"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN"

The Management of Seven A.D. Inc. (the Company) is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2024. Management is likewise responsible for all information and representations contained in the audited financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2024 and the accompanying Annual Income Tax Return are in accordance with the books and records of Seven A.D. Inc., complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to the Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) Seven A.D. Inc. has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signature: ______________________________
Christina Maria G. Gonzales
President and CEO

Signature: ______________________________
Thelma Macrina A. San Diego
Chief Operating Officer

Signature: ______________________________
Yvonne Imee N. Lopez
Finance Director

Signed this 10th day of April 2025.

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

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8741 Paseo de Roxas
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Phone : +632 8 982 9100
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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Seven A.D. Inc.
Unit 902, 9th Floor, The World Plaza
5th Avenue, Bonifacio Global City
Taguig City

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Seven A.D. Inc. (the Company), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standard for Small Entities (PFRS for SE).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

As discussed in Note 1, the Company has incurred a net loss of ₱17.7 million in 2024, resulting to a capital deficiency of ₱6.7 million as at December 31, 2024. These events indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. As also discussed in Note 1, the stockholders have the intention to provide financial support to enable the Company to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the Supplementary Information Required under Revenue Regulation No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 16 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Seven A.D. Inc. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

Ma. Roselyn B. Balane
MA. ROSELYN B. BALANE
Partner
CPA Certificate No. 133328
Tax Identification No. 402-406-197-000
BOA Accreditation No. 4782/P-023; Valid until June 6, 2026
BIR Accreditation No. 08-005144-019-2025
Valid until January 7, 2028
PTR No. 10467121
Issued January 2, 2025, Makati City

April 10, 2025
Makati City, Metro Manila

SEVEN A.D. INC.

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2024**	2023 (As Restated - Note 2)
ASSETS			
Current Assets			
Cash	3	**₱17,299,358**	₱29,984,998
Trade and other receivables	4	**37,318,785**	49,610,898
Creditable withholding taxes		**2,516,884**	–
Prepaid expenses		**372,072**	206,545
Total Current Assets		**57,507,099**	79,802,441
Noncurrent Assets			
Property and equipment	5	**1,138,865**	1,721,292
Other noncurrent assets	6	**2,160,778**	4,180,008
Total Noncurrent Assets		**3,299,643**	5,901,300
		₱60,806,742	₱85,703,741
LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)			
Current Liabilities			
Trade and other payables	7	**₱17,254,643**	₱25,660,790
Dividends payable	8	**12,745,669**	–
Income tax payable		**–**	2,505,056
Total Current Liabilities		**30,000,312**	28,165,846
Noncurrent Liability			
Retirement liability	9	**37,547,571**	31,154,332
Total Liabilities		**67,547,883**	59,320,178
Equity (Capital Deficiency)			
Capital stock	8	**10,000,000**	10,000,000
Retained earnings (deficit)		**(14,077,221)**	19,047,483
Treasury stock	8	**(2,663,920)**	(2,663,920)
Total Equity (Capital Deficiency)		**(6,741,141)**	26,383,563
		₱60,806,742	₱85,703,741

See accompanying Notes to Financial Statements.

SEVEN A.D. INC.

STATEMENTS OF INCOME

		Years Ended December 31	
	Note	**2024**	2023 (As Restated - Note 2)
SERVICE INCOME		**₱123,343,882**	₱164,076,190
COST OF SERVICES	11	**119,594,328**	121,617,510
GROSS PROFIT		**3,749,554**	42,458,680
OPERATING EXPENSES	12	**(19,760,101)**	(22,091,094)
INCOME (LOSS) FROM OPERATIONS		**(16,010,547)**	20,367,586
OTHER INCOME (CHARGES) - Net	13	**(1,573,884)**	1,706,583
INCOME (LOSS) BEFORE INCOME TAX		**(17,584,431)**	22,074,169
PROVISION FOR INCOME TAX	15		
Current		**198,836**	6,732,731
Deferred		**–**	7,180,559
		198,836	13,913,290
NET INCOME (LOSS)		**(₱17,783,267)**	₱8,160,879

See accompanying Notes to Financial Statements.

SEVEN A.D. INC.

STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31 2024	2023 (As Restated - Note 2)
CAPITAL STOCK - ₱100 par value			
Authorized, issued and outstanding - 100,000 shares	8	**₱10,000,000**	₱10,000,000
RETAINED EARNINGS (DEFICIT)	8		
Appropriated for Business Project			
Balance at beginning of year		**10,000,000**	10,000,000
Reversal of appropriation		**(7,336,080)**	–
Balance at end of year		**2,663,920**	10,000,000
Unappropriated			
Balance at beginning of year, as previously reported		**10,824,799**	34,421,430
Adoption of PFRS for small entities (SE)	2	**(1,777,316)**	(1,777,316)
Balance at beginning of year, as restated		**9,047,483**	32,644,114
Net income (loss)		**(17,783,267)**	8,160,879
Declaration of cash dividends - ₱159.81 a share in 2024 and ₱330.81 a share in 2023		**(15,341,437)**	(31,757,510)
Reversal of appropriation		**7,336,080**	–
Balance at end of year		**(16,741,141)**	9,047,483
		(14,077,221)	19,047,483
TREASURY STOCK - at cost - 4,000 shares	8	**(2,663,920)**	(2,663,920)
		(₱6,741,141)	₱26,383,563

See accompanying Notes to Financial Statements.

SEVEN A.D. INC.

STATEMENTS OF CASH FLOWS

	Note	2024	2023 (As Restated - Note 2)
		Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**(₱17,584,431)**	₱22,074,169
Adjustments for:			
Retirement expense	9	**6,393,239**	5,066,058
Loss on pre-termination of lease	13	**2,001,510**	–
Depreciation and amortization	5	**1,814,552**	2,384,043
Interest income	3	**(128,187)**	(289,281)
Operating income (loss) before working capital changes		**(7,503,317)**	29,234,989
Decrease (increase) in:			
Trade and other receivables		**12,292,113**	35,286,773
Prepaid expenses		**(2,682,411)**	730,331
Increase (decrease) in trade and other payables		**(8,406,147)**	2,278,128
Net cash generated from (used for) operations		**(6,299,762)**	67,530,221
Income tax paid		**(2,703,892)**	(9,588,358)
Interest received		**128,187**	289,281
Contributions paid	9	**–**	(4,323,064)
Net cash provided by (used in) operating activities		**(8,875,467)**	53,908,080
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	5	**(1,232,125)**	(401,603)
Decrease (increase) in:			
Security deposit		**17,720**	450,629
Advance rent		**–**	(95,310)
Net cash used in investing activities		**(1,214,405)**	(46,284)
CASH FLOWS FROM A FINANCING ACTIVITY			
Payment of cash dividends	8	**(2,595,768)**	(39,351,388)
NET INCREASE (DECREASE) IN CASH		**(12,685,640)**	14,510,408
CASH AT BEGINNING OF YEAR		**29,984,998**	15,474,590
CASH AT END OF YEAR		**₱17,299,358**	₱29,984,998

See accompanying Notes to Financial Statements.

SEVEN A.D. INC.

NOTES TO FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

1. **Corporate Matters**

General Information
Seven A.D. Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 15, 2010. Its primary purpose is to engage in advertising through tri-media; TV, radio, print, and non-traditional advertising; billboards, ambient, out of home design and print advertising, and design in graphic application, photography, directing and the likes.

As at December 31, 2024, the Company is in the process of amending its Articles of Incorporation to change its principal place of business from Unit 902, 9th Floor, The World Plaza, 5th Avenue, Bonifacio Global City, Taguig City to Unit 1502 Picadilly Star Building Lot 3 Block 19, 4th Avenue corner 27th Street, Fort Bonifacio, Global City, Taguig City.

Status of Operations
The Company has incurred a net loss of ₱17.7 million in 2024, resulting to a capital deficiency of ₱6.7 million as at December 31, 2024. However, the Company has no intention to cease its operation in the foreseeable future as it continues to serve and earn revenues from its existing clients. The stockholders have the intention to provide financial support to the Company, as necessary, to enable it to meet its obligations as they fall due to continue its operations. Moreover, management is actively pursuing strategies to improve the Company's financial position and performance including, but not limited to, reduction of operational costs and improving its revenue streams.

Approval of the Financial Statements
The financial statements of the Company as at and for the years ended December 31, 2024 and 2023 were approved and authorized for issuance by the Board of Directors (BOD) on April 10, 2025.

2. **Summary of Significant Accounting Policies**

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

Basis of Preparation and Statement of Compliance
The financial statements of the Company are prepared in accordance with Philippine Financial Reporting Standard for Small Entities (PFRS for SE) issued by the International Accounting Standards Board as approved by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

The Company adopted PFRS for SE for the first time in 2024. The Company was reporting under PFRS for Small and Medium-sized Entities (PFRS for SMEs) in 2023. The Company's assets and liabilities met the quantitative thresholds set for classification as small entity. Comparative presentation and disclosures have been provided as required by PFRS for SE.

The PFRS for SE reduced options for accounting treatment, eliminated topics that are not generally relevant for small entities, simplified the methods for recognition and measurement, and reduced the disclosure requirements.

The transition from PFRS for SMEs to PFRS for SEs as at January 1, 2024, has resulted to the following changes in the Company's accounting policies:

- Recognition of retirement liability using the accrual method;
- Recognition of rent expense from straight-line method to accrual method; and
- Recognition of rent expense from finance lease liabilities.

The following table summarizes the impact of adoption of PFRS for SE on the following balances:

	December 31, 2023		
	As previously stated	Adoption of PFRS for SE	As restated
Unappropriated retained earnings	₱10,824,799	(₱1,777,316)	₱9,047,483
Retirement liability	21,785,637	9,368,695	31,154,332
Cumulative gain on retirement liability	5,711,251	(5,711,251)	–
Transportation equipment - net	4,893,544	(4,893,544)	–
Finance lease liability	4,481,270	(4,481,270)	–
Deferred tax asset	1,903,748	(1,903,748)	–
Accrued rent	388,654	(388,654)	–

	January 1, 2023		
	As previously stated	Adoption of PFRS for SE	As restated
Unappropriated retained earnings	₱34,421,430	(₱1,777,316)	₱32,644,114
Retirement liability	20,355,072	10,056,266	30,411,338
Cumulative gain on retirement liability	6,226,929	(5,711,251)	–
Transportation equipment - net	843,232	(843,232)	–
Finance lease liability	1,144,189	(4,481,270)	–
Accrued rent	64,600	(64,600)	–

<u>Measurement Basis</u>
The financial statements are presented in Philippine Peso (Peso), which is the Company's functional and presentation currency. All amounts are rounded to the nearest Peso, unless otherwise indicated.

The financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

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

<u>Basic Financial Instruments</u>
The Company recognizes a financial asset and financial liability only when the Company becomes a party to the contractual provisions of the instrument.

The Company initially measures its financial assets and liabilities at the transaction prices unless the arrangement constitutes, in effect, a financing transaction. After initial measurement, financial assets and liabilities are measured at the undiscounted amount of cash or other consideration expected to be received or paid, less allowance for impairment, if any.

If the arrangement constitutes a financing transaction, the Company initially measures the financial assets and liability at the present value of the future payments discounted at a market rate of interest for a similar instrument. These are subsequently measured at amortized cost using the effective interest method.

The Company classifies its cash, trade receivables, security deposits (presented under "other noncurrent assets), trade and other payables (excluding statutory payables) and dividend payable as basic financial instruments.

Cash. Cash includes cash on hand and in banks. Cash on hand is stated at face amount. Cash in banks are unrestricted for use in the current operations and are stated at face amount and earn interest at the prevailing bank deposit rates.

Trade Receivables. Trade receivables are recognized initially at transaction price. These are subsequently measured at amortized cost using the effective interest method, less provision for impairment, if any. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Security Deposits. Security deposits pertain to deposits as required by lease agreement to cover for repairs on damaged leased properties, which are refundable at the end of the lease term. Security deposits are initially recorded at transaction cost and subsequently measured at cost less any impairment loss. Security deposits that are expected to be realized for no more than 12 months after the financial reporting year are classified as current assets. Otherwise, these are classified as noncurrent assets.

Trade and Other Payables (Excluding Statutory Payables). Trade and other payables (excluding statutory payables) are obligations on normal credit terms and do not bear interest. These are recognized initially at transaction price and subsequently measured at undiscounted amount of cash or other consideration expected to be paid. These are recognized in the period when the related money, goods or services are received or when legally enforceable claim against the Company is established or when the corresponding assets or expenses are recognized.

Dividends Payable. Dividends payable are distributions to be paid to stockholders.

Impairment of Basic Financial Instruments

The Company assesses at the end of each reporting period whether there is objective evidence of impairment of any financial assets or group of assets that are measured at cost or amortized cost. If there is objective evidence of impairment, an impairment loss is recognized in profit or loss immediately.

A financial asset or group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

The impairment loss for an instrument measured at amortized cost is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate (which will necessarily be an approximation) of the amount (which might be zero) that the entity would be received for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not been recognized. The amount of the reversal shall be recognized in profit or loss immediately.

Derecognition of Basic Financial Instruments

Financial Assets. The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or are settled, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Company derecognizes the asset and recognizes separately any rights and obligations retained or created in the transfer.

Any difference between the consideration received and the amounts recognized and derecognized shall be recognized in profit or loss.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Any difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed shall be recognized in profit or loss.

Advances to Officers and Employees

Advances subject to liquidation pertain to cash advances to employees used for the Company's operations. These are initially recognized at face value and subsequently measured at transaction cost less impairment in value, if any.

Creditable Withholding Taxes (CWTs)

CWTs represents the amount withheld by the Company's customers in relation to its income. CWTs are deducted from income tax payable in the same year the revenue was recognized. CWTs in excess of income tax payable is carried forward to the succeeding year.

Prepaid Expenses

Prepaid expenses are expenses paid in advance and recorded as assets before these are utilized. Prepaid expenses that are expected to be realized for no more than 12 months after the reporting date are classified as other current assets. Otherwise, these are classified as noncurrent assets.

Advance Rent

Advance rent is carried at cost less any impairment in value and will generally be applied as lease payments at the end of the lease term. Advance rent which is expected to be applied for not more than 12 months of the lease term are classified as current assets. Otherwise, this is classified as noncurrent assets.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of the purchase price, including import duties, nonrefundable taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally recognized in profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standards of performance, the expenditures are capitalized as additional costs of the property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the property and equipment. The estimated useful life of each item of property and equipment is estimated based on the period over which the asset is expected to be available for use.

Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The estimated useful lives of property and equipment are as follows:

	Number of Years
Leasehold improvements	5 years or term of lease, whichever is shorter
Office equipment	3 to 5
Furniture and fixtures	5

The property and equipment's residual values estimated useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment loss are removed from the accounts, and any resulting gain or loss is recognized in profit or loss in the year the asset is derecognized.

Fully depreciated and amortized property and equipment are retained in the accounts until these are no longer in use and no further depreciation and amortization is charged to current operations.

Impairment of Nonfinancial Assets

The carrying amounts of the Company's nonfinancial assets are reviewed at each reporting date to determine if there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

Capital Stock

Capital stock is measured at par value for all shares issued.

Retained Earnings (Deficit)

Retained earnings (deficit) represent the cumulative balance of the Company's results of operations, net of dividend distributions and other capital adjustments.

Appropriated retained earnings represent that portion which has been restricted and are not available for dividend declaration.

Unappropriated retained earnings represent that portion which can be declared as dividend to the stockholders of the Company.

Treasury Stock

When the Company repurchases its own capital stock, the consideration paid, including any directly attributable incremental cost is deducted from equity until the stocks are cancelled, reissued, or disposed of. Upon subsequent sale or reissue, any consideration received, net of any directly attributable incremental transaction cost and the related tax effects is included in equity.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. The following specific revenue recognition criteria must be met before revenue is recognized:

Service Income. Revenue is recognized when the Company has rendered the service to its customers. Fees are based on agency rate card on various creative services and commission on client's production and media spending.

Interest Income. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

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

Cost and Expense Recognition
Cost and expenses are decreases in economic benefits during the accounting year in the form of outflows or decreases of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Cost of Services. Cost of services is recognized as expense when the related services are rendered.

Operating Expenses. Operating expenses constitute costs of administering the business. These are expensed as incurred.

Other Charges. Other charges are recognized when incurred.

Employee Benefits

Short-term Benefits. The Company provides short-term benefits to its employees in the form of basic pay, 13th month pay, bonuses, leave credits, employer's share on government contributions and other short-term benefits.

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

Retirement Benefits. The Company accrues the estimated cost of retirement benefit required by the provision of Republic Act (R.A.) No. 7641, otherwise known as the Philippines Retirement Pay Law. Retirement benefits liability is measured and presented at the expected liability as at reporting date using the current salary of the entitled employees and the employees' years of service, without consideration of future changes in salary rates and service periods.

Value-Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of VAT except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority; or

- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT payable to the taxation authority is included as part of statutory payables under "Trade and other payables" account in the statements of financial position.

Leases
A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Some agreements do not take the legal form of a lease but convey rights to use assets in return for payments. Such arrangements are in substance leases of assets.

A lease shall recognize all lease payments as expense in profit or loss in the period in which they are incurred.

Income Taxes
The Company uses the deferred income taxes method to account for income taxes. Under this method, the Company recognizes the current and future tax consequences of transactions and other events that have been recognized in the financial statements. These recognized tax amounts comprise the current tax and deferred tax.

Current Tax. Current tax assets and liabilities 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 have been enacted or substantively enacted at the reporting date.

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are applicable 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.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same tax authority.

Related Party Relationships and Transactions
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include (a) enterprises that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual. The key management personnel of the Company are also considered to be related parties.

A related party transaction is a transfer of resources, services or obligations with related parties. Transactions with related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

Foreign Currency Transactions
Transactions in foreign currencies are recorded using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange prevailing at the reporting date. Foreign exchange differences between rate at transaction date and the rate at settlement date or financial statement date are credited to or charged against current operations.

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects current market assessment 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 the passage of time is recognized as interest expense.

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

Events After the Reporting Date
Events after the reporting period that provide additional information about the Company's financial position at the financial reporting date (adjusting events) are reflected in the financial statements. Events after the financial reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

3. **Cash**

This account consists of:

	2024	2023
Cash on hand	**₱34,042**	₱34,042
Cash in banks	**17,265,316**	29,950,956
	₱17,299,358	₱29,984,998

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

Interest income earned from cash in banks amounted to ₱0.1 million and ₱0.3 million in 2024 and 2023, respectively (see Note 13).

4. **Trade and Other Receivables**

This account consists of:

	2024	2023
Trade receivables	**₱36,646,138**	₱49,062,396
Advances to officers and employees	**672,647**	548,502
	₱37,318,785	₱49,610,898

Trade receivables arise from the normal course of business. These receivables are unsecured, noninterest-bearing and generally on a 30-day credit term. These also include services already rendered but have not yet been billed as at reporting date.

Advances to officers and employees represent various cash advances used for immediate expenses relating to projects and are subject to liquidation.

5. **Property and Equipment**

Movements in this account are as follows:

	2024			
	Leasehold Improvements	**Office Equipment**	**Furniture and Fixtures**	**Total**
Cost				
Balance at beginning of year	**₱11,177,136**	**₱4,234,546**	**₱1,564,905**	**₱16,976,587**
Additions	**–**	**1,232,125**	**–**	**1,232,125**
Retirement	**(11,177,136)**	**(1,722,094)**	**(1,364,905)**	**(14,264,135)**
Balance at end of year	**–**	**3,744,577**	**200,000**	**3,944,577**
Accumulated Depreciation and Amortization				
Balance at beginning of year	**10,169,940**	**3,520,450**	**1,564,905**	**15,255,295**
Depreciation and amortization	**1,007,196**	**807,356**	**–**	**1,814,552**
Retirement	**(11,177,136)**	**(1,722,094)**	**(1,364,905)**	**(14,264,135)**
Balance at end of year	**–**	**2,605,712**	**200,000**	**2,805,712**
Carrying Amount	**₱–**	**₱1,138,865**	**₱–**	**₱1,138,865**

	2023 (As restated - see Note 2)			
	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Cost				
Balance at beginning of year	₱11,177,136	₱3,832,943	₱1,564,905	₱16,574,984
Additions	–	401,603	–	401,603
Balance at end of year	11,177,136	4,234,546	1,564,905	16,976,587
Accumulated Depreciation and Amortization				
Balance at beginning of year	8,400,158	3,026,710	1,444,385	12,871,253
Depreciation and amortization	1,769,782	493,740	120,520	2,384,042
Balance at end of year	10,169,940	3,520,450	1,564,905	15,255,295
Carrying Amount	₱1,007,196	₱714,096	₱–	₱1,721,292

In 2024, the Company retired its fully depreciated property and equipment due to the termination of the lease agreement for its office space.

6. **Other Noncurrent Assets**

This account consists of:

	Note	2024	2023
Security deposits	14	**₱2,160,778**	₱2,178,498
Advance rent	14	**–**	2,001,510
		₱2,160,778	₱4,180,008

7. **Trade and Other Payables**

This account consists of:

	2024	2023 (As restated - see Note 2)
Trade payables	**₱9,797,649**	₱15,754,222
Statutory payables	**7,075,328**	9,517,167
Accrued expenses	**381,666**	389,401
	₱17,254,643	₱25,660,790

Trade payables are noninterest-bearing and are generally settled on a 30-day term. These pertain to the amounts due to the Company's suppliers for goods received and services rendered.

Statutory payables pertain to output VAT payable, withholding taxes and government payables which are normally settled in the subsequent period.

Accrued expenses include legal and professional fees which are expected to be settled in less than a year.

8. **Equity**

Capital Stock

Capital stock consists of 100,000 shares amounting to ₱10.0 million as at December 31, 2024 and 2023.

On March 28, 2024, the BOD approved the declaration of cash dividends amounting to ₱15.3 million or equivalent to ₱159.81 a share to stockholders on record as at December 31, 2023.

On April 12, 2023, the BOD approved the declaration of cash dividends amounting to ₱31.8 million or equivalent to ₱330.81 a share for stockholders on record as at December 31, 2022.

The Company paid dividends amounting to ₱2.6 million and ₱39.4 million in 2024 and 2023, respectively. Dividends payable amounted to ₱12.7 million as at December 31, 2024.

The Company has appropriated retained earnings amounting to ₱10.0 million for a digital business project. Due to management's change in strategic direction, on April 7, 2020, the BOD decided to re-appropriate the amount for a future investment in a related business. The investment is expected to take five years to materialize.

On December 13, 2024, the BOD approved the reversal of appropriation of retained earnings amounting to ₱7.3 million.

Treasury Stock
In 2017, the Company reacquired 4,000 shares for ₱2.7 million or equivalent to ₱666.0 a share. The Company's retained earnings are restricted also to the extent of the cost of treasury stock amounting to ₱2.7 million as at December 31, 2024 and 2023.

9. Retirement Liability

The Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its qualified employees that conforms to the minimum regulatory benefit under R.A.7641, *The Philippine Retirement Pay Law*. The retirement benefits are based on current salary of the entitled employees and the employees' years of service.

The funded status and amounts recognized in the statements of financial position for the net retirement liability are as follows:

	2024	2023
Retirement liability	**₱47,356,369**	₱42,997,705
Fair value of plan assets	**(9,808,798)**	(11,843,373)
	₱37,547,571	₱31,154,332

Movements in the net retirement liability as at December 31, 2024 and 2023 are as follows:

	2024	2023 (As restated - see Note 2)
Balance at beginning of year	**₱31,154,332**	₱30,411,338
Retirement expense	**6,393,239**	5,066,058
Contributions paid	**–**	(4,323,064)
Balance at end of year	**₱37,547,571**	₱31,154,332

Retirement expense is recognized as part of the following:

	Note	**2024**	2023
Cost of services	11	**₱5,892,790**	₱4,669,498
Operating expenses	12	**500,449**	396,560
		₱6,393,239	₱5,066,058

10. Related Party Transactions

Compensation of Key Management Personnel

The amounts disclosed in the table below are the amounts recognized as expense during the reporting period related to key management personnel.

	2024	2023
Short-term benefits	**₱22,981,262**	₱22,349,621
Post-employment benefits	**3,354,556**	3,233,454
	₱26,335,818	₱25,583,075

Revenue Regulations (RR) No. 34-2020

The Company is not covered by the requirements and procedures for related party transactions under RR No. 34-2020.

11. Cost of Services

This account consists of:

	Note	2024	2023 (As restated - see Note 2)
Salaries, wages and other benefits		**₱65,411,352**	₱58,706,213
Agency production cost		**19,355,466**	29,817,534
Outsourced services		**9,364,421**	8,790,663
Rent	14	**8,199,148**	8,012,394
Employee benefits		**5,987,729**	5,024,773
Retirement expense	9	**5,892,790**	4,669,498
Research tools		**2,448,119**	3,673,670
Communication		**1,458,865**	1,355,389
Transportation and travel		**1,190,674**	1,251,169
Software licenses		**285,764**	316,207
		₱119,594,328	₱121,617,510

12. **Operating Expenses**

This account consists of:

	Note	2024	2023 (As restated - see Note 2)
Salaries, wages and other benefits		**₱6,188,678**	₱6,336,650
Outsourced services		**2,355,053**	2,101,404
Transportation and travel		**1,940,942**	1,824,754
Depreciation and amortization	5	**1,814,552**	2,384,042
Utilities		**1,385,529**	1,346,239
Taxes and licenses		**1,300,695**	1,536,474
Representation and entertainment		**1,131,437**	1,271,095
Advertising		**801,920**	1,602,269
Retirement expense	9	**500,449**	396,560
Professional fees		**387,251**	1,728,752
Supplies		**317,277**	223,379
Repairs and maintenance		**170,397**	70,377
Others		**1,465,921**	1,269,099
		₱19,760,101	₱22,091,094

Others consist of training, seminars and miscellaneous expenses.

13. **Other Income (Charges) -** Net

This account consists of:

	Note	2024	2023 (As restated - see Note 2)
Loss on pre-termination of lease	14	**(₱2,001,510)**	₱–
Foreign exchange gain - net		**299,439**	1,417,302
Interest income	3	**128,187**	289,281
		(₱1,573,884)	₱1,706,583

14. **Leases**

On October 31, 2022, the Company has lease agreement for its office space for a period of three (3) years starting from November 1, 2022 until October 31, 2025. The lease term stipulates an annual escalation rate of 5% beginning on the second year with proportionate increase in advance rent and security deposits. The lease agreement is renewable upon mutual agreement of the parties. Advance rent amounting to ₱2.0 million as at December 31, 2023 will be applied to the rent due on the last three months of the lease term (see Note 6).

In 2024, the Company terminated the lease agreement for its office space and incurred pre-termination loss amounting to ₱2.0 million (see Note 13).

The Company also has existing lease agreement for the lease of transportation equipment for a period of five years. On May 30, 2024, the Company entered into additional lease agreement for lease of transportation equipment with a term of five years.

Security deposit from lease agreement amounting ₱2.2 million in 2024 and 2023, are refundable net of conditional charges at the end of lease term (see Note 6).

Rent expense amounted to ₱8.2 million and ₱8.0 million in 2024 and 2023, respectively (see Note 11).

15. **Income Tax**

The provision for current income tax pertains to MCIT in 2024 and RCIT computed using optional standard deduction (OSD) in 2023.

Under the Corporate Recovery and Tax Incentives for Enterprises Act, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets and total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three years until June 30, 2023 and reverted back to 2% on July 1, 2023.

Accordingly, as at December 31, 2024 and 2023, the income tax rate used in preparing the financial statements is 20% and 25%, respectively.

The reconciliation of income tax (benefit) computed at the applicable statutory tax rate to provision for income tax presented in the statements of income is summarized as follows:

	2024	2023 (As restated - see Note 2)
Income tax (benefit) at statutory rate	**(₱3,516,886)**	₱5,518,542
Change in unrecognized deferred tax assets	**2,183,643**	7,788,583
Income tax effects of:		
Effect of change in tax rate	**1,557,716**	–
Interest income already subjected to final tax	**(25,637)**	(72,320)
Difference between OSD and itemized deductions	**–**	778,438
Effect of transition of PFRS SME to SE	**–**	(99,953)
	₱198,836	₱13,913,290

The Company did not recognize deferred tax assets on certain temporary difference and carryforward benefits of NOLCO, as the management assessed that there is no future taxable income against which the deferred tax assets will be applied. NOLCO incurred as at December 31, 2024 amounting to ₱11.3 million can be claim as deduction until 2027.

The MCIT incurred by the Company amounting to ₱0.2 million can be used as deduction against taxable income until 2027.

The details of unrecognized deferred tax assets are as follows:

	2024	2023 (As restated - see Note 2)
Retirement benefits liability	**₱7,509,514**	₱7,788,583
NOLCO	**2,263,876**	–
MCIT	**198,836**	–
	₱9,972,226	₱7,788,583

16. **Supplementary Information Required by the Bureau of Internal Revenue Under Revenue Regulation No. 15-2010**

The information for 2024 required by the above regulation is presented below.

Output VAT
Output VAT declared for the year ended December 31, 2024 and the revenues subject to output VAT are as follows:

	Gross amount of Revenue	Output VAT
Sale of services:		
Subject to 12% VAT	₱145,422,719	₱17,450,726
Zero rated sales	514,056	–
		17,450,726
Less:		
VAT payments		3,634,461
Input VAT applied against output VAT		3,674,937
		₱10,141,328

Under the Ease of Paying Taxes (EOPT) Act, the gross revenue for VAT purposes is based on the gross sale regardless of whether the sale is for goods or for services effective April 27, 2024.

Input VAT
The movements of input VAT in 2024 are shown below:

Balance at beginning of year	₱–
Domestic purchases of services	3,419,156
Domestic purchased of good other than capital goods	255,781
Total input VAT	3,674,937
Less applied against output VAT	3,674,937
Balance at end of year	₱–

Withholding Taxes
The amount of withholding taxes paid and accrued are as follows:

	Paid	Accrued	Total
Withholding taxes on compensation	₱11,418,700	₱903,571	₱12,322,271
Final withholding taxes	–	1,534,144	1,534,144
Expanded withholding taxes	1,345,648	273,345	1,618,993
	₱12,764,348	₱2,711,060	₱15,475,408

All Other Local and National Taxes
All other local and national taxes accrued and paid by the Company in 2024 consist of:

Business permits	₱1,273,507
Others	27,188
	₱1,300,695

The above local and national taxes are presented as taxes and licenses under “Operating expenses” account in the statement of income.

Tax Assessments and Tax Cases
The Company has no ongoing tax assessments and tax cases as at and for the year ended December 31, 2024.

seven|a.d.

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN"

The Management of Seven A.D. Inc. (the Company) is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2023. Management is likewise responsible for all information and representations contained in the audited financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2023 and the accompanying Annual Income Tax Return are in accordance with the books and records of Seven A.D. Inc., complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to the Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) Seven A.D. Inc. has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signature: ______________________________
Christina Maria Gonzales
President

Signature: ______________________________
Thelma Macrina San Diego
Chief Operating Officer

Signature: ______________________________
Maria Dolores A. Lugo
VP – Finance & Corporate Services

Signed this 28th day of March 2024.

SEVEN A.D. INC.
9th Floor, World Plaza, 5th Avenue
Bonifacio Global City, Taguig City 1634
Tel. No. 8-8870-777

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Seven A.D. Inc.
Unit 902, 9th Floor, The World Plaza
5th Avenue, Bonifacio Global City
Taguig City

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Seven A.D. Inc. (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the Supplementary Information Required under Revenue Regulation No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 17 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Seven A.D. Inc. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

Ma. Roselyn B. Balane
MA. ROSELYN B. BALANE
Partner
CPA Certificate No. 133328
Tax Identification No. 402-406-197-000
BOA Accreditation No. 4782; Valid until April 13, 2024
BIR Accreditation No. 08-005144-019-2022
Valid until January 24, 2025
PTR No. 10072427
Issued January 2, 2024, Makati City

March 28, 2024
Makati City, Metro Manila

SEVEN A.D. INC.

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2023**	2022
ASSETS			
Current Assets			
Cash	4	**₱29,984,998**	₱15,474,590
Trade and other receivables	5	**49,610,898**	84,897,671
Security deposit	15	**–**	814,112
Prepaid expenses		**206,545**	936,876
Total Current Assets		**79,802,441**	102,123,249
Noncurrent Assets			
Property and equipment	6	**6,614,836**	4,478,956
Deferred tax assets	16	**–**	5,104,918
Other noncurrent assets	7	**4,180,008**	4,178,400
Total Noncurrent Assets		**10,794,844**	13,762,274
		₱90,597,285	₱115,885,523
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	8	**₱26,049,444**	₱23,447,262
Dividends payable	9	**–**	7,593,878
Current portion of finance lease liabilities	15	**936,902**	1,055,123
Income tax payable		**2,505,056**	5,360,683
Total Current Liabilities		**29,491,402**	37,456,946
Noncurrent Liabilities			
Finance lease liabilities - net of current portion	15	**3,544,368**	89,066
Net retirement liability	10	**21,785,637**	20,355,072
Total Noncurrent Liabilities		**25,330,005**	20,444,138
Total Liabilities		**54,821,407**	57,901,084
Equity			
Capital stock	9	**10,000,000**	10,000,000
Retained earnings	9	**20,824,799**	44,421,430
Other comprehensive income	10	**7,614,999**	6,226,929
Treasury stock	9	**(2,663,920)**	(2,663,920)
Total Equity		**35,775,878**	57,984,439
		₱90,597,285	₱115,885,523

See accompanying Notes to Financial Statements.

SEVEN A.D. INC.

STATEMENTS OF COMPREHENSIVE INCOME

	Note	**Years Ended December 31** **2023**	2022
SERVICE INCOME		**₱164,076,190**	₱182,764,618
COST OF SERVICES	12	**121,617,510**	115,338,329
GROSS PROFIT		**42,458,680**	67,426,289
OPERATING EXPENSES	13	**(21,778,720)**	(25,205,026)
INCOME FROM OPERATIONS		**20,679,960**	42,221,263
OTHER INCOME - Net	14	**1,394,209**	99,220
INCOME BEFORE INCOME TAX		**22,074,169**	42,320,483
PROVISION FOR (BENEFIT FROM) INCOME TAX	16		
Current		**6,732,731**	11,147,555
Deferred		**7,180,559**	(584,582)
		13,913,290	10,562,973
NET INCOME		**8,160,879**	31,757,510
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified subsequently to profit or loss	10		
Remeasurement loss on net retirement liability		**(515,678)**	(551,281)
Derecognition of deferred tax assets		**1,903,748**	–
		1,388,070	(551,281)
TOTAL COMPREHENSIVE INCOME		**₱9,548,949**	₱31,206,229

See accompanying Notes to Financial Statements.

SEVEN A.D. INC.

STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31	
		2023	2022
CAPITAL STOCK - ₱100 par value			
Authorized, issued and outstanding - 100,000 shares	9	**₱10,000,000**	₱10,000,000
RETAINED EARNINGS	9		
Appropriated for Business Project		**10,000,000**	10,000,000
Unappropriated			
Balance at beginning of year		**34,421,430**	38,159,430
Declaration of cash dividends - ₱330.81 a share in 2023 and ₱369.74 a share in 2022		**(31,757,510)**	(35,495,510)
Net income		**8,160,879**	31,757,510
Balance at end of year		**10,824,799**	34,421,430
		20,824,799	44,421,430
OTHER COMPREHENSIVE INCOME			
Cumulative Remeasurement Gain on Net Retirement Liability	10		
Balance at beginning of year		**6,226,929**	6,778,210
Remeasurement loss on net retirement liability		**(515,678)**	(551,281)
Derecognition of deferred tax assets		**1,903,748**	–
Balance at end of year		**7,614,999**	6,226,929
TREASURY STOCK - at cost - 4,000 shares	9	**(2,663,920)**	(2,663,920)
		₱35,775,878	₱57,984,439

See accompanying Notes to Financial Statements.

SEVEN A.D. INC.

STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 **2023**	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱22,074,169**	₱42,320,483
Adjustments for:			
Retirement expense	10	**5,066,058**	3,707,463
Depreciation and amortization	6	**3,896,423**	6,435,756
Interest expense	15	**312,374**	234,305
Interest income	4	**(289,281)**	(91,463)
Operating income before working capital changes		**31,059,743**	52,606,544
Decrease (increase) in:			
Trade and other receivables		**35,286,773**	(29,100,400)
Prepaid expenses		**730,331**	(38,710)
Increase in trade and other payables		**2,602,182**	6,494,440
Net cash generated from operations		**69,679,029**	29,961,874
Income tax paid		**(9,588,358)**	(7,865,350)
Contributions paid	10	**(4,323,064)**	–
Interest received		**289,281**	91,463
Net cash provided by operating activities		**56,056,888**	22,187,987
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	6	**(1,385,603)**	(2,226,981)
Decrease (increase) in:			
Security deposit		**907,814**	–
Advance rent		**(95,310)**	1,002,945
Net cash used in investing activities		**(573,099)**	(1,224,036)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of cash dividends	9	**(39,351,388)**	(28,595,070)
Payments of finance lease liabilities	15	**(1,621,993)**	(1,860,489)
Net cash used in financing activities		**(40,973,381)**	(30,455,559)
NET INCREASE (DECREASE) IN CASH		**14,510,408**	(9,491,608)
CASH AT BEGINNING OF YEAR		**15,474,590**	24,966,198
CASH AT END OF YEAR		**₱29,984,998**	₱15,474,590
NONCASH FINANCIAL INFORMATION			
Acquisition of transportation equipment through a finance lease	15	**₱4,646,700**	₱–

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

1. **Corporate Matters**

General Information
Seven A.D. Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 15, 2010. Its primary purpose is to engage in advertising through tri-media; TV, radio, and print, and non-traditional advertising; billboards, ambient, out of home design and print advertising, and design in graphic application, photography, directing and the likes.

On March 14, 2023, the SEC approved the amendment of Articles of Incorporation changing the Company's principal place of business from Unit 901 & 902, 9th Floor, The World Plaza, 5th Avenue Bonifacio Global City, Taguig City to Unit 902, 9th Floor, The World Plaza, 5th Avenue, Bonifacio Global City, Taguig City.

Approval of the Financial Statements
The financial statements of the Company as at and for the years ended December 31, 2023 and 2022 were approved and authorized for issuance by the Board of Directors (BOD) on March 28, 2024.

2. **Summary of Significant Accounting Policies**

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

Basis of Preparation and Statement of Compliance
The financial statements of the Company are prepared in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SME) issued by the International Accounting Standards Board as approved by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

Under the criteria set out by the Philippine SEC, the Company meets the definition of a Medium-sized Entity in 2022. However, the Company breached the threshold to qualify as a Small Entity in 2023. As allowed by the SEC, the Company has one year to assess if the event that caused the change is significant and continuing.

Measurement Basis
The financial statements are presented in Philippine Peso (Peso), which is the Company's functional and presentation currency. All amounts are rounded to the nearest Peso, unless otherwise indicated.

The financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

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

Basic Financial Instruments
The Company recognizes a financial asset and financial liability only when the Company becomes a party to the contractual provisions of the instrument.

Cash. Cash includes cash on hand and in banks. Cash on hand is stated at face amount. Cash in banks are unrestricted for use in the current operations and are stated at face amount and earn interest at the prevailing bank deposit rates.

Trade Receivables. Trade receivables are recognized initially at transaction price. These are subsequently measured at amortized cost using the effective interest method, less provision for impairment, if any. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Security Deposit. Security deposit pertains to the amount paid by the Company to the lessors which are refundable upon expiration of the lease term. These are recognized initially at the cash value given up by the Company and subsequently measured at the undiscounted amount of cash or other consideration expected to be received.

Trade and Other Payables. Trade and other payables (excluding statutory payables) are obligations on normal credit terms and do not bear interest. These are recognized initially at transaction price and subsequently measured at undiscounted amount of cash or other consideration expected to be paid. These are recognized in the period when the related money, goods or services are received or when legally enforceable claim against the Company is established or when the corresponding assets or expenses are recognized.

Dividends Payable. Dividends payable are distributions to be paid to stockholders.

Derecognition of Basic Financial Instruments

Financial Assets. The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or are settled, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Company derecognizes the asset and recognizes separately any rights and obligations retained or created in the transfer.

Any difference between the consideration received and the amounts recognized and derecognized shall be recognized in profit or loss.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Any difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed shall be recognized in profit or loss.

Impairment of Financial Assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Advances to Officers and Employees

Advances subject to liquidation pertain to cash advances to employees used for the Company's operations. These are initially recognized at face value and subsequently measured at transaction cost less impairment in value, if any.

Prepaid Expenses

Prepaid expenses are expenses paid in advance and recorded as assets before these are utilized. Prepaid expenses that are expected to be realized for no more than 12 months after the reporting date are classified as other current assets. Otherwise, these are classified as noncurrent assets.

Advance Rent

Advance rent is carried at cost less any impairment in value and will generally be applied as lease payments at the end of the lease term. Advance rent which is expected to be applied for not more than 12 months of the lease term are classified as current assets. Otherwise, this is classified as noncurrent assets.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of the purchase price, including import duties, nonrefundable taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally recognized in profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standards of performance, the expenditures are capitalized as additional costs of the property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the property and equipment. The estimated useful life of each item of property and equipment is estimated based on the period over which the asset is expected to be available for use.

Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The estimated useful lives of property and equipment are as follows:

	Number of Years
Transportation equipment	3 to 5
Leasehold improvements	5 years or term of lease, whichever is shorter
Office equipment	3 to 5
Furniture and fixtures	5

The property and equipment's residual values estimated useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment loss are removed from the accounts, and any resulting gain or loss is recognized in profit or loss in the year the asset is derecognized.

Fully depreciated and amortized property and equipment are retained in the accounts until these are no longer in use and no further depreciation and amortization is charged to current operations.

Impairment of Nonfinancial Assets
At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss. The estimated recoverable amount of an asset is the greater of its value in use or its fair value less cost to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Capital Stock
Capital stock is measured at par value for all shares issued.

Retained Earnings
Retained earnings represent the cumulative balance of the Company's results of operations, net of dividend distributions and other capital adjustments.

Appropriated retained earnings represent that portion which has been restricted and are not available for dividend declaration.

Unappropriated retained earnings represent that portion which can be declared as dividend to the stockholders of the Company.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense that are not recognized in profit or loss for the year. Other comprehensive income of the Company pertains to cumulative remeasurement gain and loss on net retirement liability.

Treasury Stock

When the Company repurchases its own capital stock, the consideration paid, including any directly attributable incremental cost is deducted from equity until the stocks are cancelled, reissued, or disposed of. Upon subsequent sale or reissue, any consideration received, net of any directly attributable incremental transaction cost and the related tax effects is included in equity.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. The following specific revenue recognition criteria must be met before revenue is recognized:

Service Income. Revenue is recognized when the Company has rendered the service to its customers. Fees are based on agency rate card on various creative services and commission on client's production and media spending.

Interest Income. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

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

Cost and Expense Recognition

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

Cost of Services. Cost of services is recognized as expense when the related services are rendered.

Operating Expenses. Operating expenses constitute costs of administering the business. These are expensed as incurred.

Other Charges. Other charges are recognized when incurred.

Employee Benefits

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

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

Retirement Benefits. The Company has a funded, non-contributory defined benefit plan, administered by trustees, covering all of its permanent local employees. The retirement expense is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Current service costs are the increase in the present value of the defined benefit obligation in the current period.

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

The net retirement liability or asset is the aggregate of the present value of the retirement liability and the fair value of plan assets on which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

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

Value-Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of VAT except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority; or

- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT payable to the taxation authority is included as part of statutory payables under "Trade and other payables" account in the statements of financial position.

Leases
The determination whether the arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Leased assets are amortized over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating leases of the Company represent those under which substantially all the risks and benefits of ownership of the assets remain with the lessor. Operating lease payments are recognized as expense in the statements of comprehensive income on a straight-line basis over the lease term.

Accrued rent pertains to the difference between rent expense recognized based on a straight-line method and lease payments based on the terms of the lease contract.

Income Taxes

Current Tax. Current tax assets and liabilities 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 have been enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are applicable 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.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same tax authority.

Related Party Relationships and Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include (a) enterprises that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual. The key management personnel of the Company are also considered to be related parties.

A related party transaction is a transfer of resources, services or obligations with related parties. Transactions with related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects current market assessment 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 the passage of time is recognized as interest expense.

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

Events After the Reporting Date
Events after the reporting period that provide additional information about the Company's financial position at the financial reporting date (adjusting events) are reflected in the financial statements. Events after the financial reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

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3. **Significant Judgment, Accounting Estimates and Assumptions**

The preparation of the Company's financial statements in accordance with PFRS for SME requires the Company to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any changes in estimates are reflected in the financial statements as they become reasonably determinable.

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

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

Determining Operating Lease Commitment - Company as Lessee. The Company has entered into a commercial property lease related to its office space. The Company determined that the significant risks and benefits of ownership of these properties are not transferred to the Company under the operating lease arrangement. Accordingly, the lease agreement was accounted for as an operating lease (see Note 15).

Determining Finance Lease Commitments - Company as Lessee. The Company has lease contracts for various transportation equipment. The Company determined that all the risks and rewards incidental and related to those transportation equipment are substantially transferred to the Company. Accordingly, the lease agreements were accounted for as finance lease (see Note 15).

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

Estimating the Useful Lives of Property and Equipment. The useful lives of property and equipment are estimated based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates. It is possible that future financial performance could be materially affected by the changes in these estimates brought about by changes in factors mentioned.

Any reduction in the estimated useful lives of the property and equipment would increase the Company's recorded costs or expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of the Company's property and equipment in 2023 and 2022.

The carrying amount of property and equipment as at December 31, 2023 and 2022 are disclosed in Note 6.

Estimating the Allowance for Impairment Losses of Trade Receivables. The Company maintains allowance for impairment losses on trade receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectability of the accounts. The Company reviews the age and status of receivables and identifies accounts that are to be provided with allowance. The amount and timing of recorded expenses for any period would differ if the Company made different judgment or utilized different estimates.

No provision for impairment loss on trade receivables was recognized in 2023 and 2022. The carrying amount of trade receivables are disclosed in Note 5.

Assessing the Impairment of Nonfinancial Assets. An impairment review is performed when certain impairment indicators are present. The Company determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the asset is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Management assesses that the recoverable amounts of nonfinancial assets exceed their carrying amounts, thus, no impairment loss was recognized on nonfinancial assets in 2023 and 2022.

The carrying amounts of the Company's nonfinancial assets as at December 31, 2023 and 2022 are disclosed in Notes 5, 6 and 7.

Estimating Net Retirement Liability. The present value of the retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for retirements include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of net retirement liability. The expected return on plan assets assumption is determined on a uniform basis, taking into consideration future estimates of long-term investment returns.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligation. In determining the appropriate discount rate, the Company considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related net retirement liability.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the net retirement liability.

Retirement benefit costs and net retirement liability as at and for the years ended December 31, 2023 and 2022 are disclosed in Note 10. Other key assumptions for net retirement liability are based in part on current market conditions.

Assessing the Realizability of Deferred Tax Assets. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the projected taxable income in the following periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. The carrying amount of deferred tax asset is reviewed at each financial reporting date.

The Company deferred tax assets as at December 31, 2023 and 2022 are disclosed in Note 16.

4. Cash

This account consists of:

	2023	2022
Cash on hand	**₱34,042**	₱34,042
Cash in banks	**29,950,956**	15,440,548
	₱29,984,998	₱15,474,590

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

Interest income earned from cash in banks amounted to ₱0.3 million and ₱0.1 million in 2023 and 2022, respectively (see Note 14).

5. Trade and Other Receivables

This account consists of:

	2023	2022
Trade receivables	**₱49,062,396**	₱84,381,534
Advances to officers and employees	**548,502**	516,137
	₱49,610,898	₱84,897,671

Trade receivables arise from the normal course of business. These receivables are unsecured, noninterest-bearing and generally on a 30-day credit term. These also include services already rendered but have not yet been billed as at reporting date.

Advances to officers and employees represent various cash advances used for immediate expenses relating to projects and are subject to liquidation.

6. Property and Equipment

Movements in this account are as follows:

	2023				
	Transportation Equipment	**Leasehold Improvements**	**Office Equipment**	**Furniture and Fixtures**	**Total**
Cost					
Balance at beginning of year	**₱7,328,500**	**₱11,177,136**	**₱3,832,943**	**₱1,564,905**	**₱23,903,484**
Additions	**5,630,700**	**–**	**401,603**	**–**	**6,032,303**
Balance at end of year	**12,959,200**	**11,177,136**	**4,234,546**	**1,564,905**	**29,935,787**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**6,553,275**	**8,400,158**	**3,026,710**	**1,444,385**	**19,424,528**
Depreciation and amortization	**1,512,381**	**1,769,782**	**493,740**	**120,520**	**3,896,423**
Balance at end of year	**8,065,656**	**10,169,940**	**3,520,450**	**1,564,905**	**23,320,951**
Carrying Amount	**₱4,893,544**	**₱1,007,196**	**₱714,096**	**₱–**	**₱6,614,836**

	2022				
	Transportation Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Cost					
Balance at beginning of year	₱7,328,500	₱19,845,509	₱7,334,383	₱3,242,341	₱37,750,733
Additions	–	1,648,141	578,840	–	2,226,981
Retirement	–	(10,316,514)	(4,080,280)	(1,677,436)	(16,074,230)
Balance at end of year	7,328,500	11,177,136	3,832,943	1,564,905	23,903,484
Accumulated Depreciation and Amortization					
Balance at beginning of year	5,014,375	14,656,007	6,734,480	2,658,140	29,063,002
Depreciation and amortization	1,538,900	4,060,665	372,510	463,681	6,435,756
Retirement	–	(10,316,514)	(4,080,280)	(1,677,436)	(16,074,230)
Balance at end of year	6,553,275	8,400,158	3,026,710	1,444,385	19,424,528
Carrying Amount	₱775,225	₱2,776,978	₱806,233	₱120,520	₱4,478,956

Fully depreciated and amortized property and equipment with cost of ₱17.5 million and ₱12.0 million as at December 31, 2023 and 2022, respectively, are still being used in operations.

Transportation equipment with a carrying amount of ₱4.7 million and ₱0.7 million as at December 31, 2023 and 2022, respectively, are held under a finance lease (see Note 15).

7. Other Noncurrent Assets

This account consists of:

	Note	**2023**	2022
Security deposit	15	**₱2,178,498**	₱2,272,200
Advance rent	15	**2,001,510**	1,906,200
		₱4,180,008	₱4,178,400

8. Trade and Other Payables

This account consists of:

	Note	2023	2022
Trade payables		**₱15,754,221**	₱15,571,836
Statutory payables		**9,517,167**	7,421,424
Accrued expenses:			
Rental	15	**388,654**	64,600
Others		**389,402**	389,402
		₱26,049,444	₱23,447,262

Trade payables are noninterest-bearing and are generally settled on a 30-day term. These pertain to the amounts due to the Company's suppliers for goods received and services rendered.

Statutory payables pertain to output VAT payable, withholding taxes and government payables which are normally settled in the subsequent period.

Other accrued expenses include legal and professional fees which are expected to be settled in less than a year.

9. Equity

Capital Stock

Capital stock consists of 100,000 shares amounting to ₱10.0 million as at December 31, 2023 and 2022.

Retained Earnings

The Company's retained earnings amounting to ₱20.8 million and ₱44.4 million as at December 31, 2023 and 2022, respectively, is in excess of one hundred percent (100%) of paid-up capital. Under Section 42 of the Revised Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of paid-in capital except when justified by corporate expansion projects and when it is necessary for special reserve for probable contingencies, among others.

On March 28, 2024, the BOD approved the declaration of cash dividends amounting to ₱15.3 million or equivalent to ₱159.81 a share to stockholders on record as at December 31, 2023.

On April 12, 2023, the BOD approved the declaration of cash dividends amounting to ₱31.8 million or equivalent to ₱330.81 a share for stockholders on record as at December 31, 2022.

On April 15, 2022, the BOD approved the declaration of cash dividends amounting to ₱35.5 million or equivalent to ₱369.74 a share for stockholders on record as at December 31, 2021.

In 2023 and 2022, the Company paid dividends amounting to ₱39.4 million and ₱28.6 million, respectively.

Dividends payable as at December 31, 2022 amounted to ₱7.6 million.

Retained earnings available for dividends declaration amounted to ₱15.3 million and ₱31.8 million as at December 31, 2023 and 2022, respectively.

The Company has appropriated retained earnings amounting to ₱10.0 million for a digital business project. Due to management's change in strategic direction, on April 7, 2020, the BOD decided to re-appropriate the amount for a future investment in a related business. The investment is expected to take five years to materialize.

Treasury Stock
In 2017, the Company reacquired 4,000 shares for ₱2.7 million or equivalent to ₱666.0 a share. The Company's retained earnings are restricted also to the extent of the cost of treasury stock amounting to ₱2.7 million as at December 31, 2023 and 2022.

10. Retirement Benefits

The Company has established a funded, noncontributory defined benefit retirement plan covering all of its permanent local employees. The retirement benefits are based on years of service and compensation on the last year of employment as determined by an external actuary. The latest actuarial valuation report is as at December 31, 2023.

The components of retirement expense recognized in the statements of comprehensive income are as follows:

	2023	2022
Current service cost	**₱3,362,628**	₱2,614,963
Net interest cost	**1,703,430**	1,092,500
	₱5,066,058	₱3,707,463

Retirement expense is recognized as part of the following:

	Note	**2023**	2022
Cost of services	12	**₱4,669,498**	₱3,417,251
Operating expenses	13	**396,560**	290,212
		₱5,066,058	₱3,707,463

The funded status and amounts recognized in the statements of financial position for the net retirement liability are as follows:

	2023	2022
Present value of retirement liability	**₱33,629,010**	₱28,451,292
Fair value of plan assets	**(11,843,373)**	(8,096,220)
	₱21,785,637	₱20,355,072

Movements in the net retirement liability as at December 31, 2023 and 2022 are as follows:

	2023	2022
Balance at beginning of year	**₱20,355,072**	₱15,912,567
Contributions	**(4,323,064)**	–
Current service cost	**3,362,628**	2,614,963
Net interest cost	**1,703,430**	1,092,500
Remeasurement loss	**687,571**	735,042
Balance at end of year	**₱21,785,637**	₱20,355,072

Changes in the present value of the retirement liability obligation are as follows:

	2023	2022
Balance at beginning of year	**₱28,451,292**	₱24,551,507
Current service cost	**3,362,628**	2,614,963
Interest expense	**2,108,241**	1,732,822
Benefits paid	**(902,700)**	(448,000)
Remeasurement loss	**609,549**	–
Balance at end of year	**₱33,629,010**	₱28,451,292

Changes in the fair value of plan assets are as follows:

	2023	2022
Balance at beginning of year	**₱8,096,220**	₱8,638,940
Contributions	**4,323,064**	–
Benefits paid	**(902,700)**	(448,000)
Interest income	**404,811**	640,322
Remeasurement loss	**(78,022)**	(735,042)
Balance at end of year	**₱11,843,373**	₱8,096,220

The cumulative remeasurement gains on net retirement liability recognized in OCI as at December 31 are as follows:

	2023		
	Cumulative Remeasurement Gain	**Deferred Tax** (see Note 16)	**Net**
Balance at the beginning of year	**₱8,302,570**	**₱2,075,641**	**₱6,226,929**
Remeasurement loss	**(687,571)**	**(171,893)**	**(515,678)**
Derecognition of deferred tax assets	**–**	**(1,903,748)**	**1,903,748**
Balance at end of year	**₱7,614,999**	**₱–**	**₱7,614,999**

	2022		
	Cumulative Remeasurement Gain	Deferred Tax (see Note 16)	Net
Balance at the beginning of year	₱9,037,612	₱2,259,402	₱6,778,210
Remeasurement loss	(735,042)	(183,761)	(551,281)
Balance at end of year	₱8,302,570	₱2,075,641	₱6,226,929

Plan assets consist of trust funds.

The principal actuarial assumptions used to determine the retirement benefit obligation as at December 31 are as follows:

	2023	2022
Discount rate	**6.12%**	7.41%
Salary increase rate	**3.00%**	3.00%

11. Related Party Transactions

Compensation of Key Management Personnel

The amounts disclosed in the table below are the amounts recognized as expense during the reporting period related to key management personnel.

	2023	2022
Short-term benefits	**₱22,349,621**	₱22,652,225
Post-employment benefits	**3,233,454**	2,943,963
	₱25,583,075	₱25,596,188

Revenue Regulations (RR) No. 34-2020

The Company is not covered by the requirements and procedures for related party transactions under RR No. 34-2020.

12. Cost of Services

This account consists of:

	Note	2023	2022
Salaries, wages and other benefits		**₱58,706,213**	₱59,999,600
Agency production cost		**29,817,534**	30,774,465
Outsourced services		**8,790,663**	3,689,620
Rent	15	**8,012,394**	9,598,999
Employee benefits		**5,024,773**	4,864,905
Retirement expense	10	**4,669,498**	3,417,251
Research tools		**3,673,670**	–
Communication		**1,355,389**	1,457,491
Transportation and travel		**1,251,169**	1,092,677
Software licenses		**316,207**	443,321
		₱121,617,510	₱115,338,329

13. Operating Expenses

This account consists of:

	Note	2023	2022
Salaries, wages and other benefits		**₱6,336,650**	₱5,708,818
Depreciation and amortization	6	**3,896,423**	6,435,756
Outsourced services		**2,101,404**	3,795,500
Professional fees		**1,728,752**	426,789
Advertising		**1,602,269**	2,367,217
Taxes and licenses		**1,536,474**	1,532,367
Utilities		**1,346,239**	1,888,803
Representation and entertainment		**1,271,095**	1,319,551
Retirement expense	10	**396,560**	290,212
Supplies		**223,379**	582,134
Repairs and maintenance		**70,377**	312,610
Others		**1,269,098**	545,269
		₱21,778,720	₱25,205,026

14. **Other Income -** Net

This account consists of:

	Note	**2023**	2022
Foreign exchange gain - net		**₱1,417,302**	₱242,062
Interest expense	15	**(312,374)**	(234,305)
Interest income	4	**289,281**	91,463
		₱1,394,209	₱99,220

15. **Leases**

Operating Lease

On October 31, 2022, the Company renewed the operating lease agreement for its office space for a period of three (3) years starting from November 1, 2022 until October 31, 2025. The lease term stipulates an annual escalation rate of 5% beginning on the second year with proportionate increase in advance rent and security deposits. The lease agreement is renewable upon mutual agreement of the parties.

Advance rent amounting to ₱2.0 million and ₱1.9 million as at December 31, 2023 and 2022, respectively, will be applied to the rent due on the last three months of the lease term (see Note 7). Security deposit from operating lease amounting to ₱1.7 million and ₱2.7 million as at December 31, 2023 and 2022, are refundable after application to any unpaid rent and unpaid utilities.

Rent expense charged to "Cost of services" account in the statements of comprehensive income amounted to ₱8.0 million and ₱9.6 million in 2023 and 2022, respectively (see Note 12). Accrued rent amounting to ₱0.4 million and ₱0.1 million as at December 31, 2023 and 2022, respectively, was recorded as part of Accrued expenses under "Trade and other payables" account in the statements of financial position (see Note 8). Accrued rent pertains to the difference between rent expense recognized based on a straight-line method and lease payments based on the terms of the lease contract.

The future minimum lease payments under the operating lease agreement are as follows:

	2023	2022
Within one year	**₱7,624,800**	₱7,688,340
More than one year but not more than five years	**16,412,382**	15,078,042
	₱24,037,182	₱22,766,382

Finance Lease

The Company has finance lease contracts for various transportation equipment payable within five years with interest rate ranging from 11.00% to 13.00% per annum. On August 15, 2023, the Company has an additional finance lease contracts amounting to ₱4.6 million.

The Company's obligations under finance leases are secured by the lessor's title to the leased assets. The carrying amount of the transportation equipment under finance lease amounted ₱4.7 million and ₱0.7 million as at December 31, 2023 and 2022, respectively (see Note 6). Security deposits from finance lease amounting to ₱0.5 million and ₱0.4 million as at December 31, 2023 and 2022, are refundable net of conditional charges at the end of lease term.

Movement of finance lease are as follows:

	Note	**2023**	2022
Balance at beginning of year		**₱1,144,189**	₱2,770,373
Additions		**4,646,700**	–
Lease payments		**(1,621,993)**	(1,860,489)
Accretion of interest	14	**312,374**	234,305
Balance at end of year		**4,481,270**	1,144,189
Less current portion		**936,902**	1,055,123
Noncurrent portion		**₱3,544,368**	₱89,066

Future minimum lease payments and details of finance lease liabilities presented in the statements of financial position are as follows:

	2023	2022
Within one year	**₱1,345,674**	₱1,112,995
After one year but not more than three years	**4,548,560**	90,534
Total finance lease payments	**5,894,234**	1,203,529
Less amount representing interest	**1,412,964**	59,340
Present value of minimum lease payments	**4,481,270**	1,144,189
Less current portion	**936,902**	1,055,123
Noncurrent portion	**₱3,544,368**	₱89,066

Details of security deposits presented under "Other noncurrent assets" account and current assets in the statements of financial position as at December 31, 2023 and 2022 are as follows (see Note 7):

	2023	2022
Operating lease	**₱1,662,198**	₱2,720,312
Finance lease	**516,300**	366,000
	2,178,498	3,086,312
Less noncurrent portion	**2,178,498**	2,272,200
Current portion	**₱–**	₱814,112

16. **Income Tax**

The provision for current income tax pertains to regular corporate income tax computed using optional standard deduction (OSD) in 2023 and itemized deduction in 2022.

The components of the Company's deferred tax assets as at December 31, 2023 and 2022 shown in the statements of financial position consist of the following:

	2023	2022
Net retirement liability	**₱5,446,409**	₱5,088,768
Accrued rent	**97,164**	16,150
	₱5,543,573	₱5,104,918

The presentation of deferred tax assets is as follows:

	2023	2022
Through profit or loss	**₱7,447,321**	₱7,180,559
Through other comprehensive income	**(1,903,748)**	(2,075,641)
	₱5,543,573	₱5,104,918

In 2023, the Company did not recognize deferred tax assets, as the management assessed that there is no future taxable income against which the deferred tax assets will be applied.

The reconciliation of income tax computed at the applicable statutory tax rate to provision for income tax presented in the statements of comprehensive income is summarized as follows:

	2023	2022
Income tax at statutory rate	**₱5,518,542**	₱10,580,121
Income tax effects of:		
Change in unrecognized deferred tax assets	**7,447,321**	–
Difference between OSD and itemized deductions	**1,001,667**	–
Interest income already subjected to final tax	**(72,320)**	(22,866)
Nondeductible interest expense	**18,080**	5,718
	₱13,913,290	₱10,562,973

17. Supplementary Information Required by the Bureau of Internal Revenue Under Revenue Regulation No. 15-2010

The information for 2023 required by the above regulation is presented below.

Output VAT
Output VAT declared for the year ended December 31, 2023 and the revenues subject to output VAT are as follows:

	Gross amount of Revenue	Output VAT
Sale of services:		
Subject to 12% VAT	₱184,691,415	₱22,162,970
Zero rated sales	11,662,380	–
		22,162,970
Less:		
Output VAT payments		12,897,979
Input VAT applied against output VAT		4,415,373
		₱4,849,618

The revenues above are based on gross receipts from rendering of services for VAT purposes while revenue in the statement of comprehensive income is measured in accordance with PFRS for SME.

Input VAT
The movements of input VAT in 2023 are shown below:

Balance at beginning of year	₱–
Domestic purchases of services	4,240,389
Domestic purchased of good other than capital goods	174,984
Total input VAT	4,415,373
Less applied against output VAT	4,415,373
Balance at end of year	₱–

Withholding Taxes
The amount of withholding taxes paid and accrued are as follows:

	Paid	Accrued	Total
Withholding taxes on compensation	₱10,362,271	₱1,003,258	₱11,365,529
Final withholding taxes	–	3,175,751	3,175,751
Expanded withholding taxes	2,948,399	129,267	3,077,666
	₱13,310,670	₱4,308,276	₱17,618,946

All Other Local and National Taxes
All other local and national taxes accrued and paid by the Company in 2023 consist of:

Business permits	₱1,435,974
Annual registration fee	500
Others	100,000
	₱1,536,474

The above local and national taxes are presented as taxes and licenses under “Operating expenses” account in the statement of comprehensive income.

Tax Assessments and Tax Cases
The Company has no ongoing tax assessments and tax cases in courts or bodies outside the BIR as at and for the year ended December 31, 2023.

Reyes Tacandong & Co.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Registration No. PP201007009

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

The Stockholders and the Board of Directors
Seven A.D. Inc.
Unit 902, 9th Floor, The World Plaza
5th Avenue, Bonifacio Global City
Taguig City

We have audited the accompanying financial statements of Seven A.D. Inc. (the Company) as at and for the years ended December 31, 2023 and 2022, on which we have rendered our report dated March 28, 2024.

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 stockholders of the Company.

REYES TACANDONG & CO.

Ma. Roselyn B. Balane
MA. ROSELYN B. BALANE
Partner
CPA Certificate No. 133328
Tax Identification No. 402-406-197-000
BOA Accreditation No. 4782; Valid until April 13, 2024
BIR Accreditation No. 08-005144-019-2022
Valid until January 24, 2025
PTR No. 10072427
Issued January 2, 2024, Makati City

March 28, 2024
Makati City, Metro Manila