net investment.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of "Other income (expenses) - net" account in the consolidated statements of comprehensive income.

X) BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Pursuant to PAS 33, *Earnings Per Share*, basic earnings (loss) per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of shares outstanding (the denominator) during the period. Shares that would be issued depending only on the passage of time should be included in the determination of the basic weighted average number of shares outstanding. Diluted earnings (loss) per share should reflect in both, the numerator and denominator, the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions, to the extent that such assumption would lead to a reduction in basic earnings per share or an increase in basic loss per share, otherwise, the effects of potential shares are not considered because they generate anti-dilution. When there is a bonus element in a rights issue, retrospective adjustments to the denominators for both basic and diluted earnings (loss) per share for all periods before the rights issue are made. As prescribed in PAS 33, if a rights issue is offered to all existing shareholders, the number of ordinary shares to be used is the number of ordinary shares outstanding before the issue, multiplied by a bonus factor calculated by dividing the fair value per share immediately before the exercise of rights by the theoretical ex-rights fair value per share (see Note 27).

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Y) EVENTS AFTER THE REPORTING DATE

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

NOTE 4 - SEGMENT INFORMATION

The Company applies PFRS 8 for the disclosure of its operating segments, which are defined as the components of an entity that engage in business activities from which they may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's top management to make decisions about resources to be allocated to the segments and assess their performance; and for which discrete financial information is available. The Company's results and performance are evaluated for decision-making purposes and allocation of resources is made on a per country basis. Hence, the Company represents a single geographical operating segment. The Company's main activity is oriented to the construction industry through the production, distribution, marketing and sale of cement, ready-mix concrete and other construction materials. For the years ended December 31, 2022, 2021, and 2020, the cement sector represented approximately 89.53%, 90.1%, and 89.4%, respectively, of total net revenues before eliminations resulting from consolidation, 144.34%, 132.6%, and 128.1%, respectively, of Operating EBITDA.

The main indicator used by the Company's management to evaluate performance is "Operating EBITDA", representing operating earnings before other income (expenses) - net, interest, tax, depreciation and amortization, considering that such amount represents a relevant measure for the Company's management as an indicator of the ability to internally fund capital expenditures, as well as a widely accepted financial indicator to measure the Company's ability to service or incur debt. Operating EBITDA should not be considered as an indicator of the Company's financial performance, as an alternative to cash flow, as a measure of liquidity, or as being comparable to other similarly titled measures of other companies.

NOTE 5 - DEPRECIATION AND AMORTIZATION

Depreciation and amortization charges related to property, machinery and equipment and assets for the right-of-use for the years ended December 31, 2022, 2021, and 2020 are detailed as follows:

		2022	2021	2020
Depreciation and amortization related to assets used in the production process	P	**1,291,633**	1,383,632	1,666,834
Depreciation and amortization related to assets used in operating activities		**621,711**	552,811	697,255
	P	**1,913,344**	1,936,443	2,364,089

NOTE 6 - REVENUES

Disaggregation of Revenues from Contracts with Customers
Revenues for the years ended December 31, 2022, 2021, and 2020 are detailed by major product lines and timing of revenue recognition as follows:

	Timing of revenue recognition		2022	2021	2020
Revenue from sale of goods					
Cement	At a point in time	P	**20,504,709**	20,820,304	19,668,716
Admixtures and others	At a point in time		**20,344**	38,612	10,403
			20,525,053	20,858,916	19,679,119
Revenue from services					
Co-processing of alternative fuel resources	Over time		**45,613**	27,657	27,563
		P	**20,570,666**	20,886,573	19,706,682

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Breakdown of cement sales per customer is as follows:

		2022	2021	2020
Retailers	P	**16,562,640**	16,566,579	15,938,050
Institutional		**3,835,960**	4,057,141	3,642,082
Others		**106,109**	196,584	88,584
Total	P	**20,504,709**	20,820,304	19,668,716

The Company does not depend on any single or few customers, and no single customer represented more than 10% of the Company's consolidated Revenue. Export sales are mainly from the sale of cement to the Pacific Islands amounting to P73,154, P74,588, and P88,584 for the years ended December 31, 2022, 2021, and 2020, respectively.

Contract Balances
The following table provides information about the opening and closing balances of trade receivables - net and contract liabilities from contracts with customers:

		2022	2021	2020
Trade receivables - net	P	**637,410**	696,868	700,162
Contract liabilities				
Advances from customers	P	**243,375**	354,032	280,249
Customer loyalty program		**30,317**	37,390	24,882
	P	**273,692**	391,422	305,131

The contract liabilities include unredeemed customer loyalty points and advances from customers. These will be recognized as revenue when the points are redeemed by customers or when the goods are delivered to the customer and when the right to redeem expires, which is expected to occur the following year. Contract liabilities as at December 31, 2021 and January 1, 2021 were recognized as revenue in 2022 and 2021, respectively. The amount recognized in contract liabilities as at December 31, 2022 is expected to be recognized as revenue within 12 months from the reporting date. There is no other unperformed obligation other than those already included in contract liabilities.

NOTE 7 - COSTS AND EXPENSES

Cost of sales, administrative and selling expenses for the years ended December 31, 2022, 2021, and 2020 are detailed as follows:

		Cost of Sales		
		2022	2021	2020
Power, fuel, raw materials and production supplies	P	**10,264,570**	9,480,115	7,494,850
Depreciation and amortization		**1,291,634**	1,383,632	1,666,834
Salaries and wages [1]		**503,024**	513,194	534,617
Outside services		**551,571**	487,559	416,397
Repairs and maintenance		**481,903**	463,433	505,372
Rental		**396,070**	374,454	278,727
Cement purchases		**–**	–	425,143
Others [2]		**331,879**	279,700	293,013
	P	**13,820,651**	12,982,087	11,614,953

[1] Includes retirement benefit expense amounting to P26,092, P28,258, and P42,832, in 2022, 2021, and 2020, respec ively (see Note 23).

[2] Others pertain to insurance expense, taxes and licenses, transportation and communication expenses and other costs that are individually immaterial.

		Administrative Expenses		
		2022	2021	2020
Salaries and wages[1]	P	**625,489**	649,383	595,935
Administrative fees		**350,875**	334,569	417,733
Insurance		**144,814**	179,973	203,376
Depreciation and amortization		**43,601**	45,409	38,505
Utilities and supplies		**31,024**	24,703	27,607
Travel expenses		**15,536**	1,009	10,578
Taxes and licenses		**17,584**	16,929	11,878
Others		**53,453**	45,555	27,788
	P	**1,282,376**	1,297,530	1,333,400

[1] Includes retirement benefit expense amounting to P31,144, P34,103, and P19,877, in 2022, 2021, and 2020, respectively (see Note 23).

(Amounts in Thousands, Except Number of Shares and Per Share Data)

		Selling Expenses		
		2022	2021	2020
License fees[1]	P	**772,799**	851,437	747,027
Administrative fees[2]		**219,212**	209,720	203,173
Utilities and supplies		**169,160**	168,609	153,360
Depreciation and amortization		**164,918**	125,222	122,370
Salaries and wages		**149,771**	146,965	131,537
Advertising and travel		**28,531**	19,811	12,218
Taxes and licenses		**17,838**	35,979	42,625
Insurance		**5,397**	6,709	5,826
Others [3]		**25,426**	8,207	30,522
	P	**1,553,052**	1,572,659	1,448,658

[1] The amount pertains to trademarks with CEMEX, and royal ies with Cemex Innovation Holding Ltd. ("CIH") in 2022 and 2021 and CRG in 2020 (see Note 13).

[2] Includes legal, professional, outside services, and other administrative charges from a related party (see Note 13).

[3] Includes ECL on trade receivables (see Note 22), fuel, representation and entertainment, and insurance.

NOTE 8 - DISTRIBUTION EXPENSES

Distribution expenses for the years ended December 31 are detailed as follows:

		2022	2021	2020
Trucks, barge and charter hire	P	**1,963,713**	2,006,133	2,310,478
Handling expenses		**500,765**	596,453	531,952
Depreciation and amortization		**413,192**	382,180	536,380
Harbor services		**99,903**	115,573	120,264
Others		**8,241**	8,796	2,979
	P	**2,985,814**	3,109,135	3,502,053

NOTE 9 - OTHER INCOME (EXPENSES) - Net

Other income (expenses), net for the years ended December 31 are detailed as follows:

		2022	2021	2020
Gain on sale of scraps	P	**8,090**	7,296	10,539
Loss on disposal of property, machinery and equipment		**(15,565)**	(11,561)	(182)
COVID-19 related expenses[2]		**(23,021)**	(22,443)	(49,766)
Other losses related to natural disasters[3]		**(38,240)**	(22,267)	–
Recovery of receivable previously written-off[1]		**–**	33,922	–
Transportation service income		**–**	1,071	–
Gain on rent concession		**–**	–	4,539
Miscellaneous expenses - net		**7,943**	15,929	4,560
	P	**(60,793)**	1,947	(30,310)

[1] In 2021, the Company recovered a related party receivable that was previously written off (see Note 13).
[2] COVID-19 related expenses include sanitation supplies, financial assistance and employee transportation cost.
[3] Repairs and incremental costs from he impact of Typhoon Odette (International Name: Rai) which struck the Philippines in mid-December 2021

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 10 - OTHER FINANCIAL EXPENSES - Net

Other financial expenses, net for the years ended December 31 are detailed as follows:

		2022	2021	2020
Financing cost [1]	P	**47,765**	65,057	112,338
Interest expense on retirement benefit plan (Note 23)		**27,025**	22,566	38,764
Bank charges and others		**24,812**	19,760	23,332
Interest income		**(30,310)**	(28,041)	(54,181)
Gain on remeasurement of lease liability and derecognition of asset for the right-of-use from lease termination and sublease (Notes 18 and 21)		**218**	(1,099)	(209)
	P	**69,510**	78,243	120,044

[1] The amount includes debt issuance cost incurred from intra-group loans between the Parent Company and its subsidiaries.

NOTE 11 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2022, and 2021 consisted of:

		2022	2021
Cash in banks	P	**1,700,203**	2,222,046
Short-term investments		**1,020,101**	3,589,589
	P	**2,720,304**	5,811,635

Cash in banks earns interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of up to three months, depending on the immediate cash requirements of the Company.

For the years ended December 31, 2022, 2021 and 2020, interest income earned on cash and cash equivalents amounted to P29,908, P28,041, and P54,025, respectively.

Effective January 1, 2021, the short-term investments with Lomez were transferred to CIH which bears interest at a rate equivalent to the Western Asset Institutional Liquid Reserves Fund (WAILRF) rate minus 10 basis points and zero interest. Beginning January 1, 2022, the 10 basis points spread applied to investments using the WAILRF rate was removed.

As at December 31, 2022 and 2021, short-term investments include deposits of the Company with CIH (a related party) amounting to P1,020,101 and P3,589,589, respectively (see Note 13).

The Company´s exposures to credit risk, foreign currency risk, and interest rate risk related to cash and cash equivalents are disclosed in Note 22 to the consolidated financial statements.

NOTE 12 - TRADE RECEIVABLES - Net

Trade receivables - net as at December 31, 2022 and 2021 consisted of:

		2022	2021
Trade receivables - gross	P	**659,888**	714,222
Allowance for ECL		**(22,478)**	(17,354)
	P	**637,410**	696,868

The Company's exposure to credit risk related to trade receivables and the movements in the allowance for ECL on trade receivables are disclosed in Note 22 to the consolidated financial statements.

NOTE 13 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related party relationship exists when the other party (i) has control or joint control of the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. A related party relationship is deemed to exist when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and/or operating decisions. Another criteria recognizes a related party relationship, whether or not the ability to control exists, if any of the following conditions applies to an entity: (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; or (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity (if the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity).

The Company has an approval requirement and limits on the amount and extent of related party transactions in compliance with the Revised Securities Regulation Code Rule 68 and the SEC Memorandum Circular 10-2019 - *Rules on Material Related Party Transactions for Publicly-Listed Companies*. Transactions entered into with a related party amounting to 10% or more of the total consolidated assets based on the latest audited consolidated financial statements are considered material. All individually material related party transactions shall be reviewed and evaluated by the Audit Committee and endorsed to the BOD for approval. The material related party transaction shall require the approval of at least two-thirds (2/3) votes of the members of the BOD, with at least the majority of the independent directors voting to approve the material related party transaction. In the event that the vote of a majority of the independent directors is not secured, the Material RPT may be ratified by the vote of the stockholders representing at least two- thirds (2/3) of the outstanding capital stock of the Parent Company. For aggregate related party transactions within 12-month period with the same related party that breaches the materiality threshold, the same review and approval procedures mentioned above is required.

Material changes in the terms and conditions of a Material RPT shall be reviewed and must be approved in accordance with the same procedure above described. Material changes shall include, but are not limited to, changes in the price, interest rate, maturity date, payment terms, commissions, fees, tenor and collateral requirement of the Material RPT. Transactions meeting the Materiality Threshold that were entered into with an unrelated party that subsequently becomes a Related Party are excluded from the special review and approval process; however, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a Related Party shall require the special review and approvals.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

As at December 31, 2022 and 2021, balances of related party short-term investments, receivables and payables which are generally expected to be settled in cash are detailed as follows:

		2022	2021
Short-term investments			
Other related party [17]			
CIH (Note 11)	P	**1,020,101**	3,589,589
Due from related parties			
Ultimate Parent			
CEMEX [1]	P	**384**	11,295
Parent			
CASEC [6]		**2,759**	–
Other related parties [17]			
IQAC [3]		**544**	239
APO Land & Quarry Corporation (ALQC) [2]		**319**	980
CEMEX Operaciones México, S.A. de C.V.[5]		**102**	142
Beijing CXP Import & Export Co.[4]		**–**	3,418
CIH [14]		**–**	1,087
	P	**4,108**	17,161
Due to related parties			
Ultimate Parent			
CEMEX [1]	P	**253,134**	23,916
Other related parties [17]			
CEMEX International Trading LLC[16]		**2,782,897**	191,849
CEMEX Operaciones México, S.A. de C.V.[5]		**947,581**	896,148
CIH[12]		**418,923**	167,001
IQAC [3]		**247,085**	113,652
CEMEX Internacional, S.A. de C.V. [13]		**7,627**	–
Servicios Profesionales Cemex[10]		**6,981**	–
Beijing CXP Import & Export Co.[4]		**5,130**	12,399
ALQC [2]		**2,642**	28,304
Sunbulk Shipping Limited [9]		**2,624**	–
Cemex S.A.B De C.V. [15]		**303**	–
Transenergy, Inc. [8]		**–**	763,257
CRG [7]		**–**	39
	P	**4,674,927**	2,196,565
Lease liabilities on land [15]			
ALQC	P	**1,775,443**	781,756
IQAC		**528,859**	391,433
	P	**2,304,302**	1,173,189

[1]The due from related party balance as at December 31, 2022, and 2021 pertains to the hedge settlement received by CEMEX on behalf of the Company which is due on demand and unimpaired, which amounted to the receivable of P384 and P11,295, respectively.

The due to related party balance that is unsecured, noninterest-bearing and payable upon demand as at December 31, 2022 and 2021 pertains to the following:

a) The use of CEMEX "marks" which is payable in 30 days after receipt of invoice and is unsecured and noninterest bearing which amounted to P26,760 and P23,916, respectively. On January 1, 2016, CAR entered into an agreement with CEMEX for the right to use of its "marks" and to further license the "marks" with other CEMEX group companies opera ing in the Asia territories;

b) The payable balance pertains to service fee amounting to P224,281 and nil, respectively;

c) The payable balance pertains to hedge premium paid by CEMEX on behalf of the Company amounting P12,324 and nil, respectively; and

d) Others pertain to reimbursements and/or advances amounting to P623 and nil, respectively.

[2]The due from related party balance, which is unimpaired, unsecured, noninterest-bearing and due on demand as at December 31,2022 and 2021 includes:

a) The service agreements entered by Solid and APO with ALQC wherein Solid and APO provides back-office and other support services to ALQC. Fees are calculated at cost incurred plus fixed mark-up. Outstanding receivable amounted to P200 and P696, respec ively; and

b) Others pertain to reimbursements and/or advances amounting to P119 and P284, respectively.

The due to related party balance that is unsecured, noninterest-bearing and payable upon demand as at December 31, 2022 and 2021 pertains to the purchase of raw materials which amounting to P2,642 and P28,304, respectively

[3]The due from related party balance as at December 31, 2022 and 2021, which is unimpaired, unsecured, noninterest-bearing and due on demand pertains to he following:

a) The service agreements were entered by Solid with IQAC wherein Solid provides back-office and other support services to IQAC. Fees are calculated at cost incurred plus fixed mark-up. Outstanding receivable amounted to P223 and P239, respectively.
b) receivable of P194 and nil, respectively, arising from sales of scrap materials; and
c) reimbursable expenses amounting to P127 and nil, respectively.

The due to related party balance as at December 31, 2022 and 2021, respectively, includes the following:

a) unsecured payable arising from purchase of raw materials with a 30-day term and noninterest-bearing amounting to P245,665 and P101,101, respectively. Solid purchases the majority of its limestone, pozzolan and clay requirements from IQAC pursuant to a long-term supply agreement; and
b) collections from housing loan on behalf of IQAC amoun ing to P1,420 and P3,551, respec ively, which are unsecured, noninterest-bearing and payable on demand.

[4]The due from related party balance as at December 31, 2022 and 2021 pertains to advances which are unimpaired, unsecured, noninterest-bearing and due on demand amounting to nil and P3,418, respectively.

The due to related party balance as at December 31, 2022 and 2021, pertains to the outstanding liability for he purchases of materials, supplies and spare parts, which is unsecured, noninterest-bearing and payable on demand.

[5]The due from related party balance as at December 31, 2022 and 2021, which is unimpaired, unsecured, noninterest-bearing and due on demand, pertains to reimbursement of fringe benefit tax on share-based compensa ion amounting to P102 and P142, respectively.

The due to related party balances as at December 31, 2022 and 2021, are as follow:

a) The business support services received by the Company which is unsecured, noninterest-bearing and payable on demand. In 2009, Solid and APO entered into separate service agreements with CAPL, whereby the latter through CAPL-PHQ shall provide to Solid and APO services relating to, among others, general administration and planning; business planning and coordination; marketing control and; sales promotion and business development. In the implementation of hese service agreements, CAPL-PHQ also arranged for certain services to be performed by CEMEX Central, S.A. de C.V. ("CEMEX Central") and, accordingly, CAPL-PHQ collected from each of Solid and APO as reimbursement of the fees billed by CEMEX Central for services rendered. In 2017, the arrangement between CAPL-PHQ and CEMEX Central was changed resulting in Solid and APO entering into separate service agreements directly with CEMEX Central wherein the latter shall provide to the companies those par icular services previously performed by CEMEX Central through the service agreements with CAPL-PHQ. CEMEX Operaciones, S A. de C.V., a CEMEX subsidiary organized and existing under the laws of Mexico, was merged with CEMEX Central, whereby CEMEX Operaciones was the surviving entity pursuant to an agreement with respect to such merger dated August 1, 2019. Effective from January 1, 2022, the business support services will be provided by CEMEX, S.A.B. de C.V. to Solid and APO, respectively, pursuant to separate service agreements, the terms and conditions of which are substantially similar to those under the previous service agreements. The payable balance amounted to P947,581 and P891,953, respectively;
b) unsecured payable arising from reimbursement of cost incurred for Solid's new line with a 30-day term and noninterest-bearing amounting to nil and P2,937, respectively; and
c) unsecured, non-interest bearing with a 30day term payable arising from purchase of spare parts amounting nil and P1,258, respectively.

[6]The due from related party balance pertains to reimbursable expenses, which is unsecured, not impaired, noninterest-bearing and due on demand. The due to related party balance pertains to non-trade advances, which is unsecured, noninterest-bearing and due on demand.

[7]The due to related party balance as at December 31, 2022 and 2021, which is unsecured, noninterest-bearing and payable on demand, pertains to reimbursable fees which amounted to nil and P39, respec ively.

[8]The due to related party balance as at December 31, 2022 and 2021, pertains to the purchase of coal with a term of 30 days, noninterest-bearing and unsecured. On November, 28, 2022, Transenergy, Inc merged with Cemex Trading International, LLC.

[9]The due to related party balance as at December 31, 2022 and 2021, which is unimpaired, unsecured, noninterest-bearing and has 30-days term pertains to international freight services.

[10]The due to related party balance as at December 31, 2022 and 2021, which is unsecured, noninterest-bearing and due on demand pertains to services acquired related to the Solid's new line expansion project.

[11]The due to related party balance as at December 31, 2022, and 2021, pertains to the purchase of raw materials with a 30-day term which is unsecured and noninterest-bearing.

[12]The due to related party balance as at December 31, 2022 and 2021, which is unsecured, noninterest-bearing and payable on demand, pertains to the unpaid royalties/license fees amounted to P418,923 and P167,001, respectively.

[13]The due to related party balance as at December 31, 2022 and 2021 pertains to the purchase of other production supplies including additives, fuel and others with a 30-day term which is unsecured and noninterest-bearing, which amounted to P7,627 and nil, respectively.

[14] The due from related party balance as at December 31, 2022 and 2021 which is unsecured, non-interest bearing and with 15-day term pertains to service agreement to support and assist in the programming, tes ing and deployment of new commercial solutions, methods, tools, processes, and products that Solid will develop as part of its intellectual property portfolio amounted to nil and P1,087, respectively.

[15]The balances, which are recognized under "Lease liabilities" account, are unsecured, noninterest-bearing and payable on an annual basis. These land rentals and the fees for right to use have a 30-day term and are both noninterest-bearing and unsecured. The principal manufacturing installa ions of APO and Solid are located on land owned by ALQC or IQAC, respectively, under long-term lease agreements.

[16]The due to related party balance as at December 31, 2021 and 2020, pertains to reimbursable expenses which is unimpaired, unsecured, noninterest-bearing and due on demand.

[17]Other related parties pertain to entities under common control of CEMEX, except for IQAC and ALQC.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The main transactions entered by the Company with related parties for the years ended December 31, 2022, 2021, and 2020 are shown below:

Transactions with ultimate parent

		2022	2021	2020
Trademarks				
CEMEX[1]	P	**27,174**	27,897	22,849

Transactions with other related parties [4]

		2022	2021	2020
Purchases of raw materials, supplies and/or spare parts				
Cemex International Trading, LLC[1]	P	**5,412,354**	436,094	32,293
IQAC[1]		**520,541**	309,855	281,928
ALQC[1]		**229,182**	197,329	142,917
Beijing CXP Import & Export Co.[1]		**51,975**	65,849	43,273
Transenergy, Inc.[1]		**23,482**	1,771,924	1,588,988
CEMEX Internacional, S.A. de C.V.[1]		**7,930**	11,077	6,079
Assiut Cement Company, S.A.E [1]		**–**	–	258
	P	**6,245,464**	2,792,128	2,095,736
Loan drawdown				
CABV[1]	P	–	–	1,269,568

		2022	2021	2020
Royalties				
CIH[1]	P	**745,625**	823,540	–
CRG[1]		**–**	–	724,178
	P	**745,625**	823,540	724,178
Corporate services and administrative expenses				
CEMEX Central, S.A. de C.V.[1]		**224,281**	–	–
CEMEX Operaciones Mexico, S.A. de C.V[1].	P	**–**	189,709	236,596
	P	**224,281**	189,709	236,596
Interest expense				
CABV[1]				
Short-term	P	–	–	149,110
Long-term		–	–	–
	P	–	–	149,110
Gross premiums written				
Torino Re Ltd [3]	P	**89,944**	71,608	108,163
Freight services				
Sunbulk Shipping Limited [1]	P	**1,330**	431,189	41,562
Interest income				
CIH[2]	P	**28,142**	24,856	–
LOMEZ[2]		**–**	–	36,890
	P	**28,142**	24,856	36,890
Corporate services and administrative income				
ALQC[1]	P	**2,081**	7,607	9,520
IQAC[1]		**2,281**	2,237	3,977
	P	**4,362**	9,844	13,497
Purchase of equipment				
CEMEX Colombia S.A. Cons[5]	P	–	–	11,027

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Purchase of paperless solutions				
Neoris Czech Republic S.R.O.[1]	P	–	–	2,128
Recovery of receivable previously written-off				
Calabar Aggregates Corporation (Note 9)	P	–	33,922	–
Service Agreement				
CIH[1]	P	–	1,087	–
Transactions with Key Management Personnel				
Short-term employee benefits	P	**235,512**	160,567	226,980
Post-employment and other long-term employee benefits		**24,829**	36,765	46,641
Share-based compensation (Note 26D)		**1,082**	3,130	2,088
	P	**261,423**	200,462	275,709

[1] Please refer to the footnotes provided on the outstanding balances of related party receivables and payables.
[2] The amount pertains to the interest income on short-term investments (see Note 11).
[3] The amount refers to gross premiums written on property insurance.
[4] Other related parties pertain to entities under common control to CEMEX, except IQAC and ALQC.
[5] Purchase of equipment which is unsecured, noninterest-bearing and payable on demand.

Transactions with the Retirement Fund

The Company established a retirement plan for its qualified employees. The control and administration of the retirement plan is vested in its Board of Trustees (BOT). The retirement plan's accounting and administrative functions are undertaken by the Bank of the Philippine Islands Asset Management Trust Group (BPI AMTG), the Company's duly appointed trust fund manager.

The Company's funding policy is to contribute to the Plan's fund as required under actuarial principles to maintain the fund in sound condition. In addition, the Company reserves the right to discontinue, suspend or change the rate and amount of its contribution to the fund at any time due to business necessity or economic conditions. The Company has contributions to the retirement fund amounting to P138,219 P84,432, and P101,400 for the years ended December 31, 2022, 2021, and 2020, respectively. There are no other transactions entered into by the Company with the plan in 2022 and 2021. As at December 31, 2022 and 2021, the plan's unfunded status amounted to P397,084 and P544,413, respectively. The composition of the retirement plan assets is disclosed in Note 23 to the consolidated financial statements.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Balances and transactions between consolidated entities eliminated during consolidation

Below are the balances and transactions among related parties which are eliminated in the consolidated financial statements as at December 31, 2022 and 2021, respectively.

Amounts owed by	Amounts owed to		2022	2021
Solid [1]	Parent Company	P	**13,202,180**	9,994,024
Parent Company [2]	CAR		**4,562,883**	4,164,377
Solid [3]	APO		**1,980,812**	1,997,256
Parent Company [2]	Falcon		**2,781,804**	1,723,921
Falcon[16]	Parent Company		**887,675**	1,121,978
APO [4]	Parent Company		**652,910**	666,304
APO [5]	CAR		**167,964**	166,209
Sandstone Strategic Holdings, Inc.[6]	Bedrock Holdings, Inc.		**110,067**	110,067
Solid [7]	CAR		**146,570**	74,602
Ecocrete, Inc. [10]	Solid		**51,116**	51,095
Ecocast Builders, Inc. [9]	Ecopavements, Inc.		**50,185**	50,185
Parent Company [13]	Solid		**20,398**	6,297
APO [8]	Solid		**18,716**	63,913
Parent Company [11]	APO		**17,411**	1,003
Solid [12]	Ecocast Builders, Inc.		**12,392**	12,392
Sandstone Strategic Holdings, Inc[15]	Solid		**201**	100
Solid [14]	Ecocrete, Inc.		**555**	536
Newcrete Management Inc. [15]	Solid		**1**	8
Bedrock Holdings, Inc. [15]	Solid		**1**	–
Triple Dime Holdings, Inc.[15]	Solid		**1**	–
Edgewater Ventures Corporation[15]	Solid		**1**	–
Ecocast Builders, Inc. [15]	Solid		**1**	–
Enerhiya Central Inc.[15]	Solid		**1**	–
Ecocrete, Inc.[15]	Parent Company		**–**	48
		P	**24,663,845**	20,204,315

[1] Amounts pertain to fees in connection with various areas, including general administration and management services amounting to P10,549 and P12,205 as at December 31, 2022 and 2021, respectively, which has a 60-day term, noninterest-bearing, and unsecured; b) intercompany loan amounting P12,239,606 and P9,249,824 which bears an interest of 10.2% per annum as at December 31, 2022 and 2021, respectively; c) interest from loan amounting to P937,214 and P730,977 as at December 31, 2022 and 2021, respectively; d) reimbursement related to pension amounting to P13,286 and nil as at December 31, 2022 and 2021, respectively which are due on demand, noninterest-bearing and unsecured; and e) reimbursements of P1,525 and P1,018 as at December 31, 2022 and 2021, respectively, which are unsecured, payable on demand and noninterest-bearing.

[2] Amount pertains to the unsecured loans with interest at 2.5% per annum, which increased to 3% per annum starting March 2018 to February 2020; 2.25% per annum from March 2020 to December 2020; 1.25% per annum from January 2021 to date for CAR and at WAILRF minus 10 basis points annually for Falcon. Beginning January 1, 2022, the minus 10 basis points was removed in Falcon-Parent Company Agreement.

[3] Amount includes a) P83 and P29,536 as at December 31, 2022 and 2021, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) intercompany loan amounting P1,955,000 which bears an interest of 9.5% per annum as at December 31, 2022 and 2021; c) interest payable amoun ing to P14,063 and P12,626 as at December 31, 2022 and 2021, respectively; d) reimbursement for pension amounting to P11,664 and nil as at December 31, 2022 and 2021, which are due on demand, noninterest-bearing and unsecured; and c) other reimbursable expenses amounting to P85 and P94 as at December 31, 2022 and 2021, respectively, which are due on demand, noninterest-bearing and unsecured.

[4] Amounts pertain to a) advisory services in connec ion with various areas, including general administration and management amounting to P24,271 and P20,723 as at December 31, 2022 and 2021, respectively, which has a 60-day term, noninterest-bearing, and unsecured; b) reimbursements of P1 and P13 as at December 31, 2022 and 2021, respectively, which are unsecured, payable on demand and noninterest-bearing; c) transfer of pension amounting to nil and P4,222 as at December 31, 2022 and 2021, respectively, which is unsecured, noninterest-bearing, unimpaired and due on demand d) intercompany loan amounting P575,982 which bears an interest of 10.2% per annum as at December 31, 2022 and 2021, respectively; and d) interest payable amoun ing to P52,655 and P65,364 as at December 31, 2022 and 2021, respectively.

[5] Amounts were related to royalties and trademarks that have 30-day term, noninterest-bearing and unsecured.

[6] Amounts are from cash advances or reimbursable expenses, which are due on demand, noninterest-bearing and unsecured.

[7] Amount is related to royalties and trademarks that have 30-day term, noninterest-bearing and unsecured.

[8] Amount includes a) P9,263 and P50,344 as at December 31, 2022 and 2021, respectively, from sale of goods, which has a 30-day term, noninterest-bearing and unsecured; b) reimbursable expenses amounting to P9,453 and P9,347as at December 31, 2022 and 2021, respectively, which are due on demand, noninterest-bearing and unsecured; c) pension and other employee benefits settled by Solid on behalf of the Company amounting to nil and P4,222 as at December 31, 2022 and 2021, which is unsecured, noninterest-bearing, unimpaired and due on demand.

[9] Amount includes a) P45,000 loan as at December 31, 2022 and 2021, which is due and demandable, with interest at 3.50% per quarter and unsecured; and b) interest on loan amounting to P5,185 as at December 31, 2022, and 2021, respectively, which is due on demand, noninterest-bearing and unsecured.

[10] Amount includes a) P288 and P267 as at December 31, 2022 and 2021, respectively from reimbursable expenses, which is due on demand, noninterest-bearing and unsecured; c) loan and interest amoun ing to P46,678 as at December 31, 2022 and 2021, respectively, which is fully impaired with interest at 3.00% per annum; and d) advances, which is payable on demand, non-interest bearing, and unsecured, amounting to P4,150 as at December 31, 2022 and 2021, respec ively.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

[11] Amounts pertain to a) reimbursement for excess billings on advisory services of Parent Company with APO amounting to nil and P980 as at December 31, 2022 and 2021, respectively; b.) pension reimbursement initially paid by APO amounting to P17,363 and nil as at December 31, 2022 and 2021, respectively; c) reimbursements of P48 and P23 as at December 31, 2022 and 2021, respectively, which are payable on demand, noninterest-bearing and unsecured.

[12] Amount pertains to a) construction services amounting to P12,392 as at December 31, 2021 and 2020, respec ively, noninterest-bearing, unsecured, and has a 30-day term; b) nil and P726 as at December 31, 2021 and 2020 transportation allowance transferred to Solid which is payable on demand, non-interest bearing, and unsecured; and c) nil and P682 as at December 31, 2021 and 2020 pertains to reimbursable expenses, which is payable on demand and noninterest-bearing.

[13] Amounts pertain to a) reimbursements of P206 and P214 as at December 31, 2022 and 2021, respectively, which has a 30-day term, noninterest-bearing, and unsecured; and b) pension-related reimbursement amounting to P20,192 and P6,083 as at December 31, 2022 and 2021, respectively, which is unsecured, noninterest-bearing, unimpaired and due on demand.

[14] Amount pertains to service fees, which has 30–60 day term, noninterest-bearing and unsecured.

[15] Amount pertains to reimbursable expenses which is payable on demand, noninterest-bearing and unsecured.

[16] Falcon declared US $31 million and US $24 million dividend to Parent Company in 2022 and 2021, respec ively. The balance refers to the unpaid portion of the dividend declared by Falcon.

Below are the transactions among related parties which are eliminated in the consolidated financial statements for the years ended December 31, 2022, 2021, and 2020, respectively.

Royalties and Trademarks	Selling and administrative expenses		2022	2021	2020
CAR	APO	P	**887,073**	871,277	993,222
CAR	Solid		**372,354**	407,249	379,759
		P	**1,259,427**	1,278,526	1,372,981

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Dividend declared by	Dividend income of		2022	2021	2020
Falcon	Parent Company	P	**1,745,300**	1,217,040	–
CAR	Parent Company		**1,286,780**	–	–
		P	**3,032,080**	1,217,040	–

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Sales	Purchases		2022	2021	2020
Solid	APO	P	**285,621**	621,245	161,076
APO	Solid		**3,568**	102,962	509,872
		P	**289,189**	724,207	670,948

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Service Income	Selling and administrative expenses		2022	2021	2020
Parent Company	APO	P	**288,411**	291,865	273,102
Parent Company	Solid		**125,853**	142,894	112,007
		P	**414,264**	434,759	385,109

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

Interest income	Interest expense		2022	2021	2020
Parent Company	Solid	P	**1,119,833**	893,468	664,482
APO	Solid		**198,839**	173,079	52,012
Parent Company	APO		**64,939**	83,999	84,137
CAR	Parent Company		**108,251**	52,860	89,677
Falcon	Parent Company		**43,512**	458	6,794
Ecopavements	Ecocast Builders, Inc.		**–**	258	1,601
Solid	Ecocrete, Inc.		**–**	199	1,235
Solid	APO		**–**	–	–
		P	**1,535,374**	1,204,321	899,938

Please refer to the footnotes provided on the outstanding balances of related party receivables and payables eliminated during consolidation.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 14 – INVESTMENT IN AN ASSOCIATE AND OTHER INVESTMENTS

Investment in an associate and other investments as at December 31, 2022, and 2021 are detailed as follows:

	Activity	Country	% Owned		2022	2021
Calabar Aggregates Corporation	Aggregates	Philippines	40.0	P	**11,816**	11,816
Greencrete, Inc.	Trading	Philippines	5.0		**156**	156
Others	-	-	-		**1,201**	2,125
				P	**13,173**	14,097

The amounts as at December 31, 2022, included in “Others” pertain to shares in United Pulp and Paper Co., Inc. and Philippine Cement Corporation amounting to P887 and P10, respectively, and other investment in shares amounting to P304. The Company’s investment in Greencrete, Inc., club membership shares and others as at December 31, 2022 and 2021 are classified as equity investments at FVOCI.

NOTE 15 – OTHER ACCOUNTS RECEIVABLE

15A) INSURANCE CLAIMS AND PREMIUMS RECEIVABLE

Insurance claims and premiums receivable as at December 31, 2022 and 2021 consisted of:

		2022	2021
Insurance premiums receivable	P	**526,562**	91,798
Claims from insurance		**12,178**	–
	P	**538,740**	91,798

Insurance premiums receivable pertains to FALCON’s premiums receivable from third party insurance company (see Note 1). Premiums receivable represents premiums on written policies which are collectible in April 2023.

The Company´s exposure to credit risk related to the insurance claims and premiums receivable is disclosed in Note 22 to the consolidated financial statements.

15B) OTHER CURRENT ACCOUNTS RECEIVABLE

Other current accounts receivable as at December 31, 2022 and 2021 consisted of:

		2022	2021
Short-term deposits	P	**27,800**	8,327
Receivable from contractors		**26,436**	26,213
Receivable from employees		**6,318**	2,101
Sublease receivable (Note 21)		**2,560**	4,870
Others [1]		**6,135**	7,850
	P	**69,249**	49,361

[1] Others pertain to SSS-related reimbursements and receivables from scrap sales, fixed assets sales and other non-trade items.

The Company’s exposure to credit risk related to other current accounts receivable is disclosed in Note 22 to the consolidated financial statements.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

15C) OTHER ASSETS AND NONCURRENT ACCOUNTS RECEIVABLE

Other assets and noncurrent accounts receivable as at December 31, 2022 and 2021 consisted of:

		2022	2021
Guaranty deposits [2]	P	**318,423**	301,648
Debt service reserve account [4]		**208,684**	–
Noncurrent portion of transportation allowance		**63,596**	63,424
Long-term time deposits [1]		**32,624**	32,624
Long-term prepayments [3]		–	27,937
Sublease receivable, net of current portion (Note 21)		–	2,560
Others[5]		**15,462**	8,047
	P	**638,789**	436,240

[1]Long-term time deposits are restricted cash pertaining to cash bonds deposited by customers as collateral amounting to P32,624 in both years;
[2] Guaranty deposits include:
a) deposits to Manila Electric Company (MERALCO) amounting to P142,665 as at December 31, 2022 and 2021, which will be applied to future electricity charges upon commencement of the operation of Solid's new cement manufacturing line.
b.) deposit to Meralco amounting to P436 and nil as at December 31, 2022 and 2021. Respectively, pertaining to the service deposit for the Terminal in Manila City as a result of the change of account name from its previous owner, "TCC Cement", to "Solid Cement Corporation;
c) rental guaranty deposits amounting to P134,055 and P117,280 as at December 31, 2022 and 2021, respectively, which are expected to be collected from the lessor upon termination of the lease contracts; and
d.) deposit to Visayan Electric Company amounting to P41,267 as at December 31, 2022 and 2021, respectively, which will be refunded in 2022 but subject for extension.
[3] Long-term prepayments primarily pertain to prepaid mining and quarry royalty fees related to the purchase of raw materials amounting to nil and P27,937 as at December 31, 2022 and 2021.;
[4] The debt service reserve account amoun ing to P208,684 and nil as at December 31, 2022 and 2021, respectively, arises from the Company's supplemental agreement with BDO Unibank, Inc. (BDO) (see Note 24); and
[5] Others primarily pertain to prepaid transportation allowance amounting to P63,596 and P63,424 as at December 31, 2022 and 2021, respectively, and other items hat are individually immaterial.

The Company´s exposure to credit risk related to the long-term time and rental guaranty deposits and sublease receivable are disclosed in Note 22 to the consolidated financial statements.

NOTE 16 – INVENTORIES

Inventories as at December 31, 2022 and 2021 consisted of:

		2022	2021
At NRV:			
Materials and spare parts	P	**3,208,262**	1,548,802
Work-in-process inventory		**1,101,590**	698,019
Finished goods		**495,071**	346,395
Raw materials		**398,105**	473,016
At Cost:			
Inventory in transit		**610,868**	32,860
	P	**5,813,896**	3,099,092

For the years ended December 31, 2022, 2021, and 2020, the Company recognized in the consolidated statements of comprehensive income the cost of sales amounting to P13,820,651, P12,982,087, and P11,614,953 (see Note 7). For the years ended December 31, 2022 and 2021, reversal of inventory write-down to NRV amounted to P(14,984) and (P13,571), respectively. Write-down (reversal of write-down) of inventories to NRV included under "Cost of Sales" account in the consolidated statements of comprehensive income amounted to P7,386, (P3,145) and P15,850 in 2022, 2021 and 2020, respectively. Majority of the reversals of inventory write-down relate to the Company's consumption of previously written-down inventories. For the years ended December 31, 2022, 2021 and 2020, inventories amounting to P8,798, P65,791 and P10,517, respectively, were written-off against allowance as these inventories were either disposed or adjusted as a result of the physical count.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 17 – PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as at December 31, 2022 and 2021 consisted of:

		2022	2021
Prepayments:			
Prepaid taxes [1]	P	**2,226,160**	1,471,022
Prepaid insurance [2]		**722,374**	646,487
Advances to suppliers [3]		**37,882**	31,590
Prepaid rent [4]		**24,095**	11,069
Assets held for sale		**1,966**	1,966
Others		**43,574**	47,466
	P	**3,056,051**	2,209,600

[1] Prepaid taxes include input VAT, property taxes and creditable withholding taxes.
[2] Prepaid insurance pertains to unamortized payments of insurance policies on property, non-damage business interruption and others.
[3] Advances to suppliers include advance payments for purchases of clinker and other raw materials.
[4] Prepaid rent pertains to advance payments on short-term and low value leases.

NOTE 18 – PROPERTY, MACHINERY AND EQUIPMENT AND ASSETS FOR THE RIGHT-OF-USE – Net

As at December 31, 2022 and 2021, the breakdown of this account follows:

		2022	2021
Property, machinery and equipment, net	P	**22,710,996**	21,235,651
Assets for the right-of-use, net		**2,456,405**	1,552,368
	P	**25,167,401**	22,788,019

Property, Machinery and Equipment, net
The movements for each class of property, machinery and equipment are as follows:

		Buildings and improvements	Machinery and equipment	Construction In-progress	Total
Gross Carrying Amount					
January 1, 2021	P	4,553,124	14,093,941	7,868,581	26,515,646
Additions.		41,776	152,632	2,522,580	2,716,988
Disposals		(15,949)	(36,011)	–	(51,960)
Reclassification to asset held for sale		–	(5,094)	–	(5,094)
Transfers		36,296	47,479	(83,775)	–
December 31, 2021		**4,615,247**	**14,252,947**	**10,307,386**	**29,175,580**
Additions		72,849	207,675	2,494,371	2,774,895
Disposals		–	(163,855)	–	(163,855)
Transfers		90,287	128,250	(218,537)	–
December 31, 2022		**4,778,383**	**14,425,017**	**12,583,220**	**31,786,620**
Accumulated depreciation and impairment					
January 1, 2021		(1,271,430)	(5,335,649)	–	(6,607,079)
Depreciation for the year.		(201,300)	(1,167,646)	–	(1,368,946)
Reclassification to asset held for sale		–	3,128	–	3,128
Disposal		6,148	26,820	–	32,968
December 31, 2021		**(1,466,582)**	**(6,473,347)**	**–**	**(7,939,929)**
Depreciation for the year.		(210,684)	(1,072,093)	–	(1,282,777)
Disposal		–	147,082	–	147,082
December 31, 2022		**(1,677,266)**	**(7,398,358)**	**–**	**(9,075,624)**
Carrying Amounts					
December 31, 2021	P	3,148,665	7,779,600	10,307,386	21,235,651
December 31, 2022	**P**	**3,101,117**	**7,026,659**	**12,583,220**	**22,710,996**

Fully depreciated property, machinery and equipment are retained in the account until they are disposed, scrapped or are no longer in use. Fully depreciated property, plant and equipment that are still in use amounted to P5,883,394 and P5,162,220 as at December 31, 2022 and 2021, respectively.

In relation to Solid's construction of new production line, the Company capitalized borrowing cost amounting to P417,692, P365,608, and P345,861 for the years ended December 31, 2022, 2021, and 2020, respectively. The average capitalization rate used to determine the amount of borrowing cost eligible for capitalization during the years ended December 31, 2022, 2021, and 2020 is 4.56%, 4.55%, and 5.70%, respectively.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

In 2018, the Company entered into a contract with CBMI Construction Co., Ltd (CBMI), a third party, to provide engineering, procurement of construction materials and construction of Solid's new production line. The Company then made a down payment amounting to P2,069,601 to the said third party for this project to be applied against the billing of CBMI.

In December 2021, Solid terminated its contract with CBMI for the above project due to the delay of the latter in the implementation of construction/installation works (see Note 29). The remaining balance of the down payment made to CBMI related to this project amounted to P485,175 as at December 31, 2020 and was presented as "Advances to contractors" under noncurrent assets in the 2020 consolidated statement of financial position. Remaining unapplied downpayment at the date of termination amounting to P379,370 was recovered in full in 2021.

On December 20, 2021 and February 14, 2022, the Company entered into contracts with other third parties to complete the construction of Solid's new production line. The Company paid advances of P872,000 to the new contractors. As at December 31, 2022, the carrying cost of the project, included under "Construction in-progress" in "Property, machinery and equipment and assets for the right-of-use - net" account amounts to P11,451,124. The Company expects to incur costs of approximately P7,153,323 to complete the new production line in March 2024.

Assets for the Right-of-Use, net
The movements in the balance of assets for the right-of-use are as follows:

		Land and Buildings	Machinery and Equipment	Total
Gross Carrying Amount				
January 1, 2021	P	1,895,072	1,603,542	3,498,614
Additions……………………………………………………...		65,115	294,356	359,471
Cancellation and remeasurements……………………………...		(24,849)	(332,891)	(357,740)
December 31, 2021		**1,935,338**	**1,565,007**	**3,500,345**
Additions……………………………………………………….		1,336,206	249,135	1,585,341
Cancellation and remeasurements…………………………		(22,958)	(5,863)	(28,821)
December 31, 2022		**3,248,586**	**1,808,279**	**5,056,865**
Accumulated amortization				
January 1, 2021		(562,068)	(1,145,736)	(1,707,804)
Amortization for the year………………………………………		(178,374)	(382,654)	(561,028)
Lease termination ……………………………………………...		14,785	306,070	320,855
December 31, 2021		**(725,657)**	**(1,222,320)**	**(1,947,977)**
Amortization for the year………………………………………		(251,939)	(415,896)	(667,835)
Lease termination……………………………………………...		15,352		15,352
December 31, 2022		**(962,244)**	**(1,638,216)**	**(2,600,460)**
Carrying Amounts				
December 31, 2021	P	**1,209,681**	**342,687**	**1,552,368**
December 31, 2022	**P**	**2,286,342**	**170,063**	**2,456,405**

Assets for the right-of-use of land are amortized for a duration of 50 years. Assets for the right-of-use of buildings are amortized for a duration of 1.5 years to 15 years. Assets for the right-of-use of machinery and equipment are amortized for a duration of 2 years to 10 years.

The Company terminated contracts relating to leases of a vessel and warehouses resulting in derecognition of the right-of-use assets with carrying amount of P13,251 and P28,567 in 2022 and 2021, respectively, and lease liabilities amounting to P13,251 and P28,567, respectively (see Note 21). In 2021, APO Cement entered a sublease transaction with a third party that is classified as finance lease, this resulted to derecognition right-of-use assets with carrying amount of P8,318 (see Note 21).

For the years ended December 31, 2022 and 2021, gain on derecognition of the right-of-use asset and lease liability amounted to P218 and P1,099, respectively, and were recognized under "Other financial expenses - net" account in the consolidated statements of comprehensive income (see Note 10).

All of the Company's property machinery and equipment and leased assets in which right-of-use assets are recognized are all located in the Philippines.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 19 - GOODWILL

The goodwill amounting to P27,859,694 arose from the acquisition of interest in the economic benefits of the entities listed in Note 30 (except for CAR and Falcon) in 2016 and is attributable mainly to the synergy with other subsidiaries, assembled work force and dealer network.

As mentioned in Note 3L, the consolidated entities test their goodwill balances for impairment at the level of the CGUs to which goodwill has been allocated, which are commonly composed of the operating subsidiaries of the Company in the country. The Company's cash flow projections for five years to determine the value-in-use of its CGU consider the use of long-term economic assumptions, taking into consideration the impact of COVID-19 pandemic (see Note 32). The Company believes that its discounted cash flow projections and the discount rates used reasonably reflect current economic conditions at the time of the calculations, considering, among other factors that:

a. the cost of capital reflects current risks and volatility in the markets; and
b. the cost of debt represents the actual interest rates recognized by the CGUs in their outstanding interest-bearing debt.

The Company performed its annual goodwill impairment test, and based on the analysis, the Company does not need to recognize impairment loss on goodwill. For purposes of impairment testing, goodwill has been allocated to the Company's CGUs (significant operating divisions) as follows:

		Amount
APO	P	17,648,162
Solid		10,211,532
	P	**27,859,694**

In 2022 and 2021, the Company's pre-tax discount rates and expected growth rates in perpetuity used in the Company's impairment tests to determine the discounted cash flows in both the CGUs with the main goodwill balances were as follows:

	APO		**Solid**	
	2022	2021	**2022**	2021
Discount rate	**9.8%**	7.8%	**9.8%**	8.0%
Growth rate	**6.0%**	6.0%	**6.0%**	6.0%

In connection with the Company's assumptions as at December 31, 2022 and 2021, included in the table above, the Company made sensitivity analyses to changes in assumptions, affecting the value-in-use of all CGUs. The following table shows the amount (in percentage) by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	APO		**Solid**	
	2022	2021	**2022**	2021
Discount rate	**7.0**	7.1	**2.7**	8.2
Growth rate	**(7.5)**	(5.1)	**(3.3)**	(3.2)

As at December 31, 2022 and 2021, the estimated recoverable amount of the Company's CGUs exceeds carrying amount by P70,082,313 and P176,706,296, respectively.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 20 - UNEARNED INCOME, OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Unearned income, other accounts payable and accrued expenses as at December 31, 2022 and 2021 consisted of:

		2022	2021
Unearned income from reinsurance premiums [2]	P	**612,893**	551,749
Accrued expenses [1]		**584,779**	514,027
Taxes payable [3]		**524,994**	173,374
Others		**14,025**	30,228
	P	**1,736,691**	1,269,378

[1] As at December 31, 2022 and 2021, accrued expenses include:
a.) interest on loans amounting to P65,928 and P61,774, respectively (see Note 24);
b.) utilities and supplies amounting to P255,899 and P218,036, respectively;
c.) salaries and employee benefits amounting to P184,644 and P158,311, respectively;
d.) freight cost amounting to P6,468 and P12,039 , respectively;
e.) outside services amounting to P12,916 and P57,489, respectively; and
f.) royalty fees amounting to P6,379, for the relevant periods.

[2] Unearned income from reinsurance premiums pertains to the portion of reinsurance premiums written by Falcon that relate to unexpired period of the policies.

[3] Taxes payables include net VAT payable, withholding taxes and final taxes payable.

For the years ended December 31, 2022 and 2021, the roll-forward analyses of unearned income from reinsurance premiums are as follows:

		2022	2021
Balance at beginning of year	P	**551,749**	523,004
Policies written during the year		**1,138,428**	1,029,350
Premiums earned during the year		**(1,135,157)**	(1,032,201)
Effect of translation to Philippine peso		**57,873**	31,596
Balance at end of year	P	**612,893**	551,749

NOTE 21 - LEASES

The Company as Lessee

The Company leases or enters into right-of-use arrangements for vessels, vehicles, parcels of land, warehouses and office premises with periods ranging from more than 1 to 25 years. Some of these arrangements have escalation clauses, whereby rental or usage fees increase over the term. These agreements have provided renewal options subject to the mutual agreement of both the lessor and the Company, except for the lease and the right-of-use arrangement for parcels of land from IQAC and ALQC (see Note 13), and lease of a ship vessel with a third party wherein the renewal clause is at the sole option of the Company.

The roll-forward analyses of opening and closing balances of lease liabilities follow:

		2022	2021
Balance at beginning of year	P	**1,807,905**	2,066,112
Additions		**1,578,972**	357,052
Accretion of interest		**183,911**	114,222
Effect of changes in exchange rates		**49,839**	21,492
Payments		**(764,788)**	(722,406)
Remeasurements		**(13,251)**	(28,567)
Balance at end of year	P	**2,842,588**	1,807,905

In 2022, the Company entered an agreement for access and usage rights with ALQC. Accordingly, the Company recognized the corresponding asset for the right-of-use and lease liability amounting to P864,805 and P844,944 respectively. The accretion of interest from lease liabilities are recognized as part of "Financial expenses" account in the consolidated statements of comprehensive income. The maturity analysis of the Company's lease liabilities is disclosed in Note 28 to the consolidated financial statements. The movements in the Company's assets for the right-of-use assets are disclosed in Note 18 to the consolidated financial statements.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Leases that were charged to profit or loss are as follows:

		2022	2021	2020
Expenses relating to variable lease consideration	P	**413,364**	382,118	279,940
Expenses relating to short-term leases		**26,930**	30,873	11,421
	P	**440,294**	412,991	291,361

Total cash outflow for leases amounted to P1,034,196, P1,019,920, and P923,621 for the years ended December 31, 2022, 2021 and 2020, respectively.

The Company as Lessor

In 2021, the Company has sub-leased a warehouse that has been presented as part of right of use assets. The Company recognized a gain of P1,099 on derecognition of the right of use asset pertaining to the warehouse and presented the gain as part of the “Other financial expense” in the consolidated statements of comprehensive income (see Note 10)

The Company recognized interest income on sublease receivable of P350 and P188 for the years ended December 31, 2022 and 2021, respectively.

The following table sets out the maturity analysis of sublease receivables showing the undiscounted lease payments to be received after the reporting date:

		2022	2021
Less than one year	P	**2,610**	5,220
One to two years		**–**	2,610
Total undiscounted sublease receivable		**2,610**	7,830
Less: unearned finance income		**50**	400
Net investment in the lease	P	**2,560**	7,430

NOTE 22 - FINANCIAL RISK AND INSURANCE RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Risk Management Framework

This note presents information on the financial risk exposure of the Company relating to credit risk, foreign currency risk, commodity price risk and liquidity risk; goals, policies and procedures of the Company to measure and manage such risks and the administration of the Company’s resources.

The Company’s management has overall responsibility for the development, implementation and monitoring of the conceptual framework and policies for an effective risk management.

The Company’s risk management policies are intended to:

a) identify and analyze the risks faced by the Company;
b) implement appropriate risk limits and controls; and
c) monitor the risks and the compliance with the limits.

Policies and risk management systems are regularly reviewed to reflect changes in market conditions and in the Company’s activities. By means of its policies and procedures for risk management, the Company aims to develop a disciplined and constructive control environment where all employees understand their roles and obligations.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Credit Risk

Credit risk is the risk of financial loss faced by the Company if a customer or counterparty of a financial instrument does not meet its contractual obligations and originates mainly from trade receivables. As at December 31, 2022 and 2021, the maximum exposure to credit risk is represented by the balance of financial assets (excluding equity investments). Management has developed policies for the authorization of credit to customers. The exposure to credit risk is monitored constantly according to the behavior of payment of the debtors. Credit is assigned on a customer-by-customer basis and is subject to assessments which consider the customers' payment capacity, as well as past behavior regarding due dates, balances past due and delinquent accounts. In cases deemed necessary, the Company's management requires cash bonds from its customers and financial counterparties with regard to financial assets, which can be called upon if the counterparty is in default under the terms of the agreement. Cash bonds received from credit customers as at December 31, 2022 and 2021 amounted to P32,324, respectively.

The Company's management has established a policy which analyzes the creditworthiness of each new client individually before offering the general conditions of payment terms and delivery, and the review includes external ratings, when references are available, and in some cases bank references. Threshold of credit limits are established for each client, which represent the maximum credit amount that requires different levels of approval. Customers who do not meet the levels of solvency requirements imposed by the Company can only carry out transactions with the Company by paying cash in advance.

The carrying amount of financial assets below represents the maximum credit exposure without taking into account the effect of collateral and any credit enhancements. The maximum exposure to credit risk as at December 31, 2022 and 2021 is as follows:

		Gross Carrying Amount		Net Carrying Amount	
		2022	2021	**2022**	2021
Financial assets at amortized cost					
Cash and cash equivalents (Note 11)	P	**2,720,304**	5,811,635	**2,720,304**	5,811,635
Trade receivables (Note 12)		**659,888**	714,222	**637,410**	696,868
Due from related parties (Note 13)		**4,108**	17,161	**4,122**	17,161
Insurance claims and premiums receivable (Note 15A)		**538,740**	91,798	**538,740**	91,798
Other current accounts receivable (Note15B)		**69,249**	49,361	**69,235**	49,361
Long-term time deposits, rental guaranty deposits and sublease receivable, net of current portion (Note 15C; under other assets and noncurrent accounts receivable)		**384,441**	193,867	**384,441**	193,867
		4,376,730	6,878,044	**4,354,252**	6,860,690
Financial assets at fair value (hedging instrument)					
Derivative asset		**49,605**	30,450	**49,605**	30,450
	P	**4,426,335**	6,908,494	**4,403,857**	6,891,140

The Company applied the simplified approach in measuring ECLs which uses a lifetime expected loss allowance for all trade receivables. To measure the ECLs, trade receivables have been grouped by shared credit risk characteristics based on customer type and determines for each group an average ECL, considering actual credit loss experience over the last 12 months and the Company's view of economic conditions over the expected lives of the trade receivables. The ECL rate that is used to arrive at the ECL arising from the current year credit sales is computed as the percentage of prior year's credit sales that eventually became more than 365 days overdue. The ECL rate is 100% for the trade receivables that are 365 and more days past due. The Company has identified the gross domestic product (GDP) growth rate to be the most relevant macroeconomic factor that affects the ability of the customers to settle the receivables. However, it was assessed that the adjustment for forward-looking information is not material. The Company does not have trade receivable for which no allowance is recognized because of collateral.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The following table provides information about the exposure to credit risk and ECLs for trade receivables:

As at December 31, 2022		**Current**	**1 to 30 days**	**31 to 60 days**	**More than 60 days**	**Total**
Average ECL rates		**0.1%**	**1.5%**	**2.2%**	**84.9%**	**3.4%**
Trade receivables - gross carrying amount	P	**573,853**	**49,561**	**11,892**	**24,583**	**659,889**
Allowance for ECL		**611**	**720**	**267**	**20,880**	**22,478**

As at December 31, 2021		Current	1 to 30 days	31 to 60 days	More than 60 days	Total
Average ECL rates		0.1%	0.9%	6.7%	28.9%	2.4%
Trade receivables - gross carrying amount	P	553,801	94,687	12,914	52,820	714,222
Allowance for ECL		358	850	866	15,280	17,354

Other Financial Assets (excluding Equity Instruments)
Impairment on cash and cash equivalents, long-term time deposits (recognized under “Other assets and noncurrent accounts receivable” account in the consolidated statements of financial position) has been measured on a 12-month ECL basis and reflects the short maturities of the exposures. The Company considers that these financial assets, as well as derivative assets, have low credit risk as these are held with reputable banks and financial institutions. All other debt investments and other receivables (i.e., due from related parties, insurance claims and premiums receivable, other current accounts receivable, sublease receivable, noncurrent portion and rental guaranty deposits) that are measured at amortized cost are considered to have low credit risk, because they have low risk of default as the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Credit risk on these financial assets has not increased significantly since their initial recognition. Hence, the loss allowance calculated was therefore limited to 12 months expected losses. The Company has determined an insignificant amount of ECL on these financial assets because of the zero-instance of default from the counterparties and the effect of forward-looking information on macro-economic factors affecting the ability of the counterparties to settle the receivables were assessed to have an insignificant impact.

The Company sells its products primarily to retailers in the construction industry, with no specific geographic concentration of credit within the country in which the Company operates. As at December 31, 2022 and 2021, no single customer individually accounted for a significant amount of the reported amounts of sales or the balances of trade receivables.

As at December 31, 2022 and 2021, the following tables provide credit risk ratings of the Company’s financial asset:

		2022		2021	
		High grade	**Standard grade**	High grade	Standard grade
Financial assets for which loss allowance is measured equal to 12-month ECL					
Cash and cash equivalents (Note 11)	P	**2,720,304**	**–**	5,811,635	–
Due from related parties (Note 13)		**4,108**	**–**	17,161	–
Insurance claims and premiums receivable (Note 15A)		**538,740**	**–**	91,798	–
Other current accounts receivable (Note 15B)		**69,249**	**–**	49,361	–
Derivative asset		**49,605**	**–**	30,450	–
Long-term time deposits, rental guaranty deposits and sublease receivable, net of current portion (Note 15C; under other assets and noncurrent accounts receivable)		**384,441**	**–**	193,867	–
		3,766,447	**–**	6,194,272	–
Financial asset for which loss allowance is measured equal to lifetime ECL					
Trade receivables (Note 12)		**573,853**	**86,035**	553,801	160,421
	P	**3,955,859**	**86,035**	6,748,073	160,421

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Cash in banks and cash equivalents, derivative asset, long-term time deposits are based on the credit standing or rating of the counterparty. Cash and cash equivalents and long-term time and rental guaranty deposits are of high-grade quality and were assessed as having minimal credit risk as these are deposited in reputable financial entities.

Trade receivables, due from related parties, insurance claims and premiums receivable, other current accounts receivable, sublease receivable and rental guaranty deposits are based on a combination of credit standing or rating of the counterparty, historical experience and specific and collective credit risk assessment.

High grade quality financial assets are those with no history of payment default and has good credit standing or rating. Standard grade quality financial assets are those assessed as having minimal to regular instances of payment default due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Movements in the Allowance for ECL on Trade Receivables
As at December 31, 2022 and 2021, the movements in the allowance for ECL are as follows:

		2022	2021
Balance at beginning of year	P	**17,354**	26,728
Charged to selling expenses		**5,379**	(8,439)
Write-off of trade receivables		**(254)**	(935)
Balance at end of year	P	**22,479**	17,354

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate in relation to changes in exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates to its operational, investing and financing activities. The objective of foreign currency risk management is to manage and control exposures within acceptable parameters while optimizing the return. The Company's revenue and costs are generated and settled mainly in Philippine Peso. For the years ended December 31, 2022 and 2021, approximately less than 5% of the Company's net sales, were generated in U.S. dollars.

The Company had an exposure arising from the dollar-denominated financial obligations as compared to the currency in which the majority of the Company's revenues are generated. The Company's only revenue denominated in U.S. dollars to cover such dollar-denominated obligations are those generated by exports. As at December 31, 2022 and 2021, the Company has not implemented any derivative financing hedging strategy to address this foreign currency risk.

Foreign exchange fluctuations occur when any member of the Company incur monetary assets and liabilities in a currency different from its functional currency. These translation gains and losses are recognized in the consolidated statements of comprehensive income.

As at December 31, 2022 and 2021, a summary of the quantitative information of the exposure of the Company due to foreign currencies is provided to the top management on the basis of its risk management policy as follows:

	As at December 31, 2022	
	(in U.S. dollar)	***(in Euro)***
Cash and cash equivalents	**US$2,471**	**€–**
Due from related parties*	**76**	**–**
Trade payables	**(15,935)**	**(4,186)**
Due to related parties*	**(71,375)**	**–**
Lease liabilities	**(4,577)**	**–**
Net liabilities denominated in foreign currency	**(US$89,340)**	**(€4,186)**

**Pertains to related party transactions with entities outside the Company*

(Amounts in Thousands, Except Number of Shares and Per Share Data)

	As at December 31, 2021	
	(in U.S. dollar)	*(in Euro)*
Cash and cash equivalents	US$11,471	€–
Due from related parties*	313	–
Trade payables	(11,414)	(188)
Due to related parties*	(36,897)	–
Lease liabilities	(6,193)	–
Net liabilities denominated in foreign currency	(US$42,720)	(€188)

**Pertains to related party transactions with entities outside the Company*

The Company is also exposed to foreign currency risks on eliminated foreign currency denominated intragroup balances as follows (in U.S. dollar):

Amounts owed by	**Amounts owed to**	**2022**	2021
Falcon	Parent Company	**US$15,921**	US$22,000
Parent Company	CAR	**(81,838)**	(81,656)
Parent Company	Falcon	**(49,893)**	(33,803)
APO	CAR	**(3,013)**	(3,259)
Solid	CAR	**(2,629)**	(1,463)
		(US$121,452)	(US$98,181)

The most significant closing exchange rates and the approximate average exchange rates of Philippine Peso per U.S. dollar and Euro used in the consolidated financial statements were as follows:

	December 31, 2022		December 31, 2021	
Currency	**Closing**	**Average**	Closing	Average
U.S. dollar	**P55.76**	**P54.47**	P51.00	P49.36
Euro	**P59.67**	**P57.21**	P58.03	P58.30

Sensitivity Analysis on Foreign Currency Risk

The following table demonstrates the sensitivity to a reasonably possible change in various foreign currencies, with all other variables held constant, of the Company's profit (loss) before income tax and equity for the years ended December 31, 2022 and 2021:

U.S. Dollar	Strengthening (Weakening) of Philippine Peso	Effect on Earnings before Income Tax	Effect on Equity
2022	**+9.33%**	**P464,741**	**P348,556**
	-9.33%	**(464,741)**	**(348,556)**
2021	+6.2%	135,078	101,308
	-6.2%	(135,078)	(101,308)

EUR	Strengthening (Weakening) of Philippine Peso	Effect on Earnings before Income Tax	Effect on Equity
2022	**+2.83%**	**P7,069**	**P(5,301)**
	-2.83%	**(7,069)**	**5,301**
2021	+1.4%	154	116
	-1.4%	(154)	(116)

Sensitivity Analysis Pertaining to Eliminated Intragroup Balances

U.S. Dollar	Strengthening (Weakening) of Philippine Peso	Effect on Earnings before Income Tax	Effect on Equity
2022	**+9.33%**	**P631,786**	**P473,840**
	-9.33%	**(631,786)**	**(473,840)**
2021	+6.2%	310,442	232,832
	-6.2%	(310,442)	(232,832)

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. As at December 31, 2022 and 2021, the Company is exposed to interest rate risk primarily on the floating interest rate tranche corresponding to P7,797,709 and P3,596,123, respectively, of the long-term bank loan with BDO (see Note 24) and short-term investments in Cemex Innovation Holding AG amounting to P1,020,101 and P3,589,589 as at December 31, 2022 and 2021, respectively.(see Notes 11 and 13). The short-term investments in Cemex Innovation Holding AG bears interest at a rate equivalent to the WAILRF rate minus 10 basis points and zero interest.

Sensitivity analysis on Interest Rate Risk

As at December 31, 2022 and 2021 a hypothetical 1% increase in interest rate, with all other variables held constant, the Company's profit for the years ended December 31, 2022 and 2021, would have decreased by approximately P50,832 and P49, respectively. Conversely, a hypothetical 1% decrease in interest rate would have the opposite effect.

Commodity Price Risk

In the ordinary course of business, the Company is exposed to commodity price risk, including the exposure from diesel fuel prices, and expose the Company to variations in prices of the underlying commodity. The Company established specific policies oriented to obtain hedge with the objective of fixing diesel fuel prices. To hedge the price of diesel fuel, the Company entered into a derivative commodity swap agreement in 2020. By means of these contracts, the Company fixed the price of diesel over certain volume representing a portion of the estimated consumption of diesel fuel in the operations for 2021. In 2021, the Company adopted a gradual hedging strategy for diesel fuel which involved the purchase of collars over a certain volume representing a portion of estimated consumption of diesel fuel in the operations for 2022 and 2023. Through these contracts, the Company fixed the price of diesel over a certain volume representing a portion of the estimated consumption of diesel fuel in the operations. These contracts have been designated as cash flow hedges of diesel fuel consumption, and as such, changes in fair value are recognized temporarily through OCI and are recycled to profit or loss as the related diesel volumes are consumed.

The following amounts relating to items designated as hedging instruments as at December 31, 2022 and 2021 were as follows:

	2022		2021	
	Notional amount	**Carrying amount**	Notional amount	Carrying amount
Commodity hedge contract	**P397,247**	**P49,605**	P541,611	P30,450

For the years ended 2022, 2021 and 2020, changes in fair value of these contracts recognized in OCI amounted to P19,532, P12,374, and P24,179, respectively. For the years ended 2022, 2021 and 2020, the amount reclassified from hedge reserve to profit or loss are P279, P24,179, and nil, respectively.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient funds available to meet its obligations. The Company has fulfilled its operational liquidity needs primarily through its own operations and expects to continue to do so for both the short and long-term liabilities. Although cash flow from the Company's operations has historically covered its overall liquidity needs for operations, servicing debt and funding capital expenditures and acquisitions, the consolidated entities are exposed to risks from changes in foreign currency exchange rates, prices and currency controls, interest rates, inflation, governmental spending, social instability and other political, economic and/or social developments in the countries in which they operate, any one of which may materially decrease the Company's net profit and reduce cash flows from operations. Accordingly, in order to meet its liquidity needs, the Company also relies on cost-control and operating improvements to optimize capacity utilization and maximize profitability. The Company also has an option to obtain funds from its ultimate parent or any entities within CEMEX group to meet its financial obligation. The Company The Company's consolidated net cash flows provided by operating activities, as presented in its consolidated statements of cash flows, amounted to P1,467,829, P3,140,727, and P2,807,648, for the years ended December 31, 2022, 2021, and 2020, respectively. In addition, there is no significant concentration of a specific supplier relating to the purchase of raw materials.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	As at December 31, 2022				
	Carrying Amount	**Contractual Cash Flows**	**12 Months or Less**	**1 to 5 Years**	**More than 5 Years**
Trade payables	**5,730,604**	**5,730,604**	**5,730,604**	**P–**	**P–**
Due to related parties	**4,674,927**	**4,674,927**	**4,674,927**	**–**	**–**
Unearned income, other accounts payable and accrued expenses*…	**578,402**	**578,402**	**578,402**	**–**	**–**
Lease liabilities	**2,842,588**	**6,715,297**	**622,173**	**900,637**	**5,192,487**
Bank loan	**8,143,630**	**9,713,089**	**873,450**	**8,839,639**	**–**
Total	**21,970,151**	**27,412,319**	**12,479,556**	**9,740,276**	**5,192,487**

**Excluding government-related payables, unearned income from insurance premiums and other non-financial liabilities amounting to P1,158.3 million.*

	As at December 31, 2021				
	Carrying Amount	Contractual Cash Flows	12 Months or Less	1 to 5 Years	More than 5 Years
Trade payables	P5,056,497	P5,056,497	P5,056,497	P–	P–
Due to related parties	2,196,565	2,196,565	2,196,565	–	–
Unearned income, other accounts payable and accrued expenses*…	527,997	527,997	527,997	–	–
Lease liabilities	1,807,905	4,503,893	488,185	587,025	3,428,683
Bank loan	8,892,606	9,066,364	3,443,457	5,622,907	–
Total	P18,481,570	P21,351,316	P11,712,701	P6,209,932	P3,428,683

**Excluding government-related payables, unearned income from insurance premiums and other non-financial liabilities amounting to P741.4 million.*

The interest payments on floating rate bank loans reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. Except for this financial liability, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Insurance Risk Management

As mentioned in Note 1, the Parent Company incorporated Falcon to create its own reserves and reinsure in respect of the Company's property, non-damage business interruption, political violence, cyber and professional indemnity insurance. Falcon is expected to retain 10% of the risk in connection with property insurance and 100% of the risk in connection with earthquake and wind stop loss, non-damage business interruption political violence, cyber and professional indemnity insurance of the Parent Company's operating subsidiaries. As a result of these arrangements, the Company self-insures these risks to the extent of Falcon's retained liability. There can be no assurance that the reserves established by Falcon will exceed any losses in connection with the Company's self-insured risks.

In addition, the Company's insurance coverage is subject to periodic renewal. If the availability of insurance coverage is reduced significantly for any reason, the Company may become exposed to certain risks for which it is not and, in some cases could not be, insured. Moreover, if the Company's losses exceed its insurance coverage, or if the Company's losses are not covered by the insurance policies it has taken up, or if Falcon is required to pay claims to its insurer pursuant to the reinsurance arrangements, the Company may be liable to cover any shortfall or losses. The Company's insurance premiums may also increase substantially because of such claim from the Company's insurers.

The foregoing risk exposure is mitigated, through making reasonable approximation after an evaluation of reported claims in the past of the Parent Company's operating subsidiaries, by retaining only insurance risk from insurance policies in which the operating subsidiaries have low probability of incurring losses.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Fair Values of Financial Assets and Financial Liabilities

The fair values of cash and cash equivalents, trade receivables, insurance claims and premiums receivable, amounts due from related parties, other current accounts receivable (under financial assets measured at amortized cost), trade payables, amounts due to related parties, other accounts payable and accrued expenses (under financial liabilities measured at amortized cost) reasonably approximate their carrying amounts considering the short-term maturities of these financial instruments.

As at December 31, 2022 and 2021 the carrying amounts and fair values of financial assets and liabilities are as follow:

		2022			2021	
		Carrying amount	**Fair value**		Carrying amount	Fair value
Financial assets measured at amortized cost						
Long-term time and rental guaranty deposits	P	**384,441**	**384,441**	P	191,307	191,307
Sublease receivable		**2,560**	**2,549**		7,430	7,558
Financial assets at fair value (hedging instrument)						
Derivative asset		**49,605**	**49,605**		30,450	30,450
	P	**436,606**	**436,595**	P	229,187	229,315
Financial liabilities measured at amortized cost						
Bank loan	P	**8,143,630**	**8,336,505**	P	8,892,606	9,094,097

The fair values disclosed for the financial assets and financial liabilities above are categorized under level 2 of fair value hierarchy.

The estimated fair value of the Company's long-term time and rental guaranty deposits, sublease receivable, and bank loan are either based on estimated market prices for such or similar instruments, considering interest rates currently available for the Company to negotiate debt with the same maturities, or determined by discounting future cash flows using market-based interest rates currently available to the Company. The estimated fair value of the derivative asset is determined by measuring the effect of the future economic variables according to the yield curved shown in the market as at the reporting date.

NOTE 23 - RETIREMENT BENEFITS LIABILITY

The Company has a funded, noncontributory, defined benefit retirement plan covering substantially all of its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Defined benefit obligation is calculated quarterly by a qualified actuary using the projected unit credit method. The Company's latest actuarial valuation date was made on December 29, 2022.

The retirement plan of the Company entitled a regular and permanent employee to avail of the "Normal Retirement, Early Retirement and Late Retirement Benefit" and "Voluntary Separation Benefit". In addition, the retirement plan also provides "Total and Permanent Disability and Death Benefit" for the qualified employees and beneficiaries.

Normal Retirement, Early Retirement and Late Retirement

The total benefit that will be received by a retired non-union member employee and a union member (**) employee is based on his final plan salary and years of service (YOS), which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit*
20 & Below	100% of the plan salary for every year of credited service
Above 20 & Below 26	119% of the plan salary for every year of credited service
26 & Above	139% of the plan salary for every year of credited service

**covering Normal, Early and Late Retirement*
***for YOS rendered before January 1, 2011*

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The following retirement benefit formula table applies to a union member employee for services rendered on or after January 1, 2011:

YOS	Retirement Benefit*
20 & Below	100% of the plan salary for every year of credited service
Above 20 & Below 26	130% of the plan salary for every year of credited service
26 & Above	150% of the plan salary for every year of credited service

**covering Normal, Early and Late Retirement*

An employee may be entitled only to an early retirement benefit provided that he reached the age of fifty-five (55) and has completed at least ten (10) years of credited service, subject to the consent of the Company. The late retirement may be availed only beyond age sixty (60) but not beyond sixty-five (65), on a case-to-case and yearly extension basis and subject to the consent of the Company.

Voluntary Separation

The total benefit that will be received by a retired employee is based on his final salary and YOS, which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit
Less than 10	0% of the plan salary for every year of credited service
10 to less than 16	79% of the plan salary for every year of credited service
16 to less than 21	99% of the plan salary for every year of credited service
21 to less than 26	119% of the plan salary for every year of credited service
26 and above	139% of the plan salary for every year of credited service

Total and Permanent Disability and Death Benefit

In the event that a qualified employee dies or is required by the Company to retire due to total and permanent disability, his benefit should be equal to an amount based on the retirement benefit formula. In the case of disability, the employee should have completed at least five (5) years and three (3) years of credited service for Solid and APO, respectively.

The plan is registered with the Bureau of Internal Revenue (BIR) as tax-qualified plan under Republic Act No. 4917, as Amended. The control and administration of the retirement plan is vested in its BOT. The retirement plan's accounting and administrative functions are undertaken by BPI AMTG, and its duly appointed trust fund manager.

a) Movements in Retirement Benefits Liability

The following table shows reconciliation from the opening balances to the closing balances for retirement benefits liability and its components as at December 31, 2022 and 2021:

		Present Value of Defined Benefit Obligation		**Fair Value of Plan Assets**		**Retirement Benefits Liability**	
		2022	2021	**2022**	2021	**2022**	2021
Balance at beginning of year	P	**946,734**	966,426	**(402,321)**	(312,480)	**544,413**	653,946
Included in profit or loss							
Service costs:							
Current service cost		**57,233**	62,361	–		**57,236**	62,361
Interest cost, net		**45,098**	33,875	**(18,073)**	(11,309)	**27,025**	22,566
		102,331	96,236	**(18,073)**	(11,309)	**84,261**	84,927
Included in OCI							
Actuarial loss (gain) from:							
Experience adjustments		**33,527**	44,382	–	–	**33,527**	44,382
Change in demographic assumptions		–	463	–	–	–	463
Change in financial assumptions		**(94,725)**	(140,069)	–	–	**(94,725)**	(140,069)
Return on plan assets excluding interest income			–	**30,901**	5,900	**30,901**	5,900
		(61,198)	(95,224)	**30,901**	5,900	**(30,297)**	(89,324)
Others							
Benefits paid		**(63,157)**	(20,704)		–	**(63,157)**	(20,704)
Actual contributions			–	**(138,219)**	(84,432)	**(138,219)**	(84,432)
Transferred obligation		**86**				**86**	
		(63,071)	(20,704)	**(138,219)**	(84,432)	**(201,290)**	(105,136)
Balance at end of year	**P**	**924,796**	946,734	**(527,712)**	(402,321)	**397,087**	544,413

(Amounts in Thousands, Except Number of Shares and Per Share Data)

b) Plan Assets

The fair value of plan assets by each class as at the end of the reporting periods are as follows:

		2022	2021
Deposits	P	**138,219**	148,712
Unit investment trust fund (UITF)			
Money market		**156,099**	16,153
Equities		**17,718**	124,379
Fixed income		**7,122**	20,485
Government securities		**144,496**	75,932
Mutual funds		**19,441**	21,841
Corporate bonds		**43,500**	4,171
Cash in bank		**1**	1
Others		**1,116**	(9,353)
	P	**527,712**	402,321

The Domestic Fixed Income portfolio of the account holds government securities and corporate bonds. The portfolio is benchmarked against BPI Government Bond Index.

Government securities, categorized under direct securities, are debt obligations from the Philippine government that are denominated in local currency. Such securities are risk free because of extremely low probability that the government will default in its own debt.

Local and foreign currency debt instruments are financial instruments issued by the government or corporate entity in the domicile or country of origin. Local currency and foreign currency time deposits were made to reputable banks.

The portfolio also holds several UITFs. Domestic Equity UITF investments are placed in a concentrated portfolio of stocks listed in the PSE which are generally invested in holding firms, industrial companies, financial institutions, mining and real estate corporations. Global Equity UITF investments are invested in diversified portfolio of global equity collective investment schemes with the goal of long-term capital growth. Domestic Fixed Income and Domestic USD Fixed Income UITF investments are placed mainly in portfolio of bonds and other similar fixed-income securities, with weighted average term to maturity and denomination that varies depending on the strategy of the fund and the market outlook. Money Market UITF investments are derived from a diversified portfolio of primarily short-term fixed income instruments, such as time deposits, government and corporate bonds with a maturity profile of less than one year.

Aside from UITFs, the portfolio is likewise invested in mutual funds and exchange traded funds (ETFs). Global Fixed Income mutual funds are invested in investment grade bonds denominated in major world currencies, with an average duration of the fund which will vary depending on the strategy and market outlook of the fund manager. Global Equity ETFs are invested in selected stocks which are actively traded in globally developed markets.

The BOT reviews the level of funding required for the retirement fund with inputs from the Company's accredited actuary. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The objective of BPI AMTC is to manage the portfolio in accordance with the objectives set forth by both the Company and BPI AMTC, and to be able to provide and fund benefits as they fall due.

c) Defined Benefit Obligation

(i) Assumptions

The principal actuarial assumptions, at the reporting date, used to determine the retirement benefits are as follows (expressed as weighted averages):

	Parent Company		Solid		APO	
	2022	2021	**2022**	2021	**2022**	2021
Discount rate	**7.27%**	4.81%	**7.23%**	5.04%	**7.31%**	5.03%
Future salary growth	**4.30%**	3.60%	**4.30%**	3.60%	**4.30%**	3.60%

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The following are the turnover rate assumption in 2022 and 2021:

Age	2022	2021
18 - 29	**6 to <21**	6 to <21
30 - 34	**5 to <12**	5 to <12
35 - 37	**4 to <10**	4 to <10
38 - 41	**3 to <8**	3 to <8
42 - 53	**2 to <7**	2 to <7
54 - 59	**3 to <7**	3 to <7

Mortality rates in 2022 and 2021 are based on the “2017 Philippine Intercompany Mortality Table” from the Actuarial Society of the Philippines. Disability rate is based on “1952 Disability Study, Period 2, Benefit 5”.

ii) Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as at December 31, 2021 and 2020 by the amounts shown below:

	2022		2021	
	Increase	**Decrease**	Increase	Decrease
Discount rate (0.5% movement)	**(P27,573)**	**P29,186**	(P33,112)	P35,264
Future Salary Increase rate (0.5% movement)	**32,138**	**(30,583)**	37,898	(35,868)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

d) Maturity Analysis

Maturity analysis of the benefit follow:

	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within <1 - 5 Years	More than 5 Years
2022	**P924,797**	**P3,007,725**	**P106,893**	**P1,128,486**	**P1,772,346**
2021	P946,734	P2,739,525	P85,332	P1,008,522	P1,645,671

As at December 31, 2022 and 2021, the weighted average duration in years of the defined benefit obligation are as follows:

	2022	2021
Solid	**9.09**	15.03
Parent Company	**8.78**	13.54
APO	**7.36**	10.19

In 2022, the Company contributed P138,219 and expects to contribute P120,938 in 2023.

e) Retirement Benefit Expense

Retirement benefit expense for the years ended December 31, 2022, 2021 and 2020 is recognized in the following line items in the consolidated statements of comprehensive income:

		2022	2021	2020
Cost of sales	P	**26,092**	28,258	42,832
Administrative expenses		**31,144**	34,103	19,877
Other financial expenses - net.		**27,025**	22,566	38,764
	P	**84,261**	84,927	101,473

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 24 – BANK LOAN

Parent Company – BDO

On February 1, 2017, the Parent Company signed a Senior Unsecured Peso Term Loan Facility Agreement (Facility Agreement) with BDO for an amount of up to the Philippine Peso equivalent of US$280,000 to refinance a majority of the Parent Company's outstanding long-term loan with New Sunward Holding B.V. The term loan provided by BDO has a tenor of seven (7) years from the date of the initial drawdown on the facility and consists of a fixed rate and a floating rate tranche based on market rates plus spread. Short-term portion of the bank loan amounted to nil and P3,376,906 as at December 31, 2022 and 2021, respectively.

The unamortized debt issuance cost of this bank loan amounting to P74,078 and P54,092 as at December 31, 2022 and 2021, respectively, was deducted from the total loan liability. Interest expense incurred in 2022, 2021, and 2020, excluding amortization of debt issuance cost, amounted to P362,439, P421,833, and P541,139, respectively, which is recognized under "Financial expenses" account in the consolidated statements of comprehensive income.

The reconciliation of opening and closing balances of BDO Agreements follows:

		Bank Loan	Accrued Interest	Total
Balance as at January 1, 2021	P	10,706,765	69,108	10,775,873
Interest expense		25,964	421,833	447,797
Payment of:				
Principal		(1,840,123)	–	(1,840,123)
Interest		–	(429,167)	(429,167)
Balance as at December 31, 2021		8,892,606	61,774	8,954,380
Principal.		**6,633,622**		**6,633,622**
Interest expense.		**30,141**	**362,439**	**392,580**
Payment of:				
Principal		**(7,832,739)**	**–**	**(7,832,739)**
Interest		**–**	**(358,915)**	**(358,915)**
Balance as at December 31, 2022…………...	P	**7,723,630**	**65,298**	**7,788,928**

Accrued interest from this bank loan amounting to P65,298 and P61,774, as at December 31, 2022, and 2021, respectively, are recognized under "Unearned income, other accounts payable and accrued expenses" account in the consolidated statements of financial position (Note 20).

The Facility Agreement also provides certain covenants. Compliance with these covenants shall be tested semi-annually. On December 8, 2017, the Parent Company entered into a Supplemental Agreement to the Facility Agreement with BDO pursuant to which, more notably, it was agreed that:

i. the commencement date for compliance with the aforementioned financial covenants under the Facility Agreement would be in June 2020;
ii. debt service reserve accounts were created (see Note 15C); and
iii. additional debt incurrence restrictions be put in place.

One of these debt incurrence restrictions agreed is based on a financial ratio that measures, on a consolidated basis, the Parent Company's ability to cover its interest expense using its Operating EBITDA (interest coverage ratio) and is measured by dividing Operating EBITDA by the financial expense for the last twelve months as of the calculation date. Operating EBITDA equals operating income before other income, net plus depreciation and amortization. On December 14, 2018, the Parent Company entered into another Supplemental Agreement to the Facility Agreement that provides an option, only for certain potential events of default under the Facility Agreement, for the Parent Company's ultimate parent company, CEMEX, or any affiliate of CEMEX which is not a direct or indirect subsidiary of the Parent Company, to pay all amounts outstanding under the Facility Agreement before they become due and payable prior to their maturity in certain events.

On May 15, 2019, the Company signed an Amendment to the Facility and Supplemental Agreements with BDO mainly to:

i. conform the Facility Agreement with certain changes required due to PFRS 16 entering into effect;
ii. exclude from financial covenants in the Facility Agreement any principal and interest from certain subordinated loans and advances incurred in relation with the new cement line being built by Solid that have been made or are to be made to the Company by any subsidiary of CEMEX; and

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iii. allow for certain loans taken by the Company with any CEMEX subsidiary to be paid with the proceeds from any equity fundraising activity of the Parent Company without having to pay a prepayment fee to BDO under the Facility Agreement.

On June 30, 2020, the Parent Company entered into an agreement with BDO, which provides compliance with certain financial covenants under the Facility Agreement, to commence at the later date of June 30, 2021.

On July 28, 2022, the Parent Company signed a facility agreement with BDO for a 5-year senior unsecured term loan for a principal amount of up to P6.69 billion (the “2022 BDO Refinancing Facility Agreement”). The proceeds of the loan to be extended pursuant to the 2022 Facility Agreement was used to repay approximately P6.68 billion of outstanding indebtedness under the facility agreement dated February 1, 2017 (as amended and supplemented, the “2017 Facility Agreement”) between the Parent Company, as borrower, APO and Solid, as assignors, and BDO, as lender. Following this repayment, approximately P1.11 billion principal amount maturing in February 2024 remained outstanding under the 2017 Facility Agreement. The main terms and conditions of the 20“2 Facility Agreement ar” summarized as follows: final maturity in August 2027; interest on the loan will accrue at a floating rate; the loan will amortize in quarterly payments beginning in November 2024; and financial and non-financial covenants under the 2022 Facility Agreement are substantially similar to those under the 2017 Facility Agreement.

On December 16, 2022, BDO approved the request to waive the Parent Company’s compliance with the covenants for a two-year period beginning December 31, 2022, subject to maintenance of a Debt Service Reserve Account with funding balance equivalent to 2 quarters’ worth of forward-looking debt service (principal and interest, depending on the period covered).

Debt service reserve account related to the Company’s bank loan amounted to P208,684 and nil as at December 31, 2022 and 2021, respectively, and is recognized under “Other assets and noncurrent accounts receivable” account in the consolidated statements of financial position (see Note 15C).

Solid-BDO Loan

On March 9, 2022 and September 12, 2022, Solid made a draw down on its short-term credit line with BDO for the amounts of P120.0 million and P185.0 million, respectively, to cover operational/working capital requirements and the outstanding balances for the relevant periods were fully paid on March 25, 2022 and September 29, 2022, respectively.

On September 28, 2022, Solid executed another short-term loan with BDO for P160.0 million to cover operational/working capital requirements which was settled on October 28, 2022.

On December 20, 2022, another short-term loan was executed amounting to P420.0 million with 6% annual interest rate which was settled in January 2023.

The reconciliation of opening and closing balances of loan follows:

		Bank Loan	Accrued Interest	Total
Balance as at January 1, 2022	P	–	–	–
Principal		**985,000**	**–**	**985,000**
Interest expense……………………………….		**–**	**2,086**	**2,086**
Payment of:				
Principal………………………………………		**(565,000)**	**–**	**(565,000)**
Interest………………………………………..		**–**	**(1,456)**	**(1,456)**
Balance as at December 31, 2022..………...		**420,000**	**630**	**420,630**

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 25 – INCOME TAXES

25A) INCOME TAXES FOR THE YEAR

The amounts of income taxes recognized in profit or loss for the years ended December 31, 2022 2021, and 2020 are as follows:

		2022	2021	2020
Current income tax:				
Current income tax expense	P	**519,066**	304,466	417,441
Adjustments in respect of current income tax of previous year		–	(46,500)	–
Deferred income tax:				
Write-down of previously recognized deferred income tax assets (reversal of previously unrecognized deferred income tax assets)		**379,273**	170,675	157,146
Deferred income tax benefit arising from origination and reversal of temporary differences		**(181,092)**	(102,310)	(238,569)
Deferred tax expense relating to changes in tax rates or the imposition of new taxes		–	163,137	–
	P	**717,247**	489,468	336,018

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act or Republic Act No. 11534 which took effect on April 11, 2021. Below are the salient features of the Act that are relevant to the Company:

a) Regular corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5,000 and with total assets not exceeding P100,000. All other domestic corporations and resident foreign corporations will be subject to 25% regular corporate income tax. Said reductions are effective July 1, 2020.
b) MCIT rate is reduced from 2% to 1% effective from July 1, 2020 to June 30, 2023.
c) Definition of reorganization for purposes of applying the tax-free exchange provision under Section 40©(2) is expanded. Prior BIR ruling or confirmation shall not be required for purposes of availing the tax exemption of the exchange.
d) VAT exemption on importation and VAT zero-rating on local purchases shall only apply to goods and services directly and exclusively used in the registered project or activity by a registered business enterprise (RBE).
e) For investments prior to effectivity of CREATE Act: RBEs granted only an ITH – continue with the availment of the ITH for the remaining period of the ITH. RBEs granted an ITH + 5% Gross Income Tax (GIT) or currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

The impact of CREATE Act was taken as a non-adjusting subsequent event as at December 31, 2020 since CREATE Act was not yet enacted or substantively enacted as of such date. Thus, the current and deferred income taxes were measured using the old income tax rates as at December 31, 2020. Further, the difference of the provision for current income tax in the consolidated financial statements from the amount of income tax due reflected in the income tax returns and the remeasurement of deferred tax assets and liabilities using the new tax rates were taken up as an adjustment in the consolidated statements of comprehensive income in 2021.

The regular corporate income tax rate of the Parent Company and its subsidiaries domiciled in the Philippines was lowered from 30% to 25% for large corporations, and from 30% to 20% for small and medium corporations, effective July 1, 2020. Using the rate under the CREATE Act, the Company remeasured its “Deferred income tax assets – net” account by P163,137. The Company also has reduction in current income tax expense amounted to P46,500.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

The Company has NOLCO that can be claimed as deductions from future taxable income as follows:

Year Incurred	Valid until		Amount	Addition During the Year	Expired/ Utilized During the Year	Ending Balance
2022	2025	P	–	1,178,255	–	1,178,255
2021	2026		179,217	–	–	179,217
2020	2025		702,987	–	–	702,987
2019	2022		125,345	–	(125,345)	–
		P	1,007,549	1,178,255	(125,345)	2,060,459

Pursuant to Section 4 (bbbb) of the Bayanihan to Recover as One Act or the Republic Act 11494, net operating loss of the businesses for taxable years 2020 and 2021 shall be carried over as deduction from gross taxable income for the next five (5) consecutive taxable years immediately following the year of such loss.

The Company has MCIT that can be claimed as tax credits against future regular income tax liabilities as follows:

Year Incurred	Valid until		Amount	Additions During the Year	Expired/ Utilized During the Year	Ending Balance
2022	2025	P	–	70,950	–	70,950
2021	2024		83,293	–	–	83,293
2020	2023		139,255	–	(9,339)	129,916
2019	2022		198,065	–	(198,065)	–
		P	420,613	70,950	(207,404)	284,159

25B) DEFERRED INCOME TAXES

For the years ended December 31, 2022 and 2021, the income tax effects of the temporary differences, NOLCO and MCIT that resulted in deferred income tax assets and liabilities are presented below:

2022		Balance at January 1	Recognized in: Profit or Loss	Recognized in: OCI	Charge to Prepayments	Balance at December 31
Deferred tax assets (liabilities):						
NOLCO	P	**219,064**	**(139,495)**	–	–	**79,569**
MCIT		**362,221**	**(239,779)**	–	**(9,338)**	**113,104**
Accrued retirement benefits liability and past service cost		**165,558**	**(17,749)**	**(7,574)**	–	**140,235**
Write-down (reversal) of :						
Property, machinery and equipment to recoverable amount		**53,714**	–	–	–	**53,714**
Inventories to NRV		**16,441**	**(352)**	–	–	**16,089**
Lease liabilities		**54,088**	**60**	–	–	**54,148**
Allowance for ECL on trade receivables		**28,509**	**1,311**	–	–	**29,820**
Contract liabilities from loyalty points		**16,362**	**962**	–	–	**17,324**
Provisions		**2,686**	–	–	–	**2,686**
Fair value adjustment on property, machinery and equipment		**(84,512)**	**43,892**	–	–	**(40,620)**
Unrealized foreign exchange loss (gain)		**(25,889)**	**147,774**	–	–	**121,885**
Accrued documentary stamp tax		**(3,647)**	**(7,802)**	–	–	**(11,449)**
Other items		**22,906**	**12,997**	–	–	**35,903**
	P	**827,501**	**(198,181)**	**(7,574)**	**(9,338)**	**612,408**

(Amounts in Thousands, Except Number of Shares and Per Share Data)

2021		Balance at January 1	Recognized in: Profit or Loss	Recognized in: OCI[1]	Balance at December 31
Deferred tax assets (liabilities):					
NOLCO	P	501,176	(282,112)	–	219,064
MCIT		464,360	(102,139)	–	362,221
Accrued retirement benefits liability and past service cost		225,826	(31,897)	(28,371)	165,558
Write-down (reversal) of :					
Property, machinery and equipment to recoverable amount		64,457	(10,743)	–	53,714
Inventories to NRV		35,148	(18,707)	–	16,441
Lease liabilities		63,499	(9,411)	–	54,088
Allowance for ECL on trade receivables		37,065	(8,556)	–	28,509
Contract liabilities from loyalty points		12,146	4,216	–	16,362
Provisions		3,223	(537)	–	2,686
Fair value adjustment on property, machinery and equipment		(179,147)	94,635	–	(84,512)
Unrealized foreign exchange loss (gain)		(145,322)	119,433	–	(25,889)
Accrued documentary stamp tax		(10,598)	6,951	–	(3,647)
Other items		15,541	7,365	–	22,906
	P	1,087,374	(231,502)	(28,371)	827,501

[1] The remeasurement in deferred tax arising from the change in income tax rates that was recognized in OCI amounted to P6,040.

Net deferred income tax assets (liabilities) as at December 31, 2022 and 2021 presented in the consolidated statements of financial position on a net basis by entity are as follows:

Deferred Income Tax Assets		**2022**	2021
APO	P	**543,334**	607,767
Solid		**(131,009)**	134,441
Parent Company		**202,574**	86,355
Ecocast Builders, Inc.		**271**	357
Sandstone Holdings, Inc.		**–**	18
Bedrock Holdings, Inc.		**–**	5
Triple Dime Holdings, Inc.		**–**	3
	P	**615,170**	828,946
Deferred Income Tax Liabilities			
Edgewater Ventures Corporation	P	**2,758**	1,445
Triple Dime Holdings, Inc.		**6**	–
Sandstone Holdings, Inc.		**–**	–
Bedrock Holdings, Inc.		**–**	–
	P	**2,764**	1,445

Deferred income tax assets have not been recognized in respect of the following items because it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom:

	2022 Gross amount	**2022** Tax effect	2021 Gross amount	2021 Tax effect
NOLCO	**P1,742,183**	**P435,208**	P131,292	P32,482
Excess MCIT over RCIT	**168,723**	**168,723**	58,392	58,392
Accrued expenses	**9**	**2**	294	59
	P1,910,915	**P603,933**	P189,978	P90,933

As at December 31, 2022, and 2021, based on the forecasts of future cash flows and operating results, the Company believes that sufficient taxable income will be generated so that it is probable that it will realize the tax benefits associated with the recognized deferred income tax assets related to tax loss carryforwards and excess MCIT over RCIT prior to their expiration. In addition, the Company concluded that the deferred income tax liabilities that were considered in the analysis of recoverability of its deferred income tax assets will reverse in the same period and tax jurisdiction of the related recognized deferred income tax assets. In the event that present conditions change, and it is determined that future operations would not generate sufficient taxable income, currently recognized deferred income tax assets would be evaluated and derecognized, if necessary, against the results of the period.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

25C) EFFECTIVE TAX RATE

Differences between the financial basis and the corresponding tax basis of assets and liabilities and the different income tax rates and laws applicable to the Company, among other factors, give rise to permanent differences between the average statutory tax rate of the entities included in the consolidated financial statements, and the effective tax rate presented in the consolidated statements of comprehensive income for the years ended December 31, 2022, 2021 and 2020, which are as follows:

	2022	2021	2020
Statutory income tax rate	**25%**	25%	30%
Movement in NOLCO	**(149%)**	(1%)	12%
Non-deductible expenses	**255%**	6%	8%
CAR and FALCON tax rate difference	**74%**	(13%)	(21%)
Non-taxable income and other deductible expenses	**(300%)**	0%	(4%)
Taxable income eliminated at consolidated level	**0%**	0%	0%
MCIT	**(104%)**	11%	0%
Others	**(43%)**	12%	0%
Consolidated effective income tax rate	**(242%)**	40%	25%

25D) TAX PROCEEDINGS

The Company and some of its subsidiaries are the subject of the following on-going tax investigations:

Entities	Period	Covered Taxes	Status as of December 31, 2022
Solid	2020	All internal revenue taxes	On-going
APO	2021	All internal revenue taxes	On-going
	2020	All internal revenue taxes	On-going
Ecocast Builders, Inc	2017-2021	Local business tax	On-going
Parent Company	2021	All internal revenue taxes except VAT	On-going
	2021	VAT – 1st semester of 2021	On-going
	2020	All internal revenue taxes	On-going
	2018	All internal revenue taxes except VAT	On-going
	2017-2019	Local business tax	The assessment was already paid but under protest.

In January 2020, a partial tax credit amounting to P456 was granted to the Parent Company in connection with the on-going assessment on local business taxes case.

On December 19, 2022, the Parent Company received a Final Decision on Disputed Assessment (FDDA) from the BIR in connection with the 2018 audit of all internal revenue taxes (except VAT). The Parent Company filed its appeal to the Office of the Commissioner of the BIR on 18 January 2023.

On January 30, 2023, the Parent Company received a Notice of Discrepancy in connection with the 2021 VAT audit covering the 1st semester of 2021. On January 31, 2023, the Parent Company paid the deficiency VAT assessment based on the NOD amounting to P40, inclusive of interests.

The Company's assessment on the impact of the above tax proceedings in the consolidated financial statements is disclosed in Note 29 to the consolidated financial statements.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 26 - EQUITY

26A) COMMON STOCK

The information on the Parent Company's common stock is summarized as follows:

As of December 31, 2022 and 2021, respectively.

	Number of Shares	Amount
Authorized - P1.00 par value per share	**18,310,395,454**	**P18,310,395**
Paid, Issued and Outstanding shares	**13,489,226,623**	**P13,489,227**
Total Common Stock	**13,489,226,623**	**P13,489,227**

On September 17, 2015, CASEC subscribed to 376,000 shares of stock of the Parent Company at P100 par value per share. Of the agreed subscription price of P37,600, only P9,400 was paid in 2015, while the remainder of P28,200 was paid in 2016. In 2016, the Parent Company's BOD approved the amendment of articles of incorporation and increase in the authorized capital stock of the Parent Company from P150,400, divided into 1,504,000 common shares with par value of P100 per share, to P5,195,395, divided into 5,195,395,454 common shares with par value of P1 per share.

On May 20, 2016, the SEC approved the Parent Company's application for the amendment of articles of incorporation and increase in its authorized capital stock. Accordingly, the original subscription of CASEC changed from 376,000 common shares, with par value of P100 per share, to 37,600,000 common shares, with par value of P1 per share. Furthermore, in connection with the increase in authorized capital stock, CASEC subscribed to an additional 2,819,867,500 shares at P1 par value per share or a total par value of P2,819,867 which was fully paid. During the IPO which culminated in the listing of all of the outstanding shares of stock of the Parent Company on July 18, 2016, the Parent Company issued additional 2,337,927,954 shares at P1 par value per share or a total par value of P2,337,928 at the offer price of P10.75 per share (see Note 1).

The BOD and stockholders of the Parent Company approved on April 2, 2019 and October 16, 2019, respectively, the amendment of the Seventh Article of the Amended Articles of Incorporation of the Company, to reflect an increase in the Parent Company's ACS from P5,195,395, consisting of 5,195,395,454 common shares with a par value of P1 per share, to P18,310,395, consisting of 18,310,395,454 common shares with a par value of P1 per share.

In connection with the proposed ACS increase, the Company's BOD on September 3, 2019 approved the conduct of SRO. The shares subject of the SRO will come from an increase in Parent Company's ACS.

On December 11, 2019, the SEC issued a Notice of Confirmation of Exempt Transaction, confirming that the SRO is exempt from the registration requirements of the Securities Regulation Code of the Philippines, and the board of directors of the PSE approved the Parent Company's application for listing of the shares to be offered in the SRO, subject to the fulfillment of certain listing conditions, such as but not limited to the Parent Company having obtained the SEC's approval of the increase in the company's authorized capital stock.

As at December 31, 2019, the shareholdings in the Parent Company owned by CASEC increased to 3,469,412,498 common shares at P1 par value per share or P3,469,412.

On January 6, 2020, the Parent Company defined the final terms of the SRO which involved 8,293,831,169 common shares which was sourced from the increase in the Parent Company's ACS, offered at an offer price of P1.54 per share during an offer period from January 20 to 24, 2020. The SRO offer period was concluded resulting in the full subscription of 8,293,831,169 common shares.

On February 27, 2020, the SEC approved the Parent Company's application for amendment of articles of incorporation and increase in ACS and on March 4, 2020, 8,293,831,169 common shares, comprising the Rights Shares, were listed under the Main Board of the Exchange. After the SRO and the approval by the SEC of the Parent Company's application for increase in ACS, the Parent Company's issued and outstanding shares totaled 13,489,226,623 common shares at P1 par value per share or a total par value of P13,489,227.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

As of December 31, 2020, the shareholdings in the Parent Company owned by CASEC was 10,500,624,662 common shares at P1 par value per share, which correspond to approximately 77.84% of the total issued and outstanding capital stock of the Parent Company. CASEC increased its shareholdings in the Parent Company to 10,507,954,662 common shares at P1 par value per share as at December 31, 2022.

In 2020, the total proceeds from the issuance of common stock amounted to P12,772,500 which resulted in the increase in common stock and additional paid-in capital (APIC) by P8,293,832 and P4,478,668, respectively. Total cost related to the SRO amounted to P224,320, of which P220,028 direct share issuance cost was charged as reduction against APIC, while the remaining portion of the total cost amounting to P4,292 was recognized in profit or loss.

26B) OTHER EQUITY RESERVES

The movements on components of other equity reserves for the years ended December 31, 2022 and 2021 follow:

2022		**Cumulative translation of foreign subsidiaries**	**Remeasurements on retirement benefits liability**	**Share-based compensation reserve**	**Hedge reserve**	**Total**
Balance at January 1	P	**209,938**	**231,039**	**74,870**	**12,374**	**528,221**
Currency translation gain of foreign subsidiaries		**887,489**	**–**	**–**	**–**	**887,489**
Gain on remeasurement on retirement benefits liability, net of tax		**–**	**22,723**	**–**	**–**	**22,723**
Share-based compensation		**–**	**–**	**1,082**	**–**	**1,082**
Cash flow hedges - effective portion of changes in fair value		**–**	**–**	**–**	**19,532**	**19,532**
Cash flow hedges - reclassified to profit or loss		**–**	**–**	**–**	**279**	**279**
Balance at December 31	P	**1,097,427**	**253,762**	**75,952**	**32,185**	**1,459,326**

2021		Cumulative translation of foreign subsidiaries	Remeasurements on retirement benefits liability	Share-based compensation reserve	Hedge reserve	Total
Balance at January 1	P	(308,618)	170,086	71,740	24,179	(42,613)
Currency translation gain of foreign subsidiaries		518,556	–	–	–	518,556
Gain on remeasurement on retirement benefits liability, net of tax		–	60,953	–	–	60,953
Share-based compensation		–	–	3,130	–	3,130
Cash flow hedges - effective portion of changes in fair value		–	–	–	12,374	12,374
Cash flow hedges - reclassified to profit or loss		–	–	–	(24,179)	(24,179)
Balance at December 31	P	209,938	231,039	74,870	12,374	528,221

26C) NON-CONTROLLING INTERESTS

NCI represents the 30% share of non-controlling stockholders in the results and equity of Newcrete Management Inc. As at December 31, 2022 and 2021 NCI in equity amounted to approximately P101 and P125, respectively.

26D) SHARE - BASED COMPENSATION

As part of CEMEX's share-based compensation programs, a group of the Company's executives participates in the long-term share-based compensation program providing for the grant of CEMEX's CPOs, pursuant to which new CPOs are issued by the ultimate parent company under each annual program over a four (4) year period. By agreement with the executives, the CPOs of the annual grant, which is equivalent to 25% of the CPOs related to each plan, are placed in a trust established for the benefit of the executives to comply with a one (1) year restriction on sale.

In 2022, certain executive officers of the Parent Company or its subsidiaries received compensation in the form of cash pursuant to the terms of a variable long-term incentive plan approved by the Parent Company's BOD on April 25, 2018 under which the eligible executives are allocated cash amounts (for release in four annual installments) which shall be used by these executives to purchase a specific number of shares of the Parent Company (CHP shares) from the market.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

Under CEMEX's share-based compensation programs, approximately 474,337 CPOs in 2022, and 6,204,914 CPOs in 2021 were issued to or purchased for the executives of the Company. As of the years ended December 31, 2022, 2021, and 2020, there were approximately 474,337 CPOs, 6,204,914 CPOs, and 107,221 CPOs, respectively, associated with these annual programs that are expected to be granted in the succeeding years as the Company's executives render services.

Under the Company's variable long-term incentive plan, net shares purchased by the executives amounted to approximately 12,571,765 CHP shares in 2022 and 9,258,196 CHP shares in.

The compensation expense related to these programs for the years ended 2022, 2021 and 2020 for approximately P1,082, P3,130, and P2,088, respectively, corresponding to the fair value of the number of CEMEX's CPOs at the date of grant. The weighted average fair value, which pertains to the market price of CPOs granted, is 7.81 16.58, and 6.18, Mexican Pesos for the years ended December 31, 2022, 2021 and 2020, respectively. On the other hand, CHPs weighted average fair value for 2022 and 2021 is at P0.66 and P1.24, respectively. As at December 31, 2022, 2021 and 2020, the Company did not have outstanding commitments or options to make cash payments to executives on the exercise date of awards based on changes in CEMEX's or CHP's own stock (intrinsic value).

26E) RETAINED EARNINGS

As at December 31, 2022 and 2021, the Company's retained earnings include deficit (after appropriations) of its significant operating subsidiaries, Solid and APO, amounting to P3,002,588 and P1,329,085, respectively, which pertains to the result of the operations of both Solid and APO from the date the Parent Company obtained control over these subsidiaries. Such amount was offset by the net results of the Parent Company and its remaining subsidiaries. The retained earnings of both Solid and APO are not available for distribution as dividends by the Parent Company until declared by the respective investees.

26F) CAPITAL MANAGEMENT

The Company's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flow to selective investments. The Company sets strategies for the Company with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD has overall responsibility for the monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry. The Company's capital is defined as "Equity" as shown in the consolidated statements of financial position.

The Company is not subject to externally imposed capital requirements. The Company's net debt to equity ratio at the reporting dates is as follows:

		2022	2021
Total liabilities	P	**23,828,304**	20,180,841
Less: cash and cash equivalents		**2,720,304**	5,811,635
Net debt	P	**21,108,000**	14,369,206
Total equity		**44,123,813**	44,206,925
Net debt to equity ratio	P	**0.48:1**	0.33:1

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 27 - BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The amounts considered for the calculation of earnings per share for the years ended December 31, 2022, 2021, and 2020 are as follows:

		2022	2021	2020
Profit (a)	P	**(1,014,217)**	725,503	985,094
Add: NCI loss		**24**	25	20
Controlling interest in profit(loss)		**(1,014,193)**	725,528	985,114
Weighted average number of shares outstanding		**13,489,226,623**	13,489,226,623	12,197,564,392
Bonus element of SRO [1]		**–**	–	84,532,337
Weighted average number of shares outstanding adjusted for the effect of bonus factor - issuance from SRO [1] (b)		**13,489,226,623**	13,489,226,623	12,282,096,729
Basic/Diluted earnings(loss) per share (a/b)	P	**(0.08)**	0.05	0.08

[1] The weighted average number of shares takes into account the effect of the bonus element related to the issuance of stock rights (see Note 26A).

As at December 31, 2022, 2021, and 2020, the Company has no dilutive equity instruments.

NOTE 28 - COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As at December 31, 2022, and 2021 the Company had the following contractual obligations.

		2022			
		Less than 1 year	**1-5 Years**	**More than 5 Years**	**Total**
Bank loan	P	**873,450**	**8,839,639**	**–**	**9,713,089**
Leases (Note 21)		**622,173**	**900,637**	**5,192,487**	**6,715,297**
Retirement plans and other benefits [1]		**106,893**	**1,128,486**	**1,772,346**	**3,007,725**
Total contractual obligations	P	**1,602,516**	**10,868,762**	**6,964,833**	**19,436,111**

		2021			
		Less than 1 year	1-5 Years	More than 5 Years	Total
Bank loan	P	3,443,457	5,622,907	–	9,066,364
Leases (Note 21)		488,185	587,025	3,428,683	4,503,893
Retirement plans and other benefits [1]		85,332	1,008,522	1,645,671	2,739,525
Total contractual obligations	P	4,016,974	7,218,454	5,074,354	16,309,782

NOTE 29 - CONTINGENCIES

As at December 31, 2022 and 2021, the Company is involved in various legal proceedings of minor impact that have arisen in the ordinary course of business. These proceedings involve: 1) national and local tax assessments; 2) labor claims; and 3) other diverse civil actions. Although there is no guarantee for a favorable outcome, the Company believes that it has made adequate provisions to cover current and contemplated general and specific litigation risks. In relation to ongoing legal proceedings, the Company is able to make a reasonable estimate of the expected loss or range of possible loss, as well as disclose any provision accrued for such loss. However, the Company may not be able to make a reasonable estimate of the expected loss or range of possible loss or may be able to do so but believes that disclosure of such information on a case-by-case basis would prejudice Company's position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, the Company has disclosed qualitative information with respect to the nature and characteristics of the contingency but has not disclosed the estimate of the range of potential loss.

(Amounts in Thousands, Except Number of Shares and Per Share Data)

NOTE 30 - MAIN SUBSIDIARIES

The Parent Company's direct and indirect subsidiaries as at December 31, 2022 and 2021 are as follows:

Entities	Country of Incorporation	Main activity	% of interest
CAR	Switzerland	Services	100.0
Falcon	Barbados	Insurance	100.0
Edgewater Ventures Corporation	Philippines	Holdings	100.0
Triple Dime Holdings, Inc.	Philippines	Holdings	100.0
APO	Philippines	Cement	100.0
Bedrock Holdings, Inc.	Philippines	Holdings	100.0
Sandstone Strategic Holdings, Inc.	Philippines	Holdings	100.0
Solid	Philippines	Cement	100.0
Ecocast Builders, Inc.	Philippines	Construction	100.0
Ecocrete, Inc.	Philippines	Services	100.0
Ecopavements, Inc.	Philippines	Construction	100.0
Enerhiya Central Inc.	Philippines	Energy	100.0
Newcrete Management Inc.	Philippines	Services	70.0

NOTE 31 - RELEVANT INFORMATION REGARDING THE IMPACT OF THE 2018 LANDSLIDE

On September 20, 2018, a landslide occurred in Sitio Sindulan, Barangay Tina-an, Naga City, Cebu, Philippines (the "Landslide"), a site located within an area covered by the mining rights of APO Land & Quarry Corporation ("ALQC") who is a principal raw material supplier of APO. The Parent Company does not own any equity stake (directly or indirectly) in ALQC or its parent company, Impact Assets Corporation. Cemex Asian South East Corporation, an indirect subsidiary of CEMEX, S.A.B. de C.V. which is a majority shareholder of the Parent Company, owns a minority 40% stake in Impact Assets Corporation.

Landslide prompted local and national authorities to order the suspension of the mining operations of ALQC. Business continuity plans were put in place by APO Cement and implemented to address the disruption in the supply arrangement with ALQC. By the third quarter of 2020, local and national authorities allowed ALQC to resume its mining operations in the affected areas.

On November 19, 2018, the Parent Company and APO were served summons concerning an environmental class action lawsuit filed by 40 individuals and one legal entity (on behalf of 8,000 individuals allegedly affected by the Landslide) at the Regional Trial Court of Talisay, Cebu, against the Parent Company, APO, ALQC, the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the City Government of Naga, and the Province of Cebu, for "Restitution of Damage of the Natural and Human Environment, Application for the Issuance of Environmental Protection Order against Quarry Operations in Cebu Island with Prayer for Temporary Protection Order, Writ of Continuing Mandamus for Determination of the Carrying Capacity of Cebu Island and Rehabilitation and Restoration of the Damaged Ecosystems".

In the complaint, among other allegations, plaintiffs (i) claim that the Naga Landslide occurred as a result of the defendants' gross negligence; and (ii) seek, among other reliefs, (a) monetary damages in the amount of approximately P4.3 billion, (b) the establishment of a P500 million rehabilitation fund, and (c) the issuance of a Temporary Environment Protection Order against ALQC while the case is still pending. In the complaint, ALQC, APO and the Parent Company are made solidarily liable for payment of monetary damages and establishment of a rehabilitation fund. The records of the case were subsequently transferred to the Regional Trial Court of Cebu City Branch 23.

Among other defenses and based on a report by the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the Parent Company, ALQC and APO hold the position that the landslide occurred due to natural causes and deny liability, fault and negligence.

In an order dated August 16, 2019, the Regional Trial Court denied plaintiffs' Application for Temporary Environment Protection Order. By denying such application, the Regional Trial Court found that the applicants did not sufficiently establish that they will suffer grave injustice and irreparable injury by the continued operations of ALQC while the proceedings are pending. Plaintiffs moved for reconsideration, but the Court also denied plaintiffs' motion in an Order dated September 30, 2019. Plaintiffs did not appeal this ruling, which became final as of December 5, 2020.

In an order dated September 30, 2019, the Regional Trial Court partially granted the affirmative defenses of the private defendants and ruled, among others, that the subject case against the Parent Company and APO is dismissed for failure to state a cause of action. The court also ruled that: (i) the 22 plaintiffs who failed to sign the verification and certification against forum shopping are dropped as party-plaintiffs; (ii) the subject case is not a proper class suit, and that the remaining 17 plaintiffs can only sue for their respective claims, but not as representatives of the more than 8,000 alleged victims of the landslide incident; (iii) plaintiffs' cause of action against ALQC for violation of Section 19(a) of Republic Act No. 10121 is dismissed; (iv) there is a misjoinder of causes of action between the environmental suit and the damage suit; and (v) the damage suit of the remaining plaintiffs will proceed separately upon payment of the required docket fees within 30 days from receipt of order, otherwise, the case for damages will be dismissed. The plaintiffs filed a motion for reconsideration of the court's order dated September 30, 2019. During the hearing of plaintiffs' motion for reconsideration on September 11, 2020, the Province of Cebu was officially dropped as a party-defendant in the case, on oral motion of plaintiffs. In another order dated November 17, 2021, the Regional Trial Court denied plaintiffs' motion for reconsideration and also granted the motions of the Mines and Geosciences Bureau and the City Government of Naga and dismissed the subject case against them. On January 31, 2022, plaintiffs filed their Notice of Appeal with the Regional Trial Court, appealing the court's latest order to the Court of Appeals. In an order dated April 28, 2022, the Regional Trial Court declared that it will not give due course to plaintiffs' Notice of Appeal on the grounds that it was filed out of time and instructed the entry of judgement and to issue the corresponding certificate of finality. As of December 31, 2022, we are not aware that the plaintiffs have filed a motion for reconsideration, and if the plaintiffs did not file a motion for reconsideration, the decision of the Regional Trial Court will become final, and the case would be closed as to the Parent Company, APO Cement and all government defendants.

If the plaintiffs were to file a motion for reconsideration and such motion is granted by the competent court, allowing the plaintiffs' appeal to proceed, and the Regional Trial Court's order of September 30, 2019 is later reversed on appeal thereby maintaining the inclusion of the Parent Company and APO Cement as private defendants who are solidarily liable with ALQC and a final adverse resolution were to be concluded in this case against the private defendants, plaintiffs will have the option to proceed against any one of ALQC, APO Cement or the Parent Company for satisfaction of the entirety of the potential judgement award, without the need to proceed against any other private defendant beforehand. Thus, ALQC's, APO Cement's or the Parent Company's assets alone could be exposed to execution proceedings.

As at December 31, 2022, at this stage of the overall proceedings and considering all possible defenses that could be available, while we cannot assess with certainty the likelihood of an adverse result in the overall proceedings, we believe a final adverse resolution in the overall proceeding is not probable. However, since we are unable to state definitively at this time what the final outcome of the proceedings will be, we are not able to determine if a final adverse resolution, if any, would have a material adverse impact on the Company's consolidated results of operations, liquidity and financial condition.

NOTE 32 - IMPACTS OF COVID-19

On March 11, 2020, the World Health Organization declared as a pandemic the outbreak of the novel strain of the coronavirus identified in China in late 2019 (the "COVID-19 Pandemic"), due to its rapid spread throughout the world. On March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to the COVID-19 Pandemic which resulted in the imposition of an Enhanced Community Quarantine ("ECQ") throughout Luzon starting midnight of March 16, 2020. The President announced several social distancing measures which were implemented including extension of suspension of school classes in all levels in Metro Manila, prohibition of mass gatherings or events, imposition of community quarantine measures, when necessary, restriction of mass public transport system (MRT, LRT, etc.), and most importantly, suspension of land, domestic air and domestic sea travel to and from the Metro Manila beginning March 15, 2020. While transportation was heavily regulated, on March 19, 2020, the Department of Trade and Industry issued Memorandum Circular No. 20-06 mandating that the movement of all types of cargo should be left unhampered. On March 24, 2020, the Philippine Government enacted Republic Act No. 11469, also known as the Bayanihan Act, to effectively enact measures to address the pressing problems caused by the COVID-19 Pandemic. On March 26, 2020, the Governor of the Province of Cebu announced the implementation of ECQ measures for the entire island of Cebu, effective March 30, 2020. Beginning May 16, 2020, several cities and provinces, including Metro Manila and Cebu City, were placed under modified enhanced community quarantine, while other cities and provinces, including the Province of Rizal and other cities in the Province of Cebu, were placed under general community quarantine.

Consistent with the ECQ implementation in Luzon, the Company initiated steps to temporarily suspend the production of cement products at, and distribution of cement products from, Solid's cement plant in the third week of March 2020. On May 20, 2020, after taking the corresponding measures to fully comply with government regulations, operations at Solid's cement plant were resumed and have been able to operate continuously since then. APO's cement plant has remained operational as of the date of this report in accordance with government regulations and the necessary hygiene and safety measures. Since then, provinces and cities have been placed from time to time under different community quarantine levels with corresponding restrictions, respectively. Subsequent to the recommendations of the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) in its Resolution No. 146-F (s. 2021) dated October 28, 2021, the President of the Philippines issued Executive Order No. 151 dated November 11, 2021 adopting the Alert Level System for all areas of the Philippines through a nationwide roll-out which was designed to allow the reinvigoration of the economy through the opening of more sectors, while protecting the people's health through the continuous observance of public health protocols and interventions and the heightened implementation of lockdowns in smaller areas, also known as granular lockdowns. Restrictions and/or limitations affecting intrazonal and interzonal movement as well as the level of operations and activities undertaken by establishments and persons in areas nationwide were defined depending on the applicable Alert Level Status (ranging from 1 to 5). At any level, minimum public health standards and precautions such as the wearing of face masks and social distancing protocols may be mandated. On December 15, 2021, it was announced that all areas of the Philippines would be under Alert Level 2 until December 31, 2021, then extended to January 15, 2022. Thereafter, due to the surge of the Omicron COVID-19 variant, the Alert Levels in Metro Manila, Cebu City, Cebu Province (including Naga City), and the Province of Rizal (including Antipolo City) were increased to Alert Level 3 beginning on January 16, 2022. The Alert Levels for these areas started to be downgraded at their respective pace in the month of February 2022. The Alert Levels for Metro Manila, Cebu City, and the Province of Rizal (including Antipolo City) have been at Alert Level 1 since March 1, March 16, and April 1, 2022, respectively. The Province of Cebu (including Naga City) has been at Alert Level 2 since March 1, 2022. The National Capital Region (NCR) is under Alert Level 1 effective July 16, 2022 until further notice according to the IATF. Meanwhile, Cebu City has been downgraded to Alert Level 1 effective August 16, 2022, while Cebu Province remains in Alert Level 2. Since October 28, 2022, the wearing of face masks is only mandatory in healthcare facilities, medical transport, and public transportation by land, air or sea. In other settings, wearing of facemasks is voluntary.

The consequences resulting from the COVID-19 Pandemic have negatively affected the Company. For the year ended December 31, 2022, and 2021, additional expenses were incurred by the Company associated with measures designed to address the adverse impact of COVID-19 pandemic amounting to P23 million and P22 million, respectively. These additional expenses were presented under "Other income (expenses) - net" account in the consolidated statements of comprehensive income for the year ended December 31, 2022, and 2021, respectively. The Company implemented, and continues to implement, hygiene protocols in its operations and modified its manufacturing, sales, and delivery processes to implement physical distancing, so as to protect the health and safety of its employees and their families, customers and suppliers, and drastically reduce the possibility of contagion during the COVID-19 Pandemic. It will continue to place emphasis on the use of the CEMEX Go platform for a digital, contactless and/or limited contact experiences for customers, and enable additional online channels to promote engagement, manage communications and facilitate transactions with customers.

NOTE 33 – RUSSIA-UKRAINE CONFLICT

The Company has no exposure to investments in Russia or Ukraine. It currently has no business, investments, customers, or suppliers from any of these countries. However, this event has given rise and may continue to give rise to circumstances with the potential to further cause world trade disruptions and rising prices of basic commodities, including oil and power, among others.

NOTE 34 – SUBSEQUENT EVENT

In March 2023, as part of the voluntary tender offer exercise launched by Cemex Asian South East Corporation (CASEC), CASEC acquired 1,614,000,000 common shares of CHP at the Tender Offer Price of P1.30 with a total transaction price of P2,098,200,000. The cross sales were executed last 29 March 2023. As a result of the tender offer, CASEC owns and controls 12,121,954,662 common shares of CHP (inclusive of the 5 shares held by individuals), which is approximately 89.86% of the issued and outstanding common shares of CHP.

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE A. FINANCIALS ASSETS
December 31, 2022
(Amounts in Thousands)

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued

NOT APPLICABLE

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
December 31, 2022
(Amounts in Thousands)

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period

NOT APPLICABLE

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
December 31, 2022
(Amounts in Thousands)

Name	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	**Balance at end of period**
CEMEX Holdings Philippines, Inc.	P11,779,137	P7,620,897	P4,657,268	P-	P1,927,178	P12,815,588	**P14,742,766**
Cemex Asia Research AG	4,405,188	2,331,948	1,859,719	-	4,877,417	-	**4,877,417**
APO Cement Corporation	1,998,259	202,407	202,527	-	43,139	1,955,000	**1,998,139**
Falcon Re Ltd.	1,723,921	1,057,883	-	-	7,832	2,773,972	**2,781,804**
Bedrock Holdings, Inc.	110,067	-	-	-	450	109,617	**110,067**
Solid Cement Corporation	117,191	539,104	565,775	-	90,520	-	**90,520**
Ecopavements, Inc.	50,185	-	-	-	5,185	45,000	**50,185**
Ecocast Builders, Inc.	12,392	-	-	-	12,392	-	**12,392**
Ecocrete, Inc.	536	19	-	-	555	-	**555**
	P20,196,876	P11,752,258	P7,285,289	P-	P6,964,668	P17,699,177	**P24,663,845**

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE D. LONG TERM DEBT
December 31, 2022
(Amounts in Thousands)

Title of Issue and type of obligation (i)	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Expense	Number of Periodic Installments	Final Maturity Date
Senior Unsecured Peso Term Loan Facility Agreement	BDO Unibank, Inc.	P1,193,958	-	P1,193,958	P421,883 (Fixed rate tranche - as agreed by the parties; Floating rate tranche - based on prevailing market rate plus spread)	28	February 2, 2024
Senior Unsecured Peso Term Loan Facility Agreement	BDO Unibank, Inc.	6,683,750	-	P6,683,750	P63,075 (Floating rate tranche - based on prevailing market rate plus spread)	20	August 4, 2027

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)
December 31, 2022
(Amounts in Thousands)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)

NOTHING TO REPORT

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2022
(Amounts in Thousands)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

NOTHING TO REPORT

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE G. CAPITAL STOCK
December 31, 2022

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by Related Parties[a]	Directors, officers and employees[b]	Others
Common shares	18,310,395,454	13,489,226,623	Not applicable	10,507,954,662	16,815,445	2,964,456,516

(a) As of 31 December 2022, each of the following directors held in his name or for his account one (1) share which is beneficially owned by CEMEX ASIAN SOUTH EAST CORPORATION: Sergio Mauricio Menéndez Medina, Luis Guillermo Franco Carrillo, Antonio Iván Sánchez Ugarte, Francisco Javier García Ruiz de Morales and Jesús Ortiz de la Fuente, respectively.
(b) Employee shares only include shares of CHP held by employees of CHP or its subsidiaries and affiliates which are held pursuant to incentive compensation programs of the Company

R.G. Manabat & Co.
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6787 Ayala Avenue, Makati City
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Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and Board of Directors
CEMEX Holdings Philippines, Inc.
34/F Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue
Brgy. Bel-Air, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of CEMEX Holdings Philippines, Inc. and Subsidiaries (the "Group") as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 17, 2023.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolu ion No. 2161, Transition clause)

KPMG

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

R.G. MANABAT & CO.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 65537-SEC, Group A, valid for five (5) years
covering the audit of 2020 to 2024 financial statements
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-026-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 9563816
Issued January 3, 2023 at Makati City

April 17, 2023
Makati City, Metro Manila

CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

Ratio	Formula	**2022**	2021
Current ratio	Current assets/current liabilities	**0.97:1**	0.94:1
Acid test ratio	(Current assets - inventories)/current liabilities	**0.53:1**	0.70:1
Solvency ratio	(Profit + depreciation and amortization)/total liabilities	**0.04:1**	0.13:1
Debt-to-equity ratio	Total liabilities/total equity	**0.54:1**	0.46:1
Asset-to-equity ratio	Total assets/total equity	**1.54:1**	1.46:1
Interest rate coverage ratio	Operating income before other expenses/interest expense	**5.76:1**	9.80:1
Return on equity	Profit/total equity	**-0.02:1**	0.02:1
Return on assets	Profit/average total assets	**-0.01:1**	0.01:1
Net profit margin	Profit/net sales	**-0.05:1**	0.03:1

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Stockholders and Board of Directors
CEMEX Holdings Philippines, Inc.
34/F Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue
Brgy. Bel-Air, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of CEMEX Holdings Philippines, Inc. (the "Company") and Subsidiaries as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, included in this Form 17-A, and have issued our report thereon dated April 17, 2023.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management. Such additional components include:

- Reconciliation of Retained Earnings Available for Dividend Declaration;
- Map of Group of Companies within which the Group belongs; and
- Supplementary Schedules of Annex 68-J.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 65537-SEC, Group A, valid for five (5) years
covering the audit of 2020 to 2024 financial statements
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-026-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 9563816
Issued January 3, 2023 at Makati City

April 17, 2023
Makati City, Metro Manila

CEMEX HOLDINGS PHILIPPINES, INC.

SCHEDULE OF LISTED COMPANIES WITH A RECENT OFFERING OF SECURITIES TO THE PUBLIC

FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

In 2020, the expected gross and net proceeds as disclosed in the final prospectus dated January 6, 2020 amounted to P12,772.5 million and P12,540.9 million, respectively.

The table below shows the actual gross and net proceeds; each expenditure where the proceeds were used; and the balance of the proceeds as of end of reporting period.

	2022	2021
Gross proceeds	**P–**	P–
Less: Listing and registration fees	**–**	–
Balance of the net proceeds, beginning	**2,210,007,242.00**	3,331,219,781.16
Less: Expenditures for the period ended		
Payments of costs and expenses associated with the plant expansion project	**1,491,957,842.13**	1,121,212,539.16
For other general corporate purposes	**499,685,384.25**	
Total expenditures for the period ended	**1,991,643,226.38**	1,121,212,539.16
Balance of the net proceeds, ending	**P218,364,015.62**	P2,210,007,242.00

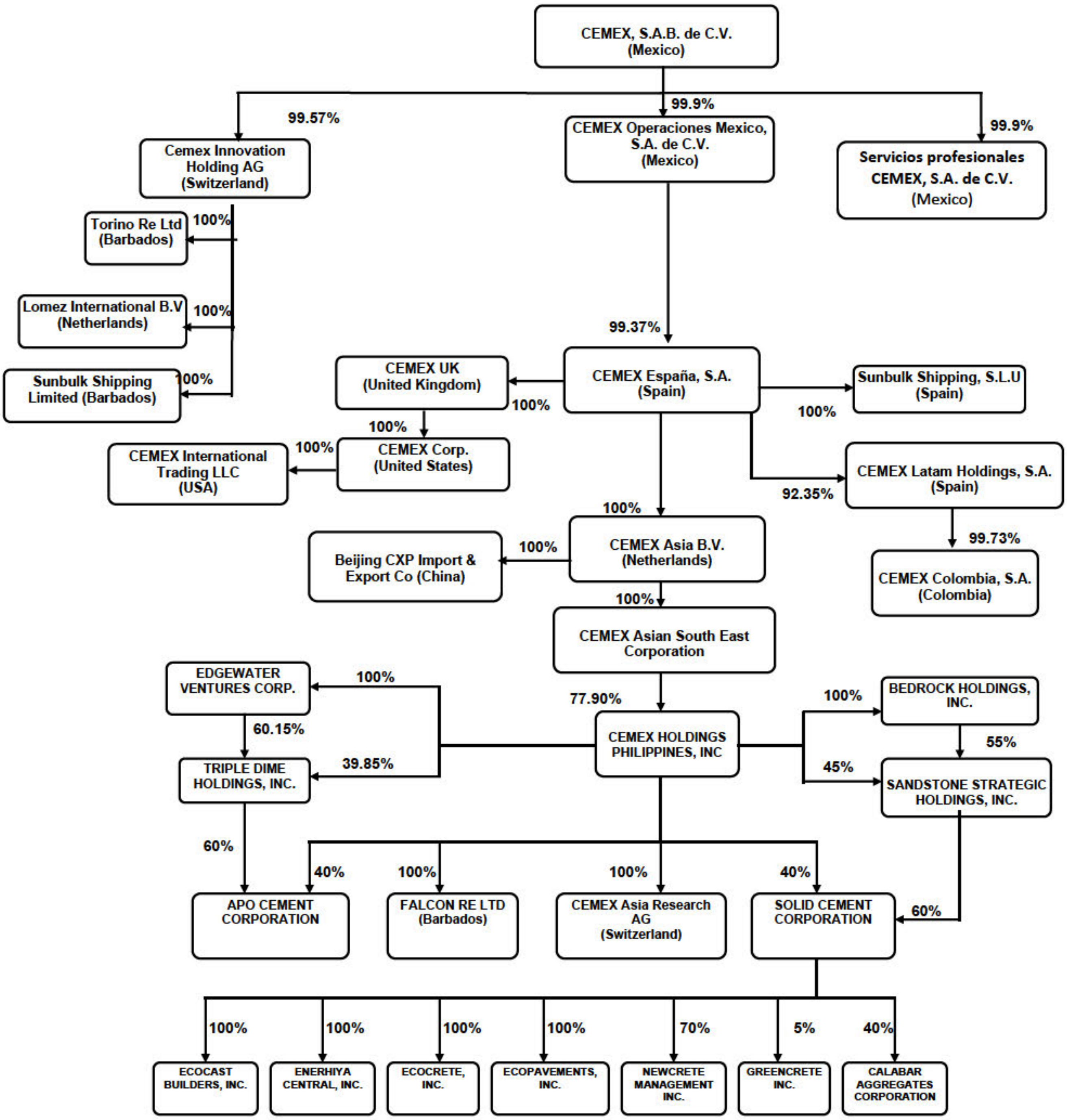
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2022

CEMEX HOLDINGS PHILIPPINES, INC.
34th Floor, Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue, Makati City

Unappropriated Retained Earnings, beginning		**P5,164,753,367**
Adjustments:		
(see adjustments in prior year's Reconciliation)		**(206,728,537)**
Unappropriated Retained Earnings, as adjusted, beginning		**4,958,024,830**
Add: Profit closed to Retained Earnings	2,817,673,505	
Less: Non-actual/unrealized income net of tax		
Unrealized foreign exchange gain - net (except those attributable to cash)	539,615,706	
Recognized deferred tax assets	(126,225,701)	
Profit Actual/Realized		**3,231,063,510**
Unappropriated Retained Earnings, as adjusted, ending		**8,189,088,340**

CEMEX Holdings Philippines, Inc. and Subsidiaries

Map of the Group of Companies Within which the Company Belongs
As at December 31, 2022



Note: The corporate chart provides the organizational and ownership structure as at December 31, 2022 and has been simplified to show the relevant intermediate holding companies of CEMEX, S.A.B. de C.V. ("CEMEX"). The chart shows, for each company, CEMEX's approximate direct, indirect and/or consolidated percentage equity ownership or economic interest.

Audited 2022 *Separate* Financial Statements
(with separate statements of financial position as at December 31, 2022 and 2021, and separate statements of comprehensive income (loss), separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2022 and 2021)

CEMEX HOLDINGS PHILIPPINES, INC.

CEMEX PHILIPPINES

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

The Management of **CEMEX Holdings Philippines, Inc.** (the "Company") is responsible for the preparation and fair presentation of the separate financial statements as at and for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free form material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the separate financial statements and submits the same to the stockholders.

R. G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the separate financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature **SERGIO MAURICIO MENÉNDEZ MEDINA**
Chairman of the Board

Signature **LUIS GUILLERMO FRANCO CARILLO**
President/Chief Executive Officer

Signature **STEVE KUANSHENG WU**
Treasurer/Chief Financial Officer

Signed this 13 day of April 2023

...-**GITIMACIÓN. - YO, JOSÉ BLANCO LOSADA,** Notario de esta Capital y Colegio, **DOY FE:** ——

Que, por cotejo con otras indubitadas, considero legítima la firma y rúbrica que antecede, de Don SERGIO MAURICIO MENÉNDEZ MEDINA, [redacted] puesta en el presente documento redactado en inglés, idioma conocido por mí, el Notario, y extendido en un folio de papel común que numero, reintegro y sello con el de la Notaría.——

En Madrid, trece de abril de dos mil veintitrés.

Libro 1. Asiento 302.——

ESTA PÁGINA NO ESCRITA, QUEDA INHABILITADA PARA SU USO.

PAPEL EXCLUSIVO PARA DOCUMENTOS NOTARIALES

TIMBRE DEL ESTADO

0,15 €

GZ9021190

=FOLIO HABILITADO PARA LEGALIZACIONES POR EL ILUSTRE COLEGIO NOTARIAL DE MADRID=

Este folio ha quedado unido con el sello de este Ilustre Colegio Notarial al Testimonio expedido por
D. José Blanco Losada
Notario de Madrid
el día 13/04/2023

APOSTILLE

(Convention de La Haye du 5 octobre 1961)

1. País: Country / Pays :	ESPAÑA
El presente documento público This public document / Le présent acte public	
2. ha sido firmado por has been signed by / a été signé par	D. José Blanco Losada
3. quien actúa en calidad de acting in the capacity of / agissant en qualité de	NOTARIO
4. y está revestido del sello / timbre de bears the seal / stamp of / est revêtu du sceau / timbre de	SU NOTARÍA
Certificado Certified / Attesté	
5. en at / à MADRID	**6. el día** the / le 13/04/2023
7. por by / par	el Decano del Colegio Notarial de Madrid
8. bajo el número No / sous no	N7201/2023/023335
9. Sello / timbre: Seal / stamp: / Sceau / timbre:	**10. Firma:** Signature: / Signature :
FE PÚBLICA NOTARIAL — CONSEJO GENERAL DEL NOTARIADO ESPAÑOL — NOTARIADO EUROPA — NIHIL PRIUS FIDE — 0286419221	Don Enrique Augusto Franch Quiralte — Firma delegada del Decano

Esta Apostilla certifica únicamente la autenticidad de la firma, la calidad en que el signatario del documento haya actuado y, en su caso, la identidad del sello o timbre del que el documento público esté revestido.

Esta Apostilla no certifica el contenido del documento para el cual se expidió.

[No es válido el uso de esta Apostilla en España]

[Esta Apostilla se puede verificar en la dirección siguiente: https://eregister.justicia.es/]
Código de verificación de la Apostilla:NA:VX1N-HdgG-LhNd-fs9I

This Apostille only certifies the authenticity of the signature and the capacity of the person who has signed the public document, and, where appropriate, the identity of the seal or stamp which the public document bears.

This Apostille does not certify the content of the document for which it was issued.

[This Apostille is not valid for use anywhere within Spain]

[To verify the issuance of this Apostille, see https://eregister.justicia.es/]
Verification Code of the Apostille:NA:VX1N-HdgG-LhNd-fs9I

Cette Apostille atteste uniquement la véracité de la signature, la qualité en laquelle le signataire de l'acte a agi et, le cas échéant, l'identité du sceau ou timbre dont cet acte public est revêtu.

Cette Apostille ne certifie pas le contenu de l'acte pour lequel elle a été émise.

[L'utilisation de cette Apostille n'est pas valable en / au Espagne.]

[Cette Apostille peut être vérifiée à l'adresse suivante https://eregister.justicia.es/]
Code de verification de l'Apostille:NA:VX1N-HdgG-LhNd-fs9I

CEMEX

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR THE SEPARATE FINANCIAL STATEMENTS

The Management of **CEMEX Holdings Philippines, Inc.** (the "Company") is responsible for the preparation and fair presentation of the separate financial statements as at and for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free form material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the separate financial statements and submits the same to the stockholders.

R. G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the separate financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature **SERGIO MAURICIO MENENDEZ MEDINA**
Chairman of the Board

Signature **LUIS GUILLERMO FRANCO CARILLO**
President/Chief Executive Officer

Signature **STEVE KUANSHENG WU**
Treasurer/Chief Financial Officer

Signed this ___ day of April 2023

APR 17 2023

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-01 - UNTIL DEC. 31, 2023
ROLL NO. 68402 / MCLE COMPLIANCE NO. VII-0010138/2-15-2022
IBP O.R No. 002227-LIFETIME MEMBER MAY 5, 2017
PTR No. MKT 9565500- JAN 03, 2023-MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR. JUPITER ST., MAKATI CITY

Doc. no.: 46
Page no.: 31
Book no.: 467
Series of 2023

CEMEX HOLDINGS PHILIPPINES, INC.

SEPARATE FINANCIAL STATEMENTS
December 31, 2022 and 2021

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
CEMEX Holdings Philippines, Inc.
34/F Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue
Brgy. Bel-Air, Makati City

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of CEMEX Holdings Philippines, Inc. (the “Company”), which comprise the separate statements of financial position as at December 31, 2022 and 2021, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2022 and 2021, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

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

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

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

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

Auditors' Responsibilities for the Audit of the Separate financial statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 21 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such information is the responsibility of management. The supplementary has been subjected to the auditing procedures applied in our audits of the basic separate financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic separate financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Enrico E. Baluyut.

R.G. MANABAT & CO.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 65537-SEC, Group A, valid for five (5) years
covering the audit of 2020 to 2024 financial statements
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-026-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 9563816
Issued January 3, 2023 at Makati City

April 17, 2023
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE BUREAU OF INTERNAL REVENUE

The Stockholders and Board of Directors
CEMEX Holdings Philippines, Inc.
34/F Petron Mega Plaza Building
358 Sen. Gil J. Puyat Avenue
Brgy. Bel-Air, Makati City

We have audited the accompanying separate financial statements of CEMEX Holdings Philippines, Inc. (the "Company") as at and for the year ended December 31, 2022, on which we have rendered our report dated April 17, 2023.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

R.G. MANABAT & CO.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 65537-SEC, Group A, valid for five (5) years
covering the audit of 2020 to 2024 financial statements
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April 17, 2023
Makati City, Metro Manila

CEMEX HOLDINGS PHILIPPINES, INC.
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2022**	2021
ASSETS			
Current Assets			
Cash in banks	*4, 16*	**P50,578,618**	P121,537,570
Due from related parties	*5, 16*	**1,929,134,326**	1,955,998,586
Other current accounts receivable	*16*	**8,976,054**	1,270,330
Prepaid expenses and other current assets	*6*	**34,987,583**	59,966,143
Total Current Assets		**2,023,676,581**	2,138,772,629
Noncurrent Assets			
Investments in subsidiaries	*7*	**47,970,254,907**	47,971,178,835
Due from related parties - net of current portion	*5, 16*	**12,815,588,044**	9,825,806,609
Long-term time deposit	*9, 16*	**208,683,943**	-
Deferred income tax assets - net	*15*	**202,574,519**	86,355,299
Other noncurrent asset	*6*	**44,028,006**	43,990,391
Total Noncurrent Assets		**61,241,129,419**	57,927,331,134
		P63,264,806,000	P60,066,103,763
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables	*16*	**P5,972,822**	P3,601,713
Due to related parties	*5, 16*	**7,381,627,298**	5,893,901,357
Accrued expenses and other payables	*8, 16*	**206,171,649**	158,731,577
Current portion of long-term bank loan	*9, 16*	**-**	3,376,905,809
Income tax payable		**5,654,726**	-
Total Current Liabilities		**7,599,426,495**	9,433,140,456
Noncurrent Liabilities			
Long-term bank loan - net of current portion	*9, 16*	**7,723,630,223**	5,515,700,357
Retirement benefits liability	*10*	**145,929,965**	172,202,237
Total Noncurrent Liabilities		**7,869,560,188**	5,687,902,594
Total Liabilities		**15,468,986,683**	15,121,043,050
Equity			
Common stock	*11*	**13,489,226,623**	13,489,226,623
Additional paid-in capital	*11*	**26,217,798,860**	26,217,798,860
Share-based compensation reserve		**34,644,514**	33,562,558
Remeasurement on retirement benefit liability		**41,722,448**	39,719,305
Retained earnings		**8,012,426,872**	5,164,753,367
Total Equity		**47,795,819,317**	44,945,060,713
		P63,264,806,000	P60,066,103,763

See Notes to the Separate Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2022**	2021
SERVICE FEES	*5*	**P413,859,704**	P434,759,453
COST OF SERVICES	*12*	**376,236,095**	395,235,866
GROSS PROFIT		**37,623,609**	39,523,587
OPERATING EXPENSES			
Professional fees		**17,025,923**	12,475,023
Taxes and licenses		**10,674,504**	8,628,340
Advertising and travel expenses		**6,196,569**	550,242
Utilities		**4,275,029**	3,449,733
Insurance		**3,161,640**	2,654,649
Subscription fees		**1,882,096**	570,355
Advisory services		**1,666,379**	1,680,923
Meetings		**1,547,766**	326,535
Outside services		**1,323,475**	3,503,733
Entertainment expenses		**532,746**	88,292
Miscellaneous expenses	*8*	**7,963,773**	1,502,787
		56,249,900	35,430,612
INCOME (LOSS) FROM OPERATIONS		**(18,626,291)**	4,092,975
OTHER INCOME (CHARGES)			
Dividend income	*5, 13*	**3,032,080,000**	1,217,040,000
Interest income	*4, 5*	**1,184,918,378**	978,218,597
Foreign exchange (loss) - net		**(647,405,270)**	(299,029,177)
Financial expense	*5, 9, 16*	**(544,343,396)**	(500,657,169)
Financial expense on retirement benefits	*10*	**(8,282,927)**	(5,726,815)
Other expenses	*14*	**(40,563,751)**	(66,619,274)
		2,976,403,034	1,323,226,162
PROFIT BEFORE INCOME TAX		**2,957,776,743**	1,327,319,137
INCOME TAX EXPENSE	*15*	**110,103,238**	64,181,845
PROFIT		**2,847,673,505**	1,263,137,292
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified subsequently to profit or loss			
Gain on remeasurement on retirement benefit liability, net of tax	*10, 15*	**2,003,143**	8,140,303
TOTAL COMPREHENSIVE INCOME		**P2,849,676,648**	P1,271,277,595

See Notes to the Separate Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC.

SEPARATE STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Note	**Common Stock** (see Note 11)	**Additional Paid-in Capital** (see Note 11)	**Share-based Compensation Reserve**	**Remeasurement on Retirement Benefit Liability**	**Retained Earnings**	**Total Equity**
Balance at January 1, 2021		P13,489,226,623	P26,217,798,860	P30,432,916	P31,579,002	P3,901,616,075	P43,670,653,476
Transactions with Owners of the Company							
Share-based compensation	*5*	-	-	3,129,642	-	-	3,129,642
Total Comprehensive Income for the Year							
Profit		-	-	-	-	1,263,137,292	1,263,137,292
Other Comprehensive Income for the Year							
Gain on remeasurement on retirement benefit liability, net of tax	*10, 15*	-	-	-	8,140,303	-	8,140,303
Total Comprehensive Income		-	-	-	8,140,303	1,263,137,292	1,271,277,595
Balance at December 31, 2021		P13,489,226,623	P26,217,798,860	P33,562,558	P39,719,305	P5,164,753,367	P44,945,060,713
Transactions with Owners of the Company							
Share-based compensation	*5*	**P -**	**P -**	**P1,081,956**	**P -**	**P -**	**P1,081,956**
Total Comprehensive Income for the Year							
Profit		**-**	**-**	**-**	**-**	**2,847,673,505**	**2,847,673,505**
Other Comprehensive Income for the Year							
Gain on remeasurement on retirement benefit liability, net of tax	*10, 15*	**-**	**-**	**-**	**2,003,143**	**-**	**2,003,143**
Total Comprehensive Income		**-**	**-**	**-**	**2,003,143**	**2,847,673,505**	**2,849,676,648**
Balance at December 31, 2022		**P13,489,226,623**	**P26,217,798,860**	**P34,644,514**	**P41,722,448**	**P8,012,426,872**	**P47,795,819,317**

See Notes to the Separate Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC.
SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2022**	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**P2,957,776,743**	P1,327,319,137
Adjustments for:			
Net unrealized foreign exchange loss	*16*	**535,951,190**	298,173,909
Financial expense	*5, 9, 16*	**544,343,396**	500,657,169
Retirement benefit expense	*10*	**20,345,501**	19,159,482
Amortization of transportation allowance		**13,374,106**	11,391,668
Share-based compensation expense	*5*	**1,081,956**	3,129,642
Dividend income	*13*	**(3,032,080,000)**	(1,217,040,000)
Interest income	*4, 5*	**(1,184,918,378)**	(978,218,597)
Operating loss before working capital changes		**(144,125,486)**	(35,427,590)
Decrease (increase) in:			
Due from related parties		**(14,711,783)**	(59,758,645)
Other current accounts receivable		**(7,705,724)**	937,046
Prepaid expenses and other current assets		**(41,451,664)**	(52,960,503)
Increase (decrease) in:			
Trade payables		**2,371,109**	(1,997,106)
Accrued expenses and other payables		**(41,514,941)**	(4,370,780)
Due to related parties		**(25,743,615)**	(23,544,288)
Cash absorbed by operations		**(272,882,104)**	(177,121,866)
Interest received		**76,495,206**	895,970,577
Interest paid	*9*	**(358,915,782)**	(429,167,007)
Income taxes paid		**(26,227,221)**	-
Benefits paid	*10*	**(19,678,405)**	(1,822,730)
Net cash provided by (used in) operating activities		**(601,208,306)**	287,858,974
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		**3,137,704,645**	101,420,000
Loans to related parties	*5*	**(1,989,455,593)**	(1,060,606,200)
Withdrawal (placement) on long-term time deposit	*9*	**(208,683,943)**	302,462,217
Increase in other non-current asset		**(13,411,721)**	(1,814,329)
Collection from loans to related parties		**-**	315,000,000
Net cash provided by (used in) investing activities		**926,153,388**	(343,538,312)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Bank loan	*9*	**6,633,622,084**	-
Loans from related parties	*5*	**1,820,596,700**	1,740,028,338
Payment of:			
Bank loan	*9*	**(7,832,739,284)**	(1,840,122,809)
Related party loan	*5*	**(1,021,048,048)**	-
Net cash used in financing activities		**(399,568,548)**	(100,094,471)

Forward

		Years Ended December 31	
	Note	**2022**	2021
NET DECREASE IN CASH IN BANKS		**(P74,623,466)**	(P155,773,809)
EFFECT OF EXCHANGE RATE CHANGES ON CASH IN BANKS		**3,664,514**	3,990,628
CASH IN BANKS AT BEGINNING OF YEAR		**121,537,570**	273,320,751
CASH IN BANKS AT END OF YEAR	*4*	**P50,578,618**	P121,537,570

See Notes to the Separate Financial Statements.

CEMEX HOLDINGS PHILIPPINES, INC.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Reporting Entity

CEMEX Holdings Philippines, Inc. (the "Company" or "Parent Company"), a subsidiary of CEMEX Asian South East Corporation (CASEC), was incorporated as a stock corporation on September 17, 2015 under Philippine laws primarily to invest in or purchase real or personal property; and to acquire and own, hold, use, sell, assign, transfer, mortgage all kinds of properties such as shares of stock, bonds, debentures, notes, or other securities and obligations; provided that the Company shall not engage either in the stock brokerage business or in the dealership of securities, and in the business of an open-end investment company as defined in Republic Act (RA) No. 2629, *Investment Company Act*.

CASEC was incorporated as a stock corporation on August 25, 2015 under Philippine laws.

On a consolidated group basis, the Company is an indirect subsidiary of CEMEX, S.A.B. de C.V. (CEMEX), a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable*) incorporated in Mexico and with address of its principal executive office at Avenida Ricardo Margáin Zozaya #325, Colonia Valle del Campestre, San Pedro Garza García, Nuevo León, Mexico.

On June 30, 2016, the Philippine Securities and Exchange Commission (SEC) resolved to render effective the Registration Statement of the Company and issued a Certificate of Permit to Offer Securities for Sale in favor of the Company. On July 18, 2016, the Company's initial public offering (IPO) of 2,337,927,954 common shares at P10.75 per share culminated with the listing and trading of shares of the Company on the Main Board of the Philippine Stock Exchange (PSE), resulting in an increase in capital stock of P2,337,927,954 and additional paid-in capital of P21,959,159,068 net of P835,638,484 transaction costs that is accounted for as a reduction in equity. A total of 5,195,395,454 common shares of the Parent Company was initially listed on the PSE.

On April 2, 2019 and October 16, 2019, the Board of Directors and stockholders of the Company, respectively, approved the amendment of the Seventh Article of the Amended Articles of Incorporation of the Company to reflect an increase in the Company's authorized capital stock (ACS) from P5,195,395,454, consisting of 5,195,395,454 common shares with a par value of P1 per share, to P18,310,395,454, consisting of 18,310,395,454 common shares with a par value of P1 per share. In connection with the proposed capital increase, a stock rights offering (SRO) was initiated by the Company for the purpose of raising the equivalent in Philippine Peso of up to US$250,000,000. On December 11, 2019, the SEC issued a Notice of Confirmation of Exempt Transaction, confirming that the SRO is exempt from the registration requirements of the Revised Securities Regulation Code of the Philippines, and the board of directors of the PSE approved the Company's application for listing of the shares to be offered in the SRO, subject to the fulfillment of certain listing conditions, such as but not limited to the Company having obtained the SEC's approval of the increase in its ACS.

On January 6, 2020, the Company defined the final terms of the SRO which would involve 8,293,831,169 common shares to be issued from the increase in the Company's ACS, offered at an offer price of P1.54 per rights share during an offer period from January 20 to 24, 2020. On February 27, 2020, the SEC approved the increase in ACS of the Company from 5,195,395,454 common shares to 18,310,395,454 common shares at P1 par value. The SRO offer period was concluded resulting in the full subscription of 8,293,831,169 common shares.

Post-SRO and in view of the approval from the SEC of the Company's application for increase in ACS, the total number of issued and outstanding shares of the Company totaled 13,489,226,623 common shares at P1 par value per share. On March 4, 2020, the 8,293,831,169 common shares, comprising the rights shares, were listed on the Main Board of the PSE.

Based on the list of stockholders registered with the stock transfer agent of the Company, the Company has 32 and 29 stockholders as at December 31, 2022 and 2021 respectively, with each of PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino) recorded as a stockholder.

The Company's principal office is located at 34 h Floor Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Brgy. Bel-Air, Makati City.

2. Basis of Preparation

Statement of Compliance

The separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

In accordance with Paragraph 4 of PFRS 10, *Consolidated Financial Statements,* the Company prepares consolidated financial statements in which the Company consolidates the financial statements accounts of its subsidiaries. Such consolidated financial statements provide information about the economic activities of the Company and its subsidiaries, with the Company as the parent entity. The consolidated financial statements, which have been prepared in accordance with PFRSs, are available through the Philippine SEC.

The separate financial statements were approved and authorized for issue by the Company's Board of Directors (the "Board") on April 13, 2023.

Basis of Measurement

The separate financial statements have been prepared on a historical cost basis of accounting, except for retirement benefit liability which is measured at the present value of the defined benefit obligation less the fair value of plan assets.

Functional and Presentation Currency

The separate financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, except when otherwise indicated.

<u>Use of Judgments and Estimates</u>
The preparation of separate financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the separate financial statements. The estimates and assumptions used in the accompanying separate financial statements are based on management's evaluation of relevant facts and circumstances as at the reporting date. Actual results may differ from these estimates.

Judgments, estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the operations of the Company.

Determining Whether the Company has Control over its Investee Companies
The Company uses judgment in determining control over its investee companies. The Company controls the entity when it is exposed, or has rights, to variable returns from its involvement with the investee; has the ability to affect those returns through its power over the investee and there is a link between power and returns. Thus, the principle of control sets out the following three elements of control:

- power over the relevant activities of the investee;
- exposure, or rights, to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor's returns.

The Company assessed that it has control over its investee companies and accounts for this investee companies as subsidiaries.

Determination of Whether the Company is Acting as a Principal or an Agent
Determining whether an entity is acting as a principal or as an agent depends on certain facts and circumstances and requires judgment by management. Features that, individually or in combination, indicate that an entity is acting as a principal include:

- the entity is primarily responsible for fulfilling the promise to provide the specified good or service;
- the entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- the entity has discretion in establishing the price for the specified good or service.

An entity is acting as a principal if it controls the promised goods or services before transferring them to the customer. The Company assessed that it is acting as principal on its revenue transactions.

Classifying Financial Instruments
The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement 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 separate statements of financial position.

In addition, classification of financial assets depends on the results of the solely payments of principal and interest test and the business model test. The Company determines the business model at the level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including the risks that affect the performance of the assets and how these are managed. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income (FVOCI) to understand the reason for any disposal prior to maturity and determine whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Financial assets are classified as financial assets at amortized cost or at fair value through profit or loss (FVTPL), debt investment at FVOCI and equity investment at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVTPL or other financial liabilities.

Estimates
The key assumption concerning the future and other key sources of estimation uncertainty as at reporting date that has the most significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year is as follows:

Estimating Realizability of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

The deferred income tax assets include an amount which relates to the carried forward tax losses, excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and other deductible temporary differences to the Company. The carryforward tax losses and excess MCIT over RCIT have an expiration of three years from the taxable year when such tax losses were incurred, except for losses incurred in 2021 and 2022 which have an expiration of five years (see Note 15). Deferred income tax assets were recognized only up to the extent of forecasted taxable income in subsequent periods. Each forecast was based on the Company's past results and future expectations of revenue and expenses. As at December 31, 2022 and 2021, net deferred income tax assets amounted to P202,574,519 and P86,355,299, respectively. As at December 31, 2022 and 2021, the Company has no unused tax losses in which deferred income tax assets have not been recognized (see Note 15).

Assessing the Probability of an Outflow from Legal Proceedings and Provision for Tax Liabilities

Legal Proceedings
Pending legal cases are reviewed continuously to assess whether an outflow of resources has become probable. If the recognition criteria in the Company's policy (see Note 3) are met, then the liability is recognized in the separate statements of financial position in the period in which the probability occurs. Further information about the Company's assessment on its legal proceedings is disclosed in Note 17.

Provision for Tax Liabilities
Also, the Company sets up appropriate provision based on the probable outcome of legal proceedings, including national and local tax investigations, that have arisen in the ordinary course of business. As at December 31, 2022 and 2021, the balance of the provisions for taxes amounted to P5,000,000 and nil, respectively (see Note 8).

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these separate financial statements, except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards
The Company has adopted the following amendments to standards starting January 1, 2022 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements.

- *Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, Provisions, Contingent Liabilities and Contingent Assets).* The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments apply to contracts existing at the date when the amendments are first applied. 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 appropriate. The comparatives are not restated.

- *Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments the following standard relevant to the Company:

  - *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, Financial Instruments).* The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

Amendment to Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Company has not early adopted the following new or amended standards in preparing these separate financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's separate financial statements. The Company will adopt the following new and amendments to standards in their respective effective dates.

Effective January 1, 2023

- *Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors)*:To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1, Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - Requiring companies to disclose their *material* accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective from January 1, 2023. Earlier application is permitted.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, Income Taxes).* The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Effective January 1, 2024

- *Classification of Liabilities as Current or Noncurrent - 2020 amendments and Non-Current Liabilities with Covenants - 2022 amendments (Amendments to* PAS 1, *Presentation of Financial Statements)*. To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

    - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

    - clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

    - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and

    - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  The amendments will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

<u>Financial Instruments</u>
Recognition and Initial Measurement
Financial instruments within the scope of PFRS 9 are recognized in the separate statements of financial position when the Company becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

A financial asset (unless it is a receivable without a financing component) or financial liability is initially measured at fair value. Except for financial instruments classified or designated at FVTPL, the initial measurement of financial assets includes directly attributable transaction costs. A receivable without a significant financing component is initially measured at the transaction price.

Classification and Subsequent Measurement
The Company determines the classification of its financial assets on initial recognition. The Company classifies its financial assets into the following categories: financial assets at amortized cost or at FVTPL, debt investments at FVOCI and equity investments at FVOCI. The classification depends on the Company's business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

As at December 31, 2022 and 2021, the Company has no debt investments at FVOCI and equity investments at FVOCI.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Impairment losses on trade receivables are recognized under selling and distribution expenses. Any gain or loss on derecognition is recognized in profit or loss. Financial assets at amortized cost are classified as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Company's cash in banks, due from related parties, other current accounts receivable and long-term time deposit are included in this category.

Cash in banks is stated at face value which includes accrued interest. Interest income accruing from cash in banks is recognized as part of "Interest income" under "Other Charges - Net" account in the separate statements of comprehensive income.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis. These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business Model Assessment
The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the standard policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets; and
- the frequency, volume and timing of sales of financial assets in prior period, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Classification and Subsequent Measurement - Financial Liabilities
Trade payables, due to related parties, accrued expenses and other payables (excluding advances from customers and liabilities covered by other PFRSs, such as statutory liabilities) and long-term bank loan are recognized initially at fair value, less directly attributable transaction cost and subsequently measured at their amortized cost. Interest accrued on financial instruments is recognized in the separate statements of financial position within “Accounts payable and accrued expenses”, or “Due to related parties” against financial expenses. As at December 31, 2022 and 2021, the Company did not have financial liabilities classified as at FVTPL. Direct costs incurred in debt issuances or borrowings are deducted from the fair value of the financial liability at initial recognition and amortized as interest expense as part of the effective interest rate of each transaction over its maturity. When a loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged against profit or loss. Financial liabilities are classified as current liabilities if the liability is due to be paid within 12 months from the reporting date and the Company has no unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount presented in the separate statements of financial position when, and only when, the Company has an enforceable legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the separate statements of financial position.

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

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

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

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

‘Day 1’ Profit
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a ‘Day 1’ profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the ‘Day 1’ profit amount.

Fair Value Measurement
A number of the Company’s accounting policies and disclosures requires the measurement of fair value for both financial and non-financial assets and liabilities. Fair value is measured as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, the Company 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.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels of the fair value hierarchy based on the inputs used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Investments in Subsidiaries

A subsidiary is an entity in which the Company has control. The Company has control over an investee when it is exposed, or has rights, to variable returns from its involvement with that investee; when it has the ability to affect those returns. An investment in a subsidiary is accounted for at cost, including transaction costs, less impairment losses, if any. The Company recognizes income from the investments when its right to receive dividend is established. The Company accounts for its investments in subsidiaries at cost. When the Company loses control over a subsidiary, any interest retained in the former subsidiary is measured at fair value.

Impairment of Financial Assets

Non-derivative Financial Assets

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when: (1) the borrower is unlikely to pay its obligations to the Company in full, without recourse by the Company to actions such as realizing any collateral; or (2) the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when: i) the debt security has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired Financial Assets
At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of Allowance for ECL in the Separate Statements of Financial Position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written-off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company categorizes a financial asset for write-off when the debtor fails to make contractual payments more than 365 days past due. The Company expects no significant recovery from the amount written-off.

<u>Impairment of Investments in Subsidiaries</u>
The carrying amounts of the Company's investments in subsidiaries are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an investment in a subsidiary is the greater of its fair value less costs of disposal and its value in use. The fair value is the price that would be received to sell the investment or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Value in use is the present value of the future cash flows expected to be derived from the asset. 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.

A previously recognized impairment loss is reversed only if there has been a change in estimate used to determine the recoverable amount of the asset, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in profit or loss.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefit Plan

The Company's net obligation in respect of the retirement benefit plans is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of the retirement benefit liability is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements on retirement benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Company determines the net interest expense (income) on the net retirement benefit liability (asset) for the period by applying the discount rate used to measure the retirement benefit liability at the beginning of the annual period to the then net retirement benefit liability (asset), taking into account any changes in the net retirement benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to retirement benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a retirement benefit plan when the settlement occurs.

Transportation Allowance
The Company grants transportation allowance to “entitled executives” for the purpose of purchasing a motor vehicle and to cover other transportation-related expenses such as, but not limited to, maintenance cost, gasoline, registration expenses and insurance premiums on motor vehicle for a period of five (5) years from the date of grant. The amount paid to executives in respect of the Company’s transportation allowances is recorded as an asset carried at cost (the current portion is part of “Prepaid expenses and other current assets” account, while the noncurrent portion is part of “Other noncurrent assets” account in the separate statements of financial position) and subsequently amortized as an expense over the term of the contract.

Share-based Payment Transactions
The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Share-based payment arrangements in which the Company receives goods or services as consideration for the CEMEX equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

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

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

Provisions and Contingencies
Provisions
A provision is a liability of uncertain timing or amount. It is recognized when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

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

Capital Stock and Additional Paid-in Capital
Common stock is classified as equity. Common stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement, net of any subscription receivable, and is measured at par value. The transaction costs incurred as a necessary part of completing equity transactions are accounted for as a part of that transaction and are deducted from equity, net of related tax benefits. Considerations received in excess of the par value of shares issued are recognized in "Additional paid-in capital" account in the separate statements of financial position.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income (loss), dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

OCI
OCI pertains to items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRSs.

Revenue from Contracts with Customers
The Company recognizes revenue when it transfers control over a product or service to a customer. Revenue is measured based on the consideration specified in the contract with the customer.

The Company's revenue (i.e., service fees) mainly pertains to advisory services provided by the Company to its related parties under mark-up-based contracts. Revenue from such services is recognized based on the work performed for a particular customer and is calculated in accordance with the service agreement. Revenue from such services is also recognized overtime as the services are received and the benefits are consumed by the customer simultaneously.

If the services rendered by the Company exceed payments, a contract asset is recognized. If payments exceed the services rendered, a contract liability is recognized.

Receivables arising from the Company's revenue contracts recognized in "Due from related parties" account in the separate statements of financial position represent the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Other Income
Dividend Income
Dividend income is recognized when the Company's right to receive the payment is established. Dividends received are classified as part of cash flows from operating activities.

Interest
Interest is recognized as it accrues, taking into account the effective yield on the asset, net of final tax.

Miscellaneous Income
Miscellaneous income is recognized when earned.

Cost and Expense Recognition
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are rendered or the expenses are incurred.

Cost of Services
Cost of services includes direct salaries and wages and travel expense directly attributable to the services rendered. This is recognized when the services are rendered or the expenses are incurred.

Operating Expenses
Expenses incurred in the direction and general administration of day-to-day operation of the Company and are generally recognized when the services are rendered or the expenses are incurred.

Foreign Currency Transactions
Foreign currency transactions are recorded in Philippine peso based on exchange rates prevailing at transaction dates. Outstanding foreign currency denominated monetary assets and monetary liabilities are translated to Philippine peso using the prevailing rates at the reporting date. Exchange rate differences arising from the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized in profit or loss in the period in which they arise. Foreign currency gains and losses are reported on a net basis.

Income Taxes
Income tax expense comprises current tax and deferred income tax. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in OCI, in which case it is recognized in equity or in OCI.

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

Deferred Income Tax
Deferred income tax assets and deferred income tax liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and the carryforward tax benefits of unused NOLCO and unused tax credits from the excess of MCIT over RCIT.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of MCIT over RCIT and unused NOLCO, to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized except:

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss;

- and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

The carrying amounts of deferred income tax assets are reviewed at each reporting date. A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of unused NOLCO and unused tax credits from excess MCIT over RCIT can be utilized. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred income tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plan of the Company. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred income tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be utilized.

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

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The income tax effects from an uncertain tax position are recognized when it is not probable that the position will be accepted based on its technical merits and assuming that the tax authorities will examine the uncertain tax treatments and have full knowledge of all relevant information. They are measured by either determining the single most likely amount or the sum of the probability-weighted amounts in a range of possible outcomes depending on which method the Company expects to better predict the resolution of the uncertainty. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset if there is a legally enforceable right to set-off current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, and they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Excess income tax payments are recognized as “Prepaid taxes” under “Prepaid expenses and other current assets” account in the separate statements of financial position and are carried at cost.

VAT

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

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

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of “Prepaid expenses and other current assets” or “Accounts payable and accrued expenses” accounts in the separate statements of financial position.

Events After the Reporting Date

Post year-end events up to the date the separate financial statements are authorized for issue by the Board that provide additional information about the Company’s unconsolidated financial position at the reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

4. Cash in banks

The Company’s cash in banks amounted to P50,578,618 and P121,537,570 as at December 31, 2022 and 2021, respectively. Interest income earned from cash in banks amounted to P146,151 and P751,891 in 2022 and 2021, respectively.

The Company’s exposures to credit and foreign currency risks related to cash in banks are disclosed in Note 16 to the separate financial statements.

5. Related Party Transactions

Related party relationship exists when the other party (i) has control or joint control of the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. A related party relationship is deemed to exist when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and/or operating decisions. Another criteria recognize a related party relationship, whether or not the ability to control exists, if any of the following conditions applies to an entity: (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others, (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member), (iii) both entities are joint ventures of the same third party, (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity, or (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity (if the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity).

The Company has an approval requirement and limits on the amount and extent of related party transactions in compliance with the Revised Securities Regulation Code Rule 68 and the SEC Memorandum Circular 10-2019 - *Rules on Material Related Party Transactions for Publicly-Listed Companies*. Transactions entered into with a related party amounting to 10% or more of the total consolidated assets based on the latest audited consolidated financial statements are considered material. All individually material related party transactions shall be reviewed and evaluated by the Audit Committee and endorsed to the Board for approval. The material related party transaction shall require the approval of at least two-thirds (2/3) votes of the members of the Board, with at least the majority of the independent directors voting to approve the material related party transaction.

For aggregate related party transactions within twelve-month period with the same related party that breaches the materiality threshold, the same review and approval procedures mentioned above is required.

As at December 31, 2022 and 2021, balances of due from/to related parties are detailed as follows:

Receivables - current	**2022**	2021
Parent:		
CASEC[4]	**P2,757,929**	P -
Subsidiaries:		
Solid Cement Corporation (Solid)[7]	**961,049,320**	743,504,999
Falcon Re Ltd. (Falcon)[1]	**887,675,355**	1,121,978,000
APO Cement Corporation (APO)[5]	**76,926,791**	90,323,740
Ecocrete, Inc. (Ecocrete)[4]	**-**	48,197
Other related parties[10]:		
CEMEX Operaciones México, S.A. de C.V. [8]	**724,931**	142,341
APO Land & Quarry Corporation (ALQC)[9]	**-**	1,309
	P1,929,134,326	P1,955,998,586

Receivables - noncurrent	**2022**	2021
Subsidiaries:		
Solid [7]	**P12,239,605,759**	P9,249,824,324
APO [5]	**575,982,285**	575,982,285
	P12,815,588,044	P9,825,806,609

Payables - current	**2022**	2021
Ultimate Parent:		
CEMEX[4]	**P622,810**	P -
Subsidiaries:		
CEMEX Asia Research AG (CAR)[2]	**4,562,882,762**	4,164,377,114
Falcon[1]	**2,781,803,641**	1,723,921,348
Solid[3]	**18,872,927**	5,602,895
APO[6]	**17,409,402**	-
Other related parties[10]		
Cemex Asia Pte. Ltd.	**35,756**	-
	P7,381,627,298	P5,893,901,357

[1]On October 28, 2021, Falcon declared US $24 million dividend to the Company. On July 14, 2022, Falcon declared US $31 million dividend to the Company. The receivable balance refers to unpaid portion of the dividend amounting to P887,675,355 and P1,121,978,000 as at December 31, 2022 and 2021 which is unimpaired, unsecured, noninterest-bearing and shall be collected at any time between the date of resolution and December 31, 2023.

The payable balance pertains to the deposit balance under the agreement between Falcon and the Company, in which Falcon (depositor), may withdraw the deposit balance, including any accrued interest if requested, in its entirety or in part by giving prior notice to the Company at least 30 days prior to said date. The deposits bear interest calculated daily at a rate equal to Western Asset Institutional Liquid Reserve Fund (WAILRF) minus 10 basis points (see Note 16).

[2]The payable balance pertains to the deposit balance under the agreement between CAR and the Company, in which CAR (depositor), may withdraw the deposit balance, including any accrued interest if requested, in its entirety or in part by giving prior notice to the Company at least 30 days prior said date. The deposits bear interest rate at an annual rate equal to Safe Harbour rate issued by Swiss Federal Tax Administration .

On September 22, 2022, CAR declared US $22 million dividend to the Company. On October 14, 2022, the dividend was settled by means of legal compensation against CAR's account receivable under deposit agreement with the Company.

[3]The payable balance includes a) net pension transferred to Solid which is unsecured, noninterest-bearing and due on demand amounting P5,602,895 as at December 31,2021, and b) reimbursable expenses amounting to P18,872,927 and nil as at December 31, 2022 and 2021, respectively, which are unimpaired, unsecured, noninterest-bearing and collect ble upon demand.

[4]Amount pertains to reimbursable expenses which are unimpaired, unsecured, noninterest-bearing and collectible upon demand.

[5]The receivable balance includes a) the balance related to advisory services amounting to P24,271,207 and P20,723,543 as a.t December 31, 2022 and 2021, respectively, which have a 60-day term, unimpaired, noninterest-bearing and unsecured. The term of the agreement is two (2) years subject to renewal by mutual agreement of the parties; b) the balance of nil and P4,222,494 as at December 31, 2022 and 2021 due to pension transferred from APO which is unsecured, noninterest-bearing, unimpaired and due on demand; c) the balance of principal and interest on loan due under the seven-year loan facility agreement between the Company and APO which was entered into on March 3, 2020, covering a principal amount of P2,540,000,000 with an annual interest rate of 11.12%. Balance of principal and interest on loan amounted to P575,982,285 (non-current) and P52,655,584 (current) as at December 31, 2022 and P575,982,285 (non-current) and P65,364,612 (current) as at December 31, 2021, respectively; and d) reimbursable expenses amounting to nil and P13,091 as at December 31, 2022 and 2021, respectively, which are unsecured, noninterest-bearing and due on demand.

[6]The payable balance includes a) pension reimbursement amounting to P17,362,761 and nil as at December 31, 2022 and 2021, respectively, which are noninterest-bearing and unsecured; and b) reimbursable expenses amounting to P46,641 and nil as at December 31, 2022 and 2021, respectively.

[7]The receivable balance includes a) balances related to advisory services amounting to P10,549,455 and P11,583,490 as at December 31, 2022 and 2021, respectively, which have a 60-day term, unimpaired, noninterest-bearing and unsecured. The term of the agreement is two (2) years subject to renewal by mutual agreement of the parties; b) reimbursable expense amounting to nil and P944,988 as at December 31, 2022 and 2021, respectively, which is unimpaired, noninterest-bearing and unsecured; c) net retirement benefit receivable or liability from employee transfers to and from the Company amounting to P13,285,975 and nil as at December 31, 2022 and 2021, respectively, which is unimpaired, noninterest-bearing and unsecured; and d) the balance of principal and interest on loan due under the seven-year loan facility agreement between the Company and Solid which was entered into on March 3, 2020, covering a principal amount of up to P12,725,000,000 with an annual interest rate of 10.02%. Balance of principal loan and interest on loan amounting to P12,239,605,759 (noncurrent) and P937,213,890 (current) as at December 31, 2022 and P9,249,824,324 (noncurrent) and P730,976,521 (current) as at December 31, 2021, respectively.

[8]The balance pertains to fringe benefit tax paid by the Company in relation to the share-based compensation that was claimed as reimbursable expense from CEMEX Operaciones Mexico, S.A. de C.V., which is unsecured, noninterest-bearing, unimpaired and due on demand.

[9]The balance includes a) reimbursable expenses amounting to nil and P1,309 as at December 31, 2022 and December 31, 2021, respectively which is unimpaired, unsecured, noninterest-bearing and due on demand expenses;

[10] Other related parties pertain to entities under common control of CEMEX, except for ALQC.

The reconciliation of opening and closing balances of due to related parties that arise from financing activities follows:

	2022	2021
Balance as at January 1	**P5,888,298,462**	P3,787,853,678
Proceeds from drawdowns	**1,820,596,700**	1,740,028,338
Interest expense	**151,762,354**	56,959,095
Effect of exchange rate changes	**524,604,064**	308,522,537
Payment of principal	**(1,021,048,048)**	-
Others	**(19,527,129)**	(5,065,186)
Balance as at December 31	**P7,344,686,403**	P5,888,298,462

The main transactions entered by the Company with related parties for the years ended December 31, 2022 and 2021 are shown below:

Loans Granted	**2022**	2021
Subsidiaries:		
Solid	**P1,989,455,593**	P1,060,606,200

Proceeds from Deposits	**2022**	2021
Subsidiaries:		
CAR	**P964,270,000**	P724,237,338
Falcon	**856,326,700**	1,015,791,000
	P1,820,596,700	P1,740,028,338

Interest Income	**2022**	2021
Subsidiaries:		
Solid	**P1,119,833,424**	P893,467,914
APO	**64,938,803**	83,998,792
	P1,184,772,227	P977,466,706

Service Fees	**2022**	2021
Subsidiaries:		
APO	**P288,130,068**	P291,864,962
Solid	**125,729,636**	142,894,491
	P413,859,704	P434,759,453

Interest Expense	**2022**	2021
Subsidiaries:		
CAR	**P108,250,502**	P52,860,007
Falcon	**43,511,852**	435
	P151,762,354	P52,860,442

Retirement Liability Transferred from (Receivable Transferred to) Related Parties	**2022**	2021
Subsidiaries:		
Solid	**P13,285,975**	(P5,602,895)
APO	**-**	4,222,494
	P13,285,975	(P1,380,401)

Reimbursable Expenses	**2022**	2021
Subsidiaries:		
APO	**P17,590,503**	P11,915
Solid	**20,780,473**	2,435,174
	P38,370,976	P2,447,089

Dividend Income	**2022**	2021
Subsidiary:		
Falcon (*see Note 13*)	**P1,745,300,000**	P1,217,040,000
CAR	**1,286,780,000**	-
	P3,032,080,000	P1,217,040,000

Transaction with Key Management Personnel	**2022**	2021
Short-term employee benefits	**P206,515,270**	P145,636,424
Long-term employee benefits	**23,714,709**	32,359,324
Share-based compensation	**15,124,079**	9,546,022

As part of CEMEX's share-based compensation programs, a group of the Company's executives participates in the long-term share-based compensation program providing for the grant of CEMEX's CPOs, pursuant to which new CPOs are issued by the ultimate parent company under each annual program over a four (4) year period. By agreement with the executives, the CPOs of the annual grant, which is equivalent to 25% of the CPOs related to each plan, are placed in a trust established for the benefit of the executives to comply with a one (1) year restriction on sale.

Certain executive officers of the Company or its subsidiaries received in 2021 compensation in the form of cash pursuant to the terms of a variable long-term incentive plan approved by the Company's Board of Directors on April 25, 2018 under which the eligible executives are allocated cash amounts (to be released in four annual installments) which shall be used by these executives to purchase a specific number of shares of the Company (CHP shares) from the market.

Under CEMEX's share-based compensation programs, approximately 474,337 CPOs and 6,204,914 CPOs in 2022 and 2021, respectively, were issued to or repurchased for the executives of the Company. As at December 31, 2022 and 2021, associated CPOs are nil and are expected to be purchased in the succeeding years as the Company's executives render services.

Under the Company's variable long-term incentive plan, net shares purchased by the executives were approximately 8,892,162 and 8,256,799 CHP shares in 2022 and 2021, respectively.

The compensation expense related to these programs for the years ended December 31, 2022 and 2021, were approximately P15,124,079 and P9,546,022, respectively, corresponding to the fair value of the number of CEMEX's CPOs at the date of grant. The weighted average fair value, which pertains to the market price of CPOs granted, is 7.81 and 16.42 Mexican Pesos for the years ended December 31, 2022 and 2021, respectively. On the other hand, CHPs weighted average fair value for 2022 is at P0.66. As at December 31, 2022 and 2021, the Company did not have outstanding commitments or options to make cash payments to executives on the exercise date of awards based on changes in CEMEX's or CHP's own stock (intrinsic value).

Terms and Conditions of Transactions with Related Parties
Outstanding balances as at period-end are unsecured and are expected to be settled in cash. There is no impairment on any related party receivables. There are also no guarantees provided for any related party payables.

The Company's exposures to credit risk, foreign currency risk, interest rate risk and liquidity risk related to the outstanding related party balances are disclosed in Note 16 to the separate financial statements.

Transactions with the Retirement Fund
The Company established a retirement plan for its qualified employees. The control and administration of the retirement plan is vested in its Board of Trustees (BOT). The retirement plan's accounting and administrative functions are undertaken by the Bank of the Philippine Islands Asset Management Trust Group (BPI AMTG), the Company's duly appointed trust fund manager.

The Company's funding policy is to contribute to the Plan's fund as required under actuarial principles to maintain the fund in sound condition. In addition, the Company reserves the right to discontinue, suspend or change the rate and amount of its contribution to the fund at any time due to business necessity or economic conditions. The Company has contributions to the retirement fund in 2022 amounting to P37,554,486 and nil in 2021.

There are also no other transactions entered into by the Company with the plan for the year. As at December 31, 2022 and 2021, the fund's unfunded status amounted to P145,929,965 and P172,202,237. The composition of the retirement plan assets is disclosed in Note 10 to the separate financial statements.

6. Prepaid Expenses and Other Current Assets

This account consists of:

	2022	2021
Transportation allowance	**P19,625,961**	P18,609,673
Prepaid employee costs	**9,585,536**	16,939,798
Prepaid taxes	**4,237,489**	23,125,501
Prepaid subscription fees	**1,376,826**	1,182,057
Prepaid insurance	**161,771**	109,114
	P34,987,583	P59,966,143

The noncurrent portion of transportation allowance amounting to P44,028,006 and P43,990,391 as at December 31, 2022 and 2021 is recognized as "Other noncurrent asset" account in the separate statements of financial position.

Prepaid employee costs include advance payments for the rental of residential property for the use of its employees and employees' COVID-19 vaccine.

7. Investments in Subsidiaries

The details of investments in subsidiaries, are as follows:

	Effective Percentage of Ownership	**2022**	Effective Percentage of Ownership	2021
Subsidiaries				
Triple Dime Holdings, Inc. (Triple Dime)	**100%**	**P17,898,216,400**	100%	P17,898,216,400
APO	**100%**	**12,409,217,267**	100%	12,409,217,267
Sandstone Strategic Holdings, Inc. (Sandstone)	**100%**	**8,715,027,617**	100%	8,715,027,617
Solid	**100%**	**6,316,382,707**	100%	6,316,382,707
Edgewater Ventures Corporation (Edgewater)	**100%**	**1,726,783,116**	100%	1,726,783,116
Bedrock Holdings Corporation (Bedrock)	**100%**	**759,519,600**	100%	759,519,600
Falcon	**100%**	**140,380,200**	100%	140,380,200
CAR	**100%**	**4,728,000**	100%	4,728,000
		47,970,254,907		47,970,254,907
Others		**-**		923,928
		P47,970,254,907		P47,971,178,835

The Company holds APO directly (40%) and indirectly (60%), through Edgewater and Triple Dime, and holds Solid directly (40%) and indirectly (60%), through Bedrock and Sandstone.

Following are the information relating to the Company's subsidiaries:

- Triple Dime

  Triple Dime was incorporated as a stock corporation in May 1998 under Philippine laws primarily to invest in real or personal property. Triple Dime's principal office address is located at 34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

- APO

  APO, a subsidiary of Triple Dime, was incorporated as a stock corporation under Philippine laws in December 1961, primarily to engage in the production and marketing of cement. APO is also registered to engage in the generation, supply or sale of power from its own power plant. APO's principal office is in APO Cement Plant Compound, Tina-an, Naga City, Cebu, which is also the location of its production plant.

- Sandstone

  Sandstone was incorporated as a stock corporation in November 1998 under Philippine laws primarily to invest in real or personal property. Sandstone's principal office address is located at 34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

- Solid

  Solid was incorporated as a stock corporation in September 1987 under Philippine laws primarily to engage in the manufacturing, developing, processing, exploiting, purchasing and selling of cement and/or other products derived therefrom. Its production plant is located in Antipolo City, Rizal and its principal office is located at 34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

- Edgewater

  Edgewater was incorporated and registered with the SEC as a stock corporation in April 1998 primarily to invest in real or personal property. Edgewater's principal office address is located at 34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

- Bedrock

  Bedrock was incorporated as a stock corporation in October 1998 under Philippine laws primarily to invest in real or personal property. Bedrock's principal office address is located at 34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

- Falcon

  Falcon is registered under the Companies of Barbados to conduct general insurance business, all risk property insurance, political risks insurance and non-damage business interruption insurance and received its license to operate as an insurance company in July 2016. Falcon acts as a re-insurer to third party insurers of operating subsidiaries of the Company covering property, non-damage business interruption, political risk insurance, professional liability program and cyber risks.

- CAR

  CAR was incorporated as a stock corporation in December 2015 under Switzerland laws, primarily to engage in the ownership, licensing, utilization, management, development, administration, maintenance and protection of intellectual and industrial property rights and of assets derived therefrom for the Asian market. CAR's principal place of business is located at Brügg BE, Switzerland.

Below is the summarized financial information pertaining to the Company's investments in subsidiaries as at and for the years ended December 31, 2022 and 2021:

December 31, 2022	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenue	Profit (Loss)	Total Comprehensive Income (Loss)
			(In Thousands of Peso)				
Triple Dime	**P51,184**	**P7,293,300**	**P35**	**P6**	**P -**	**(P70)**	**(P77)**
APO	**7,134,514**	**13,331,221**	**7,997,589**	**2,539,184**	**14,505,185**	**(525,552)**	**(494,569)**
Sandstone	**165**	**3,984,204**	**110,338**	**-**	**-**	**(97)**	**(97)**
Solid	**3,932,661**	**16,468,328**	**5,440,197**	**14,849,444**	**6,354,670**	**1,161,787**	**(1,152,238)**
Edgewater	**63,246**	**1,419,429**	**265**	**2,762**	**-**	**6,177**	**4,653**
Bedrock	**114,200**	**56,283**	**1,906**	**-**	**-**	**(96)**	**(96)**
Falcon	**964,181**	**2,776,885**	**1,500,569**	**-**	**1,105,220**	**1,152,241**	**1,143,541**
CAR	**5,572**	**-**	**453,599**	**-**	**1,259,426**	**560,921**	**361,557**

December 31, 2021	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenue	Profit (Loss)	Total Comprehensive Income (Loss)
			(In Thousands of Peso)				
Triple Dime	P51,316	P7,293,300	P97	P -	P -	(P80)	(P80)
APO	6,799,431	10,815,128	5,476,202	1,714,826	14,509,611	367,556	388,121
Sandstone	187	3,984,204	110,264	-	-	(98)	(98)
Solid	3,181,153	14,014,450	6,072,082	9,859,935	7,121,305	(376,215)	(355,772)
Edgewater	57,121	1,419,429	105	1,449	-	3,177	2,493
Bedrock	114,293	56,283	1,904	-	-	(96)	(96)
Falcon	2,514,180	1,725,127	1,677,737	-	994,050	990,017	990,017
CAR	5,618,974	-	181,856	-	1,278,527	457,579	258,277

8. Accrued Expenses and Other Payables

This account consists of:

	Note	**2022**	2021
Salaries and wages and other employee benefits		**P97,044,210**	P79,228,855
Accrued interest on bank loan	*9*	**65,298,281**	61,774,278
Taxes payable		**36,092,764**	15,891,470
Accrued professional fees		**2,098,773**	1,667,243
Others		**5,637,621**	169,731
		P206,171,649	P158,731,577

In 2022, the Company recognized provision for taxes amounting to P5,000,000. The amount is recognized as “Others” under the “Accrued expenses and others payable” account in the separate statements of financial position and under in the “Miscellaneous expenses” account in the separate statement of comprehensive income.

The Company’s exposure to liquidity risk arising from accrued expenses and other payables is disclosed in Note 16 to the separate financial statements.

9. Long-term Bank Loan

On February 1, 2017, the Company signed a Senior Unsecured Peso Term Loan Facility Agreement (Facility Agreement) with BDO-Unibank, Inc. for an amount of up to the Philippine Peso equivalent of 280 million U.S. dollars to refinance a majority of the Company’s outstanding long-term loan with New Sunward Holding B.V. The term loan provided by BDO has a tenor of seven (7) years from the date of the initial drawdown on the facility and consists of a fixed rate and a floating rate tranche based on market rates plus spread. Short-term portion of the bank loan amounted to nil and P3,376,905,809 as of December 31, 2022 and 2021, respectively.

The reconciliation of opening and closing balances of debt issuance cost deducted from total loan liability as at December 31, 2022 and 2021:

	2022	2021
Unamortized debt issue cost	**P180,684,676**	P180,684,676
Amortization of debt issue cost:		
Beginning balance	**126,593,190**	100,629,278
Debt issuance cost due to loan restructuring	**(50,128,128)**	-
Amortization during the year	**30,141,257**	25,963,912
Ending balance	**106,606,319**	126,593,190
Unamortized balance as at December 31	**P74,078,357**	P54,091,486

Interest expense incurred in 2022 and 2021, excluding amortized direct cost, amounted to P362,439,785 and P421,832,815, respectively, which is recognized as part of "Financial expense" under "Other Income (Charges)" account in the separate statements of comprehensive income.

The Facility Agreement also provides certain covenants. Compliance with these covenants shall be tested semi-annually. On December 8, 2017, the Company entered into a Supplemental Agreement to the Facility Agreement with BDO pursuant to which, more notably, it was agreed that:

- the commencement date for compliance with the aforementioned financial covenants under the Facility Agreement would be in June 2020;
- debt service reserve accounts were created; and
- additional debt incurrence restrictions be put in place.

One of these debt incurrence restrictions agreed is based on a financial ratio that measures, on a consolidated basis, the Company's ability to cover its interest expense using its Operating EBITDA (interest coverage ratio) and is measured by dividing Operating EBITDA by the financial expense for the last twelve months as of the calculation date. Operating EBITDA equals operating income before other income, net plus depreciation and amortization. On December 14, 2018, the Company entered into another Supplemental Agreement to the Facility Agreement that provides an option, only for certain potential events of default under the Facility Agreement, for the Company's ultimate parent company, CEMEX, or any affiliate of CEMEX which is not a direct or indirect subsidiary of the Company, to pay all amounts outstanding under the Facility Agreement before they become due and payable prior to their maturity in certain events.

On May 15, 2019, the Company signed an Amendment to the Facility and Supplemental Agreements with BDO mainly to:

- conform the Facility Agreement with certain changes required due to PFRS 16 entering into effect;
- exclude from financial covenants in the Facility Agreement any principal and interest from certain subordinated loans and advances incurred in relation with the new cement line being built by Solid that have been made or are to be made to the Company by any subsidiary of CEMEX; and
- allow for certain loans taken by the Company with any CEMEX subsidiary to be paid with the proceeds from any equity fundraising activity of the Parent Company without having to pay a prepayment fee to BDO under the Facility Agreement.

On June 30, 2020, the Company entered into an agreement with BDO to further amend the Facility Agreement, which provides compliance with certain financial covenants to commence at the later date of June 30, 2021.

On July 28, 2022, the Company signed a facility agreement with BDO for a 5-year senior unsecured term loan for a principal amount of up to P6.69 billion (the “2022 BDO Refinancing Facility Agreement”). The proceeds of the loan to be extended pursuant to the 2022 Facility Agreement will be used to repay approximately P6.68 billion of outstanding indebtedness under the facility agreement dated February 1, 2017 (as amended and supplemented, the "2017 Facility Agreement") between the Company, as borrower, APO and Solid, as assignors, and BDO, as lender. Following this repayment, approximately P1.11 billion principal amount maturing in February 2024 will remain outstanding under the 2017 Facility Agreement. The main terms and conditions of the 2022 Facility Agreement are summarized as follows: final maturity in August 2027; interest on the loan will accrue at a floating rate; the loan will amortize in quarterly payments beginning in November 2024; and financial and non-financial covenants under the 2022 Facility Agreement are substantially similar to those under the 2017 Facility Agreement.

On December 16, 2022, BDO has approved the request to waive the Parent Company’s compliance with the covenants for a two-year period beginning December 31, 2022, subject to maintenance of a Debt Service Reserve Account with funding balance equivalent to 2 quarters’ worth of forward looking debt service (principal and interest, depending on the period covered).

Debt service reserve account related to the Company’s bank loan amounted to P208,683,943 and nil as at December 31, 2022 and 2021, respectively, and is recognized under “Long-term time deposit” account in the separate statements of financial position.

As at December 31, 2022, the Company is in compliance with the applicable restrictions and covenants of the Facility Agreement.

The reconciliation of opening and closing balances of bank loan follows:

	Bank Loan	Accrued Interest	Total
Balance as at December 31, 2020	P10,706,765,063	P69,108,470	P10,775,873,533
Interest expense	25,963,912	421,832,815	447,796,727
Payment of:			
Principal	(1,840,122,809)	-	(1,840,122,809)
Interest	-	(429,167,007)	(429,167,007)
Balance as at December 31, 2021	8,892,606,166	61,774,278	8,954,380,444
Additional loan	6,633,622,084	-	6,633,622,084
Interest expense	30,141,257	362,439,785	392,581,042
Payment of:			
Principal	(7,832,739,284)	-	(7,832,739,284)
Interest	-	(358,915,782)	(358,915,782)
Balance as at December 31, 2022	**P7,723,630,223**	**P65,298,281**	**P7,788,928,504**

Accrued interest from this bank loan amounting to P65,298,281 and P61,774,278 as at December 31, 2022 and 2021, respectively, are recognized under “Accrued expenses and other payables” account in the separate statements of financial position.

The Company’s exposures to liquidity risk and interest rate risk arising from its bank loan are disclosed in Note 16 to the separate financial statements.

10. Retirement Benefit Liability

The Company has a funded, noncontributory, defined benefit retirement plan covering substantially all of its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date was made on December 29, 2022. Valuations are obtained on a quarterly basis.

The retirement plan of the Company entitled a regular and permanent employee to avail of the "Normal Retirement, Early Retirement and Late Retirement Benefit" and "Voluntary Separation Benefit". In addition, the retirement plan also provides "Total and Permanent Disability and Death Benefit" for the qualified employees and beneficiaries.

Normal Retirement, Early Retirement and Late Retirement
The total benefit that will be received by a retired non-union member employee and a union member (**) employee is based on his final plan salary and years of service (YOS), which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit*
20 and Below	100% of the plan salary for every year of credited service
Above 20 and below 26	119% of the plan salary for every year of credited service
26 and above	139% of the plan salary for every year of credited service

**covering Normal, Early and Late Retirement*
***for YOS rendered before January 1, 2011*

The following retirement benefit formula table applies to a union member employee for services rendered on or after January 1, 2011:

YOS	Retirement Benefit*
20 and Below	110% of the plan salary for every year of credited service
Above 20 and below 26	130% of the plan salary for every year of credited service
26 and above	150% of the plan salary for every year of credited service

**covering Normal, Early and Late Retirement*

An employee may be entitled only to an early retirement benefit provided that he reached the age of fifty-five (55) and has completed at least ten (10) years of credited service, subject to the consent of the Company. The late retirement may be availed only beyond age sixty (60) but not beyond sixty-five (65), on a case-to-case and yearly extension basis and subject to the consent of the Company.

Voluntary Separation
The total benefit that will be received by a retired employee is based on his final salary and YOS, which is summarized on the retirement benefit formula table below:

YOS	Retirement Benefit
10 to less than 16	79% of the plan salary for every year of credited service
16 to less than 21	99% of the plan salary for every year of credited service
21 to less than 26	119% of the plan salary for every year of credited service
26 and above	139% of the plan salary for every year of credited service

Total and Permanent Disability and Death Benefit
In the event that a qualified employee dies or is required by the Company to retire due to total and permanent disability, his benefit should be equal to an amount based on the retirement benefit formula. In the case of disability, the employee should have completed at least three (3) years of credited service.

The plan is registered with the Bureau of Internal Revenue (BIR) as tax-qualified plan under RA No. 4917, as Amended. The control and administration of the retirement plan is vested in its BOT. The retirement plan's accounting and administrative functions are undertaken by BPI AMTG, and its duly appointed trust fund manager.

a) *Movement in Retirement Benefit Liability*

The following table shows reconciliation from the opening balances to the closing balances for retirement benefit liability and its components as at December 31:

		Present Value of Defined Benefit Obligation		**Fair Value of Plan Assets**		**Retirement Benefit Liability**	
	Note	**2022**	2021	**2022**	2021	**2022**	2021
				In Thousands of Peso			
Balance at January 1		**P194,517**	P186,027	**(P22,315)**	(P21,935)	**P172,202**	P164,092
Included in Profit or Loss							
Service costs:							
Current service cost		**12,062**	13,433	**-**	-	**12,062**	13,433
Interest cost, net		**9,056**	6,379	**(773)**	(652)	**8,283**	5,727
		21,118	19,812	**(773)**	(652)	**20,345**	19,160
Included in OCI							
Actuarial loss (gain) from:							
Change in financial assumptions		**(22,458)**	(25,589)	**-**	-	**(22,458)**	(25,589)
Change in demographic assumption		**-**	(2,694)	**-**	-	**-**	(2,694)
Experience adjustments		**18,259**	20,164	**-**	-	**18,259**	20,164
Return on plan assets excluding interest income		**-**	-	**1,528**	272	**1,528**	272
		(4,199)	(8,119)	**1,528**	272	**(2,671)**	(7,847)
Others							
Benefits paid		**(19,678)**	(1,823)	**-**	-	**(19,678)**	(1,823)
Actual contributions		**-**	-	**(37,554)**	-	**(37,554)**	-
Net acquired obligation	*5*	**13,286**	(1,380)	**-**	-	**13,286**	(1,380)
		(6,392)	(3,203)	**(37,554)**	-	**(43,946)**	(3,203)
Balance at December 31		**P205,044**	P194,517	**(P59,114)**	(P22,315)	**P145,930**	P172,202

The Company acquired employees from Solid in 2022 and transferred and acquired employees from Solid and APO in 2021. The transactions resulted to net acquired (transferred) obligation of P13,285,975 and (P1,380,401) in 2022 and 2021, respectively (see Note 5).

b) Plan Assets

As at December 31, plan assets consisted of the following:

	2022	2021
Unit Investment Trust Fund (UITF):		
Equities	**P1,984,736**	P6,898,704
Fixed income	**797,752**	1,136,210
Money market	**2,923,193**	895,919
Government securities	**16,186,421**	4,211,622
Deposits	**30,046,193**	8,248,344
Mutual funds	**2,177,798**	1,211,422
Debt instruments	**4,872,865**	231,322
Trustee Fee	**(12,843)**	(565,212)
Others	**138,034**	46,592
	P59,114,149	P22,314,923

The Domestic Fixed Income portfolio of the account holds government securities and corporate bonds. The portfolio is benchmarked against BPI Government Bond Index.

Government securities, categorized under direct securities, are debt obligations from the Philippine government that are denominated in local currency. Such securities are risk free because of extremely low probability that the government will default in its own debt.

Local and foreign currency debt instruments are financial instruments issued by the government or corporate entity in the domicile or country of origin. Local currency and foreign currency time deposits were made to a reputable bank.

The portfolio also holds several unit investment trust funds (UITFs). Domestic Equity UITF investments are placed in a concentrated portfolio of stocks listed in the PSE which are generally invested in holding firms, industrial companies, financial institutions, mining and real estate corporations. Global Equity UITF investments are invested in diversified portfolio of global equity collective investment schemes with the goal of long-term capital growth. Domestic Fixed Income and Domestic USD Fixed Income UITF investments are placed mainly in portfolio of bonds and other similar fixed-income securities, with weighted average term to maturity and denomination that varies depending on the strategy of the fund and the market outlook. Money Market UITF investments are derived from a diversified portfolio of primarily short-term fixed income instruments, such as time deposits, government and corporate bonds with a maturity profile of less than one year.

Aside from UITFs, the portfolio is likewise invested in mutual funds and exchange traded funds (ETFs). Global Fixed Income mutual funds are invested in investment grade bonds denominated in major world currencies, with an average duration of the fund which will vary depending on the strategy and market outlook of the fund manager. Global Equity ETFs are invested in selected stocks which are actively traded in globally developed markets.

The BOT reviews the level of funding required for the retirement fund with inputs from the Company's accredited actuary. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The objective of BPI AMTC is to manage the portfolio in accordance with the objectives set forth by both the Company and BPI AMTC, and to be able to provide and fund benefits as they fall due.

c) *Defined Benefit Obligation*

(i) *Assumptions*

The principal actuarial assumptions, at the reporting date, used to determine the retirement benefits are as follows (expressed as weighted averages):

	2022	2021
Discount rate	**7.27%**	4.81%
Future salary growth	**4.30%**	3.60%

The following are the turnover rate assumption in 2022:

Age	**2022**	2021
18 - 29	**12 to <21**	12 to <21
30 - 34	**10 to <12**	10 to <12
35 - 37	**8 to <10**	8 to <10
38 - 41	**7 to <8**	7 to <8
42 - 53	**6 to <7**	6 to <7
54 - 59	**1 to <6**	1 to <6

Mortality rates in 2022 and 2021 are based on the "2017 Philippine Intercompany Mortality Table" from the Actuarial Society of the Philippines. Disability rate is based on "1952 Disability Study, Period 2, Benefit 5".

Sensitivity Analysis
Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as at December 31 by the amounts shown below:

	2022		2021	
	Increase	**Decrease**	Increase	Decrease
Discount rate (0.5% movement)	**(P5,923,343)**	**P6,215,116**	(P6,503,819)	P6,858,700
Future salary increase rate (0.5% movement)	**6,854,637**	**(6,579,817)**	7,364,786	(7,038,318)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

Maturity Analysis
Maturity analysis of the benefit follow:

	Carrying Amount	**Contractual Cash Flows**	**Within >1 Year**	**Within 1 - 5 Years**	**More than 5 Years**
2022	**P205,044,114**	**P552,350,002**	**P15,735,100**	**P105,012,114**	**P431,602,789**
2021	P194,517,160	P468,161,328	P12,492,892	P82,462,560	P373,205,876

As at December 31, 2022 and 2021, the weighted average duration in years of the defined benefit obligation is both 13 years.

Based on the latest study, the Company does not expect to contribute to its retirement benefit plan in 2023, subject, however to changes on any relevant actuarial assumptions or imminent impact from actuarial risks.

d) Retirement Benefit Expense

Retirement benefit expense is recognized in the following line items in the separate statements of comprehensive income:

	Note	**2022**	2021
Cost of services	*12*	**P12,062,574**	P13,432,667
Financial expense on retirement benefits		**8,282,927**	5,726,815
		P20,345,501	P19,159,482

11. Stockholders' Equity

As at December 31, 2022 and 2021, information on the Company's common stock is summarized as follows:

	Number of Shares	**Amount**
Authorized - P1.00 par value per share	**18,310,395,454**	**P18,310,395,454**
Paid, Issued and Outstanding shares	**13,489,226,623**	**P13,489,226,623**
Total Common Stock	**13,489,226,623**	**P13,489,226,623**

On September 17, 2015, CASEC subscribed to 376,000 shares of stock of the Company at P100 par value. Of the agreed subscription price of P37,600,000, only P9,400,000 was paid in 2015 while the remainder of P28,200,000 was paid in 2016. In 2016, the Company's Board approved the amendment of articles of incorporation and increase in the authorized capital stock of the Company (ACS) from P150,400,000 divided into 1,504,000 common shares with par value of P100 per share, to P5,195,395,454 divided into 5,195,395,454 common shares with par value of P1 per share.

On May 20, 2016, the SEC approved the Company's application for the amendment of articles of incorporation and increase in its ACS. Accordingly, the original subscription of CASEC changed from 376,000 common shares with par value of P100 per share to 37,600,000 common shares with par value of P1 per share. Furthermore, in connection with the increase in authorized capital stock, CASEC subscribed to an additional 2,819,867,500 shares at P1 par value per share or a total par value of P2,819,867,500 of which was fully paid. During the IPO, which culminated in the listing of all of the outstanding shares of stock of the Company on July 18, 2016, the Company issued additional 2,337,927,954 shares at P1 par value per share or a total par value of P2,337,927,954 at the offer price of P10.75 per share (see Note 1).

The Board and stockholders of the Company approved on April 2, 2019 and October 16, 2019, respectively, the amendment of the Seventh Article of the Amended Articles of Incorporation of the Company, to reflect an increase in the Company's ACS from P5,195,395,454, consisting of 5,195,395,454 common shares with a par value of P1 per share, to P18,310,395,454, consisting of 18,310,395,454 common shares with a par value of P1 per share.

In connection with the proposed ACS increase, the Company's Board on September 3, 2019 approved to conduct an SRO of up to U$250 Million. The shares subject of the SRO will come from an increase in the Company's ACS.

On December 11, 2019, the SEC issued a Notice of Confirmation of Exempt Transaction, confirming that the SRO is exempt from the registration requirements of the Revised Securities Regulation Code of the Philippines, and the board of directors of the PSE approved the Company's application for listing of the shares to be offered in the SRO, subject to the fulfillment of certain listing conditions, such as but not limited to Company having obtained the SEC's approval of the increase in its ACS.

On January 6, 2020, the Company defined the final terms of the SRO which would involve 8,293,831,169 common shares which would be sourced from the increase in the Company's ACS, offered at an offer price of Php 1.54 per rights share during an offer period from January 20 to 24, 2020. The SRO offer period was concluded resulting in the full subscription of 8,293,831,169 common shares. Post-SRO and in view of the approval from the SEC of the Company's application for increase of authorized capital stock, the total number of issued and outstanding shares of the Company is 13,489,226,623 common shares.

On February 27, 2020, the SEC approved the Company's application for amendment of articles of incorporation and increase in ACS and on March 4, 2020, 8,293,831,169 common shares, comprising the Rights Shares, were listed under the Main Board of the Exchange. After the SRO and the approval by the SEC of the Company's application for increase in ACS, the Company's issued and outstanding shares totaled 13,489,226,623 common shares at P1 par value per share or a total par value of P13,489,227.

As of December 31, 2020, the shareholdings in the Company owned by CASEC was 10,500,624,662 common shares, which corresponded to approximately 77.84% of the total issued and outstanding capital stock of the Company. CASEC increased its shareholdings in the Company to 10,507,954,662 common shares at P1 par value per share as at December 31, 2022.

In 2020, the total proceeds from the issuance of common stock amounted to P12,772,500,000 which resulted in the increase in common stock and additional paid-in capital (APIC) by P8,293,831,169 and P4,478,668,831, respectively. Total cost related to the SRO amounted to P224,319,548, of which P220,029,039 direct share issuance cost was charged as reduction against APIC, while the remaining portion of the total cost amounting to P4,290,509 was recognized under "Outside services" account in "Operating Expenses" in the separate statements of comprehensive income.

12. Cost of Services

This account consists of:

	Note	**2022**	2021
Salaries and allowances		**P364,173,521**	P381,803,199
Retirement benefit expense	*10*	**12,062,574**	13,432,667
		P376,236,095	P395,235,866

13. Dividend Income

On October 28, 2021, Falcon Re Ltd declared dividends to the Company amounting to US dollar $24 million or P1,217,040,000. On July 14, 2022, Falcon Re Ltd declared dividends to the Company amounting to US dollar $31 million or P1,745,300,000.

On September 22, 2022, CAR declared dividends amounting to US $22 million or P1,286,780,000 to the Company.

For the years ended December 31, 2022 and 2021, the dividend income amounted to P1,745,300,000 and P1,217,040,000 from Falcon and P1,286,780,000 and nil from CAR, respectively.

14. Other Expenses

Other expenses for the years ended December 31, 2022 and 2021 are detailed as follows:

		2022	2021
Bank charges		**P33,555,181**	P66,241,843
COVID-19 related expenses	*18*	**7,008,570**	287,431
Other expenses		**-**	90,000
		P40,563,751	P66,619,274

COVID-19 related expenses include sanitation supplies, financial assistance and employee transportation cost.

15. Income Taxes

Income tax expense for the years ended December 31, 2022 and 2021 are presented below:

	2022	2021
Current income tax	**P236,328,939**	P21,143,955
Adjustments in current tax recognized for the prior period	**-**	(3,889,842)
Total current tax expense	**P236,328,939**	17,254,113
Origination and reversal of temporary differences	**(126,225,701)**	24,578,141
Adjustments in deferred tax due to changes in tax rates	**-**	22,349,591
Total deferred tax expense	**(126,225,701)**	46,927,732
Total income tax expense	**P110,103,238**	P64,181,845

For the years ended December 31, 2022 and 2021, the income tax effects of the temporary differences that resulted in deferred income tax assets - net are presented below:

2022	Balance at January 1	Recognized in Profit or Loss	Charged to Prepayments	Recognized in OCI	Balance at December 31
Unrealized foreign exchan loss (gain)	**P18,735,460**	**P133,965,220**	**P -**	**P -**	**152,700,680**
Accrued retirement benefit expense	**41,925,386**	**(3,486,142)**	**-**	**(P667,713)**	**P37,771,531**
MCIT	**9,338,768**	**-**	**(9,338,768)**	**-**	**-**
Accrued documentary stamp tax	**541,228**	**(8,952,797)**	**-**	**-**	**(8,411,569)**
Other items*	**15,814,457**	**4,699,420**	**-**	**-**	**20,513,877**
	P86,355,299	**P126,225,701**	**(P9,338,768)**	**(P667,713)**	**P202,574,519**

**Majority of other items pertains to accruals related to compensation.*

2021	Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31
Accrued retirement benefit expense	P47,463,303	(P5,832,005)	P294,089	P41,925,387
Unrealized foreign exchange loss (gain)	(66,969,621)	85,705,081	-	18,735,460
MCIT	34,372,565	(25,033,797)	-	9,338,768
Accrued documentary stamp tax	(3,621,994)	4,163,222	-	541,228
NOLCO	104,831,335	(104,831,335)	-	-
Other items*	16,913,354	(1,098,898)	-	15,814,456
	P132,988,942	(P46,927,732)	P294,089	P86,355,299

**Majority of other items pertains to accruals related to compensation.*
The remeasurement in DTA/DTL arising from the change in income tax rates that was recognized in OCI amounted to (P2,255,643).

As at December 31, 2022, the Company does not have NOLCO that can be claimed as deductions from future taxable income.

As at December 31, 2022, the Company's MCIT credits that can be applied as credits against future RCIT liabilities, if any, are as follows:

Year Incurred	Valid Until	Amount	Additions During the Year	Expired/Utilized During the Year	Ending Balance
2021	December 31, 2024	P9,338,768	P -	(P9,338,768)	P -

The reconciliation of the income tax expense computed at statutory income tax rate to the income tax expense shown in the separate statements of comprehensive income follows:

	2022	2021
Profit before income tax	**P2,957,776,743**	P1,327,319,137
Income tax rate at 25%	**P739,444,185**	P331,829,784
Additions to (reductions in) income tax resulting from the tax effects of:		
Non-creditable withholding tax on dividend from CAR	**128,678,000**	-
Nondeductible expenses	**1,071**	254,518
Non-taxable dividend income	**(758,020,000)**	(304,260,000)
Interest income subjected to final tax	**(18)**	(187,973)
Adjustments in current and deferred tax due to changes in tax rates	**-**	18,459,749
Changes in unrecognized deferred income tax assets	**-**	18,085,767
	P110,103,238	P64,181,845

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company:

a) Regular corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5,000 and with total assets not exceeding P100,000. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.
b) Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.
c) The imposition of improperly accumulated earnings tax has been repealed.
d) Definition of reorganization for purposes of applying the tax-free exchange provision under Section 40(C)(2) is expanded. Prior BIR ruling or confirmation shall not be required for purposes of availing the tax exemption of the exchange.
e) VAT exemption on importation and VAT zero-rating on local purchases shall only apply to goods and services directly and exclusively used in the registered project or activity by a registered business enterprise (RBE).
f) For investments prior to effectivity of CREATE: RBEs granted only an ITH - continue with the availment of the ITH for the remaining period of the ITH. RBEs granted an ITH + 5% Gross Income Tax (GIT) or currently enjoying 5% GIT - allowed to avail of the 5% GIT for 10 years.

The impact of CREATE Act was taken as a non-adjusting subsequent event as at December 31, 2020 since CREATE Act was not yet enacted or substantively enacted as of such date. Thus, the current and deferred income taxes were measured using the old income tax rates as at December 31, 2020. Further, the difference of the provision for current income tax in the separate financial statements from the amount of income tax due reflected in the income tax returns and the remeasurement of deferred tax assets and liabilities using the new tax rates were taken up as an adjustment in the separate statements of comprehensive income in 2021.

The regular corporate income tax rate of the Company was lowered from 30% to 25%, effective July 1, 2020. Using the rate under the CREATE Act, the Company remeasured its “Deferred income tax assets - net” account by P22,349,591. The Company also has reduction in current income tax expense amounted to P3,889,842.

16. Financial Risk and Capital Management Objectives and Policies

This note presents information on the financial risk exposure of the Company relating to credit risk, foreign currency risk and liquidity risk; goals, policies and procedures of the Company to measure and manage such risks and the administration of the Company’s resources.

The Company’s management has overall responsibility for the development, implementation and monitoring of the conceptual framework and policies for an effective risk management.

The Company’s risk management policies are intended to: a) identify and analyze the risks faced by the Company; b) implement appropriate risk limits and controls; and c) monitor the risks and the compliance with the limits. Policies and risk management systems are regularly reviewed to reflect changes in market conditions and in the Company’s activities. By means of its policies and procedures for risk management, the Company aims to develop a disciplined and constructive control environment where all employees understand their roles and obligations.

Credit Risk

Credit risk is the risk of financial loss faced by the Company if a counterparty of a financial instrument does not meet its contractual obligations and originates mainly from cash in banks. The exposure to credit risk is monitored constantly according to the behavior of payment of the counterparty. The Company’s management has established a policy which analyzes the creditworthiness of each counterparty. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 is as follows:

	Note	**2022**	2021
Cash in banks	*4*	**P50,578,618**	P121,537,570
Due from related parties	*5*	**14,744,722,370**	11,781,805,195
Other current accounts receivable		**8,976,054**	1,270,330
Long-term time deposit	*9*	**208,683,943**	-
		P15,012,960,985	P11,904,613,095

The amounts above represent the gross carrying amount of these financial assets.

Other current accounts receivable consists of receivable from employees arising from personal loans and other miscellaneous receivables.

Impairment on cash in banks and long-term time deposit has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that these financial assets have low credit risk as these are held with reputable banks and financial institutions. All other debt instruments at amortized cost are considered to have low credit risk, because they have low risk of default as the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Credit risk on these financial assets has not increased significantly since their initial recognition. Hence, the loss allowance calculated was therefore limited to 12 months expected losses. The Company has determined an insignificant amount of ECL on these financial assets because of the zero-instance of default from the counterparties and the effect of forward-looking information on macro-economic factors affecting the ability of the counterparties to settle the receivables were assessed to have an insignificant impact.

All of the Company's financial assets as at December 31, 2022 and 2021 are neither past due nor impaired. The Company's exposure to credit risk arises from default of the counterparty. As at December 31, 2022 and 2021, the Company's credit risk is concentrated on its amounts due from related parties. Cash in bank and long-term time deposit are of high grade quality as these are deposited in reputable banks. Due from related parties and other current accounts receivable are also of high grade quality. High grade quality financial assets are those assessed as having minimal credit risk.

The credit qualities of financial assets are determined as follows:

- Cash in banks and long-term time deposit are based on credit standing or rating of the counterparty.
- Due from related parties and other current accounts receivable are based on a combination of credit standing or rating of the counterparty, historical experience and specific and collective credit assessment.

The management does not expect any counterpart to fail in meeting its obligations.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility in operations. The management of the Company ensures that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements. As necessary, cash advances are extended by related parties to ensure payments of currently maturing liabilities.

The following are the contractual maturities, including estimated interest payments, of financial liabilities:

	As at December 31, 2022				
	Carrying Amount	**Contractual Cash Flow**	**12 Months or Less**	**1 - 5 Years**	**Over 5 Years**
		(In Thousands of Peso)			
Trade payables	**P5,973**	**P5,973**	**P5,973**	**P -**	**P -**
Accrued expenses and other payables*	**170,079**	**170,079**	**170,079**	**-**	**-**
Long-term bank loan	**7,723,630**	**9,217,040**	**451,480**	**8,765,560**	**-**
Due to related parties	**7,381,627**	**18,196,620**	**1,290,458**	**16,906,162**	**-**
	P15,281,309	**P27,589,712**	**P1,917,990**	**P25,671,722**	**P -**

**Excludes government-related payables amounting to P36.09 million.*

	As at December 31, 2021				
	Carrying Amount	Contractual Cash Flow	12 Months or Less	1 - 5 Years	Over 5 Years
	(In Thousands of Peso)				
Trade payables	P3,602	P3,602	P3,602	P -	P -
Accrued expenses and other payables*	142,840	142,840	142,840	-	-
Long-term bank loan	8,892,606	9,066,363	3,443,457	5,622,906	-
Due to related parties	5,893,901	15,771,097	990,882	14,780,215	-
	P14,932,949	P24,983,902	P4,580,781	P20,403,122	P -

**Excludes government-related payables amounting to P15.89 million.*

The interest payments on floating rate bank loans and short-term deposit from Falcon reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate in relation to changes in exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates to its operational and financing activities. The objective of foreign currency risk management is to manage and control exposures within acceptable parameters while optimizing the return. The Company's income and expenses are generated and settled mainly in Philippine Peso. The Company had an exposure arising from the dollar-denominated financial obligations to its related parties. Net unrealized foreign exchange loss in 2022 and 2021 amounted to P535,951,190 and P298,173,909, respectively.

As at December 31, 2022 and 2021, a summary of the quantitative information of the exposure of the Company due to foreign currencies on the basis of its risk management policy is as follows:

In U.S. dollar	**2022**	2021
Cash in banks	**$616,575**	$1,419,616
Due from related parties	**19,403,861**	22,002,791
Trade payables	**(158)**	(392)
Due to related parties	**(131,742,610)**	(115,459,096)
	($111,722,332)	($92,037,081)

The applicable foreign exchange rates are as follows:

	2022		2021	
Currency	**Closing**	**Average**	Closing	Average
U.S. dollar	**P55.76**	**P54.47**	P51.00	P49.36

Sensitivity Analysis on Foreign Currency Risk
For the management of foreign currency risks, the Company intends to reduce the impact of short-term fluctuations in its income. The following table demonstrates the sensitivity to a reasonably possible change in U.S. dollar, with all other variables held constant, of the Company's profit before income tax and equity as at December 31, 2022 and 2021:

USD	Strengthening (Weakening) of Philippine Peso	Effect on Profit before Income Tax	Effect on Equity
2022	**+9.3%**	**P579,304,311**	**P434,478,223**
	-9.3%	**(579,304,311)**	**(434,478,223)**
2021	+6.2%	291,015,542	218,261,657
	-6.2%	(291,015,542)	(218,261,657)

Interest Rate Risk
As at December 31, 2022 and 2021, the Company is exposed to interest rate risk primarily on the floating interest rate tranche corresponding to P2.8 billion and P1.7 billion, respectively, of the long-term bank loan with BDO (see Note 9) and from its deposits from Falcon with a rate equivalent to the higher of WAILRF rate minus 10 basis points as at December 31, 2022 and 2021. Beginning January 1, 2022, minus 10 basis points in deposits from Falcon was removed (see Note 5).

Sensitivity Analysis on Interest Rate Risk
As at December 31, 2022 and 2021, a hypothetic 1% increase in interest rate, with all other variables held constant, profit for the years ended December 31, 2022 and 2021 would have decreased by approximately P20,863,276 and P12,956,381, net of tax, respectively. Conversely, a hypothetical 1% decrease in interest rate would have the opposite effect.

Fair Values of Financial Asset and Financial Liabilities
The fair values of the Company's cash in banks, due from related parties, other current accounts receivable, long-term time deposit, trade payables, accrued expenses and other payables and due to related parties as at December 31, 2022 and 2021 approximate their carrying amounts due to the short-term nature of the said financial instruments.

The information about the fair value of the Company's long-term receivables from APO and Solid as at December 31, 2022 and 2021 are as follows:

	2022		2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Solid	**P12,239,605,759**	**P12,732,161,466**	P9,249,824,324	P10,308,560,816
APO	**575,982,285**	**603,224,540**	575,982,285	649,847,858

The fair value of the Company's long-term receivables from APO and Solid is based on the present value of expected cash flows using the discount rates based on current market rates of similar instruments and categorized as Level 2 of the fair value hierarchy.

The bank loan provided by BDO consists of floating rate tranche starting July 2022 and a fixed rate and a floating rate tranche in 2021 based on market rates plus spread. The following is the comparison of the carrying amount and fair value of bank loan:

Bank Loan	***Note***	**2022**	2021
Carrying amount	*9*	**P7,723,630,223**	P8,892,606,166
Fair value		**6,784,019,129**	9,094,096,868

The fair value of bank loan is based on the present value of expected cash flows using the discount rates based on current market rates of similar instruments and categorized as Level 2 of the fair value hierarchy.

As at December 31, 2022 and 2021, the Company has no other financial instruments measured at levels 1, 2 and 3 of the fair value hierarchy.

<u>Capital Management</u>
The Company's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flow to selective investments. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Board has overall responsibility for the monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry. The Company's capital is defined as "Total Equity" as shown in the separate statements of financial position.

The Company is not subject to externally imposed capital requirements. The Company's net debt to equity ratio as at December 31, 2022 and 2021 are as follow:

	Note	**2022**	2021
Total liabilities		**P15,468,986,683**	P15,121,043,050
Less cash in banks	*4*	**50,578,618**	121,537,570
Net debt		**P15,418,408,065**	P14,999,505,480
Total equity		**P47,795,819,317**	P44,945,060,713
Net debt to equity ratio at December 31		**P0.32:1**	P0.33:1

17. Relevant Information Regarding the 2018 Landslide

On September 20, 2018, a landslide occurred in Sitio Sindulan, Barangay Tina-an, Naga City, Cebu, Philippines (the "Landslide"), a site located within an area covered by the mining rights of ALQC who is a principal raw material supplier of APO. The Company does not own any equity stake (directly or indirectly) in ALQC or its parent company, Impact Assets Corporation. CASEC, an indirect subsidiary of CEMEX and a majority shareholder of the Company, owns a minority 40% stake in Impact Assets Corporation.

The Landslide prompted local and national authorities to order the suspension of the mining operations of ALQC. Business continuity plans were put in place by APO and implemented to address the disruption in the supply arrangement with ALQC. By the third quarter of 2020, local and national authorities allowed ALQC to resume its mining operations in the affected areas.

On November 19, 2018, the Company and APO were served summons concerning an environmental class action lawsuit filed by 40 individuals and one legal entity (on behalf of 8,000 individuals allegedly affected by the Landslide) at the Regional Trial Court of Talisay, Cebu, against the Company, APO, ALQC, the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the City Government of Naga, and the Province of Cebu, for "Restitution of Damage of the Natural and Human Environment, Application for the Issuance of Environmental Protection Order against Quarry Operations in Cebu Island with Prayer for Temporary Protection Order, Writ of Continuing Mandamus for Determination of the Carrying Capacity of Cebu Island and Rehabilitation and Restoration of the Damaged Ecosystems".

In the complaint, among other allegations, plaintiffs (i) claim that the Naga Landslide occurred as a result of the defendants' gross negligence; and (ii) seek, among other reliefs, (a) monetary damages in the amount of approximately 4.3 billion Philippine Pesos, (b) the establishment of a 500 million Philippine Pesos rehabilitation fund, and (c) the issuance of a Temporary Environment Protection Order against ALQC while the case is still pending. In the complaint, ALQC, APO and the Company are made solidarily liable for payment of monetary damages and establishment of a rehabilitation fund. The records of the case were subsequently transferred to the Regional Trial Court of Cebu City Branch 23.

Among other defenses and based on a report by the Mines and Geosciences Bureau of the Department of Environment and Natural Resources, the Company, ALQC and APO hold the position that the landslide occurred due to natural causes and deny liability, fault and negligence.

In an order dated August 16, 2019, the Regional Trial Court denied plaintiffs' Application for Temporary Environment Protection Order. By denying such application, the Regional Trial Court found that the applicants did not sufficiently establish that they will suffer grave injustice and irreparable injury by the continued operations of ALQC while the proceedings are pending. Plaintiffs moved for reconsideration, but the Court also denied plaintiffs' motion in an Order dated September 30, 2019. Plaintiffs did not appeal this ruling, which became final as of December 5, 2020.

In an order dated September 30, 2019, the Regional Trial Court partially granted the affirmative defenses of the private defendants and ruled, among others, that the subject case against the Company and APO is dismissed for failure to state a cause of action. The court also ruled that: (i) the 22 plaintiffs who failed to sign the verification and certification against forum shopping are dropped as party-plaintiffs; (ii) the subject case is not a proper class suit, and that the remaining 17 plaintiffs can only sue for their respective claims, but not as representatives of the more than 8,000 alleged victims of the landslide incident; (iii) plaintiffs' cause of action against ALQC for violation of Section 19(a) of Republic Act No. 10121 is dismissed; (iv) there is a misjoinder of causes of action between the environmental suit and the damage suit; and (v) the damage suit of the remaining plaintiffs will proceed separately upon payment of the required docket fees within 30 days from receipt of order, otherwise, the case for damages will be dismissed. The plaintiffs filed a motion for reconsideration of the court's order dated September 30, 2019. During the hearing of plaintiffs' motion for reconsideration on September 11, 2020, the Province of Cebu was officially dropped as a party-defendant in the case. In another order dated November 17, 2021, the Regional Trial Court denied plaintiffs' motion for reconsideration and also granted the motions of the Mines and Geosciences Bureau and the City Government of Naga and dismissed the subject case against them. On January 31, 2022, plaintiffs filed with the Regional Trial Court their Notice of Appeal, indicating their intention to appeal the court's latest order to the Court of Appeals. Defendants (including government defendants) opposed the plaintiff's Notice of Appeal, and, on April 28, 2022, the Regional Trial Court rejected the plaintiffs' Notice of Appeal for having been filed out of time and instructed the entry of judgement and to issue the corresponding certificate of finality. As of December 31, 2022, the Company is not aware that the plaintiffs have filed a motion for reconsideration, and if the plaintiffs did not file a motion for reconsideration, the decision of the Regional Trial Court will become final, and the case would be closed as to the Company, APO Cement and all government defendants.

If the plaintiffs were to file a motion for reconsideration and such motion is granted by the competent court, allowing the plaintiffs' appeal to proceed, and the Regional Trial Court's order of September 30, 2019 is later reversed on appeal thereby maintaining the inclusion of the Company and APO Cement as private defendants who are solidarily liable with ALQC and a final adverse resolution were to be concluded in this case against the private defendants, plaintiffs will have the option to proceed against any one of ALQC, APO Cement or the Parent Company for satisfaction of the entirety of the potential judgement award, without the need to proceed against any other private defendant beforehand. Thus, ALQC's, APO Cement's or the Company's assets alone could be exposed to execution proceedings.

As at December 31, 2022, at this stage of the overall proceedings and considering all possible defenses that could be available, while the Company cannot assess with certainty the likelihood of an adverse result in the overall proceedings, the Company believes that a final adverse resolution in the overall proceeding is not probable, and, in turn, because the Company is not able to assess the outcome of the appeal that may still be filed by the plaintiffs to challenge the latest order of the Regional Trial Court, the Company is not able to determine if a final adverse resolution, if any, would have a material adverse impact on the Company's results of operations, liquidity and financial condition.

18. Impacts of COVID-19

On March 11, 2020, the World Health Organization declared a pandemic the outbreak of the Coronavirus Disease 2019 (the "COVID-19 pandemic"), due to its rapid spread throughout the world, having affected as of such date more than 150 countries. In response to that, on March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to the COVID-19 Pandemic which resulted in the imposition of an Enhanced Community Quarantine ("ECQ") throughout Luzon starting midnight of March 16, 2020. The President announced several social distancing measures which were implemented including extension of suspension of classes in all levels in Metro Manila, prohibition of mass gatherings or events, imposition of community quarantine measures as necessary, restriction of mass public transport system (MRT, LRT, etc.), and suspension of land, domestic air and domestic sea travel to and from Metro Manila beginning March 16, 2020. On March 26, 2020, the Governor of Cebu Province announced the implementation of ECQ measures for the entire island of Cebu, effective March 30, 2020.

On March 24, 2020, the Philippine Government enacted Republic Act No. 11469, otherwise known as the Bayanihan Act, to effectively enact measures to address the pressing problems caused by the COVID-19 Pandemic. Beginning May 16, 2020, several cities and provinces (which included Metro Manila and Cebu City) were placed under modified enhanced community quarantine, while other cities and provinces (which included the Province of Rizal and other cities in the Province of Cebu) were placed under general community quarantine. Since then, provinces and cities have been placed from time to time under different community quarantine levels with corresponding restrictions, respectively.

Subsequent to the recommendations of the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) in its Resolution No. 146-F (s. 2021) dated 28 October 2021, the President of the Philippines issued Executive Order No. 151 dated 11 November 2021 adopting the Alert Level System for all areas of the Philippines through a nationwide roll-out which was designed to allow the reinvigoration of the economy through the opening of more sectors, while protecting the people's health through the continuous observance of public health protocols and interventions and the heightened implementation of lockdowns in smaller areas, also known as granular lockdowns. Restrictions and/or limitations affecting intrazonal and interzonal movement as well as the level of operations and activities undertaken by establishments and persons in areas nationwide are defined depending on the applicable Alert Level Status (ranging from 1 to 5). In any case, minimum public health standards and precautions such as the wearing of face masks and maintenance of social distancing protocols may be mandated. On December 15, 2021, it was announced that all areas of the Philippines would be under Alert Level 2 until December 31, 2021, then extended to January 15, 2022. Thereafter, due to the surge of the Omicron COVID-19 variant, the Alert Levels in Metro Manila, Cebu City, Cebu Province (including Naga City), and the Province of Rizal (including Antipolo City) were increased to Alert Level 3 beginning on January 16, 2022. The Alert Levels for these areas started to be downgraded at their respective pace in the month of February 2022. The Alert Levels for Metro Manila, Cebu City, and the Province of Rizal (including Antipolo City) have been at Alert Level 1 since March 1, March 16, and April 1, 2022, respectively. The Province of Cebu (including Naga City) has been at Alert Level 2 since March 1, 2022. The National Capital Region (NCR) is under Alert Level 1 effective July 16, 2022 until further notice according to the IATF. Meanwhile, Cebu City has been downgraded to Alert Level 1 effective August 16, 2022, while Cebu Province remains in Alert Level 2. Since October 28, 2022, the wearing of face masks is only mandatory in healthcare facilities, medical transport, and public transportation by land, air or sea. In other settings, wearing of facemasks is voluntary.

Even prior to the initial imposition of ECQ in March 2020, the Company implemented, and continues to implement, strict hygiene and safety protocols in all its operations and modified its manufacturing, sales, and delivery processes to implement physical distancing and other activities aiming to protect the health and safety of its employees and their families, customers, and suppliers. The Company has undertaken and continues to explore temporary measures to address the adverse impact of the COVID-19 pandemic on its workforce and operations with the objective of re-aligning the organization's resources with the evolving conditions in the different markets in which the Company operates.

The consequences of COVID-19 pandemic negatively affected the results of operations of the Company's significant subsidiaries, Solid and APO, mostly during the second quarter of 2020. For the years ended December 31, 2022 and December 31, 2021, additional expenses were incurred by the Company associated with measures designed to address the adverse impact of COVID-19 pandemic amounting to P7,008,571 and P287,431, respectively. These additional expenses were presented as part of "Other expenses" under "Other Income (charges)" account in the separate statements of comprehensive income for years ended December 31, 2022 and 2021, respectively.

The degree to which the COVID-19 pandemic would affect again the Company's liquidity, financial condition and results of operations will depend on future developments, some of which are highly uncertain and cannot be predicted, including, but not limited to, the duration and continued spread of the pandemic, its severity, the spread of even more infectious strains of the virus, the actions, in particular measures that might be ordered by the government, to contain the virus or treat its impact, and how quickly and to what extent economic and operational conditions can return, within a new normality with limited activities, until effective vaccination initiatives are fully implemented throughout the country. The Company has carried out proactive efforts with government agencies designed to facilitate the vaccination of its employees and their families, its contractors and other stakeholders in neighboring communities in order to mitigate the potential risk in the operations that would be affected by future waves of contagion.

Among the initiatives taken by the Company that have contributed to easing liquidity risks from the impact of, COVID-19 pandemic were: (i) the optimization of plant production and inventory levels, (ii) the suspension, deferment or reduction of non-critical capital expenditures and operating expenses (including sales and administration expenses), and installing other cost control measures to reduce discretionary expenses, (iii) implementation of changes in work-deployment schedules, (iv) further emphasis on the use of the CEMEX Go platform for a digital and low-touch experience for customers, and (v) enabled additional online channels to promote engagement, manage communications and facilitate transactions with customers. The Company will continue to focus its efforts on managing the impact of the COVID-19 pandemic on its production, commercial, and financial activities. It will continue to carefully monitor this overall situation and will be ready to take such additional steps as may be feasible and appropriate under relevant circumstances.

19. Russia-Ukraine Conflict

The Company has no exposure to investments in Russia or Ukraine. It currently has no business, investments, customers, or suppliers from any of these countries. However, this event has given rise and may continue to give rise to circumstances with the potential to further cause world trade disruptions and rising prices of basic commodities, including oil and power, among others.

20. Subsequent Event: CASEC Tender Offer

In March 2023, as part of the voluntary tender offer exercise launched by CASEC, CASEC acquired 1,614,000,000 common shares of the Company at the Tender Offer Price of P1.30 with a total transaction price of P2,098,200,000. The cross sales were executed last 29 March 2023. As a result of the tender offer, CASEC owns and controls 12,121,954,662 common shares of the Company (inclusive of the 5 shares held by individuals), which is approximately 89.86% of the issued and outstanding common shares of the Company.

21. Supplementary Information Required Under Revenue Regulations No. 15-2010 of the BIR

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRSs. Following are the tax information/disclosures required for the taxable year ended December 31, 2022:

A. VAT

	Amount
1. Output VAT	**P167,847,960**
Basis of the Output VAT:	
Vatable sales	**P1,398,732,997**
2. Input VAT	
Balance from previous period	**P -**
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing/other than for resale or manufacture	**116,328**
b. Services lodged under cost of goods sold/under other accounts	**4,831,502**
c. Services rendered by non-residents	**16,114**
Total allowable input VAT	**4,963,944**
VAT payments for the year	**162,921,456**
	167,885,400
Balance at the end of the year, net of Output VAT	**(P37,440)**

B. Documentary Stamp Taxes

	Amount
On loans	**P72,696,699**
On leases	**1,444**
	P72,698,143

C. Withholding Taxes

	Amount
Tax on Compensation and other benefits	**P100,077,757**
Final withholding taxes	**19,560,989**
Creditable withholding taxes	**9,374,493**
	P129,013,239

D. Percentage Taxes

	Amount
VAT withholding from non-residents	**P16,114**

E. All Other Taxes (Local and National)

	Amount
Other taxes paid during the year shown under "Taxes and licenses" in the Separate Statement of Comprehensive Income	
License and permit fees	**P10,674,504**

F. Tax Assessments and Cases

As at December 31, 2022, the Company was the subject of the tax investigation conducted by the BIR covering all internal revenue taxes for the taxable year 2020. As of April 17, 2023, no preliminary tax audit findings or issues have been raised arising from this investigation.

On December 19, 2022, the Parent Company received a Final Decision on Disputed Assessment (FDDA) from the BIR in connection with the 2018 audit of all internal revenue taxes (except VAT). The Parent Company filed its appeal to the Office of the Commissioner of the BIR on 18 January 2023.

On January 30, 2023, the Parent Company received a Notice of Discrepancy (NOD) in connection with the 2021 VAT audit covering the 1st semester of 2021. On January 31, 2023, the Parent Company paid the deficiency VAT assessment based on the NOD amounting to P40,143, inclusive of interests. This tax payment resulted in the termination of the BIR's investigation of the Company covering VAT for the 1st semester of 2021.

On January 16, 2023, the Company received a Letter of Authority from the BIR for the regular tax investigation (except VAT) covering taxable year 2021. The Company is currently in the process of preparing the accounting and tax-related documents and records requested by the assigned tax examiners.

Information on amounts of custom duties, tariff fees, and excise taxes is not applicable since the Company has no transaction in 2022 that could be subjected to these taxes.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	5	1	8	8	1	5

COMPANY NAME

CEMEX HOLDINGS PHILIPPINES, INC.

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

34th Floor Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Brgy. Bel-Air Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	8849 - 3600	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
32 (as of 31 Dec 2022)	1st Wednesday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Steve Kuan-Sheng Wu	steve.wu@cemex.com	(02) 8849 3647	

CONTACT PERSON's ADDRESS

34th Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City

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

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