From: eafs@bir.gov.ph <eafs@bir.gov.ph>
Sent: Friday, April 25, 2025 9:21:25 PM
To: Philip Barcelon <philip_barcelon@acesaatchi.com.ph>
Cc: Philip Barcelon <philip_barcelon@acesaatchi.com.ph>
Subject: Your BIR AFS eSubmission uploads were received

Hi ACE/SAATCHI & SAATCHI ADVERTISING, INC.,

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

4576

COMPANY NAME

ACE/SAATCHI & SAATCHI
ADVERTISING, INC.

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

Saatchi House, No. 2296 Don
Chino Roces Avenue Extension,
Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.acesaatchi.com.ph	(02) 8857-4900	N/A
No. of Stockholders	**Annual Meeting (Month / Day)**	**Fiscal Year (Month / Day)**
68	03/31	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Philip Barcelon	philip_barcelon@acesaatchi.com.ph	(02) 8857-4900	0908-882-8017

CONTACT PERSON's ADDRESS

Saatchi House, No. 2296 Don Chino Roces Avenue Extension, Makati City

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

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

ACE
SAATCHI & SAATCHI
SAATCHI HOUSE, 2296 DON CHINO ROCES EXTENSION, MAKATI CITY TEL. NO. +632 857 4900

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **Ace/Saatchi & Saatchi Advertising, Inc.** 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 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 **Ace/Saatchi & Saatchi Advertising, Inc.** complete and correct in all material respects. Management likewise affirms that:

a) The Annual Income Tax Returns 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 in the submitted reports arising from the preparation of financial statements pursuant to financial accounting 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) **Ace/Saatchi & Saatchi Advertising, 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.

Arthur John S. Young Jr.
Chairman/CEO

Maria Luisa L. Chongson
President/COO

Felipe M. Barcelon, Jr.
Finance Director

Signed this 4th day of April 2025

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
Ace/Saatchi & Saatchi Advertising, Inc.
Saatchi House, No. 2296
Don Chino Roces Avenue Extension
Makati City

Report on the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Ace/Saatchi & Saatchi Advertising, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2024 and 2023, and the parent company statements of comprehensive income, parent company statements of changes in equity, and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including material accounting policy information.

In our opinion, the accompanying parent company 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 Standards (PFRS) Accounting Standards.

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 *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company 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 Parent Company Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company 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 parent company 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 auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of Ace/Saatchi & Saatchi Advertising, Inc. in a separate schedule. Revenue Regulations 15-2010 require the information to be presented in the notes to parent company financial statements. Such information is not a required part of the basic parent company financial statements. The information is also not required by the Revised Securities Regulation Code Rule 68. Our opinion on the basic parent company financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

Raphael Erickson M. de Leon
Raphael Erickson M. de Leon
Partner
CPA Certificate No. 0121325
Tax Identification No. 255-493-996
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-162-2025, January 8, 2025, valid until January 7, 2028
PTR No. 10465292, January 2, 2025, Makati City

April 4, 2025

ACE/SAATCHI & SAATCHI ADVERTISING, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
ASSETS		
Current Assets		
Cash (Note 4)	**₱2,618,394**	₱3,504,619
Receivables (Notes 5 and 15)	**265,194,231**	214,637,576
Other current assets (Note 6)	**13,505,217**	9,951,728
Total Current Assets	**281,317,842**	228,093,923
Noncurrent Assets		
Property and equipment (Note 7)	**71,143,527**	91,478,808
Investment in subsidiaries (Note 8)	**47,100,000**	47,100,000
Deferred income tax assets - net (Note 17)	**33,110,937**	35,660,450
Other noncurrent assets (Note 9)	**51,409,185**	45,472,951
Total Noncurrent Assets	**202,763,649**	219,712,209
TOTAL ASSETS	**₱484,081,491**	₱447,806,132
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities (Notes 10 and 15)	**₱168,560,596**	₱142,024,839
Bank loans (Note 11)	**79,500,000**	79,500,000
Current portion of lease liability (Note 18)	**15,860,661**	13,831,486
Dividends payable	**2,933,272**	2,933,272
Total Current Liabilities	**266,854,529**	238,289,597
Noncurrent Liabilities		
Noncurrent portion of lease liability (Note 18)	**61,827,349**	77,385,352
Net pension liability (Note 16)	**74,689,305**	75,142,245
Total Noncurrent Liabilities	**136,516,654**	152,527,597
Total Liabilities	**403,371,183**	390,817,194
Equity		
Capital stock - ₱10 par value (Note 12)		
Authorized - 5,000,000 shares		
Issued and outstanding - 5,000,000 shares	**50,000,000**	50,000,000
Capital paid in excess of par value	**2,065,375**	2,065,375
Deposit for future stock subscription (Note 12)	**20,000,000**	–
Defined benefit pension plan reserve, net of deferred income tax (Note 16)	**(26,584,525)**	(29,750,431)
Retained earnings (Note 12)	**35,229,458**	34,673,994
Total Equity	**80,710,308**	56,988,938
TOTAL LIABILITIES AND EQUITY	**₱484,081,491**	₱447,806,132

See accompanying Notes to Financial Statements.

ACE/SAATCHI & SAATCHI ADVERTISING, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2024	2023
COMMISSION AND FEES (Note 13)		
Commission revenue	**₱223,801,047**	₱203,100,698
Service revenue	**103,060,731**	81,198,345
	326,861,778	284,299,043
COST OF SERVICES AND OPERATING EXPENSES (Note 14)	**(314,903,302)**	(314,558,831)
INTEREST EXPENSE ON LEASE (Note 18)	**(12,554,156)**	(9,541,844)
INTEREST EXPENSE ON LOANS (Notes 11 and 15)	**(8,836,067)**	(7,313,063)
INTEREST INCOME (Notes 4 and 15)	**5,641,849**	4,952,975
FOREIGN EXCHANGE GAIN - net	**189,493**	278,747
OTHER INCOME (Notes 15 and 18)	**7,006,965**	5,642,986
INCOME (LOSS) BEFORE INCOME TAX	**3,406,560**	(36,239,987)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17)		
Current	**1,356,885**	285,968
Deferred	**1,494,211**	(7,196,035)
	2,851,096	(6,910,067)
NET INCOME (LOSS) FOR THE YEAR	**555,464**	(29,329,920)
OTHER COMPREHENSIVE GAIN (LOSS)		
Other comprehensive gain (loss) not to be reclassified to profit or loss in subsequent periods:		
Gain (loss) on defined benefit pension plan (Note 16)	**4,221,208**	(13,123,876)
Consequential deferred tax impact (Note 17)	**(1,055,302)**	3,280,969
	3,165,906	(9,842,907)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱3,721,370**	(₱39,172,827)

See accompanying Notes to Financial Statements.

ACE/SAATCHI & SAATCHI ADVERTISING, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Capital Stock	Capital Paid in Excess of Par Value	Deposits for Future Stock Subscription (Note 12)	Defined Benefit Pension Plan Reserve, Net of Deferred Income Tax (Note 17)	Retained Earnings (Note 12) Appropriated	Retained Earnings (Note 12) Unappropriated	Total
BALANCES AT DECEMBER 31, 2022	**₱30,000,000**	**₱2,065,375**	**₱–**	**(₱19,907,524)**	**₱65,000,000**	**(₱996,086)**	**₱76,161,765**
Net loss for the year	–	–	–	–	–	(29,329,920)	(29,329,920)
Other comprehensive loss	–	–	–	(9,842,907)	–	–	(9,842,907)
Total comprehensive loss for the year	–	–	–	(9,842,907)	–	(29,329,920)	(39,172,827)
Additional share issuance (Note 12)	20,000,000	–	–	–	–	–	20,000,000
Reversal of appropriations (Note 12)	–	–	–	–	(65,000,000)	65,000,000	–
Appropriation of retained earnings (Note 12)	–	–	–	–	50,000,000	(50,000,000)	–
BALANCES AT DECEMBER 31, 2023	**50,000,000**	**2,065,375**	–	**(29,750,431)**	**50,000,000**	**(15,326,006)**	**56,988,938**
Net income for the year	–	–	–	–	–	555,464	555,464
Other comprehensive income	–	–	–	3,165,906	–	–	3,165,906
Total comprehensive income for the year	–	–	–	3,165,906	–	555,464	3,721,370
Deposits for future stock subscription (Note 12)	–	–	20,000,000	–	–	–	20,000,000
BALANCES AT DECEMBER 31, 2024	**₱50,000,000**	**₱2,065,375**	**₱20,000,000**	**(₱26,584,525)**	**₱50,000,000**	**(₱14,770,542)**	**₱80,710,308**

See accompanying Notes to Financial Statements.

ACE/SAATCHI & SAATCHI ADVERTISING, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱3,406,560**	(₱36,239,987)
Adjustments for:		
Depreciation and amortization (Notes 7 and 14)	**23,531,766**	20,848,651
Interest expense (Notes 11, 15 and 18)	**21,390,223**	16,854,907
Interest income (Notes 4 and 15)	**(5,641,849)**	(4,952,975)
Movement in net pension liabilities (Note 16)	**3,768,268**	4,412,742
Unrealized foreign exchange loss (gain) - net	**(189,493)**	46,860
Gain on sale of property and equipment (Note 7)	**(84,558)**	–
Operating income before working capital changes	**46,180,917**	970,198
Decrease (increase) in:		
Receivables	**(50,119,214)**	(36,829,103)
Other assets	**(4,307,514)**	3,935,896
Increase in accounts payable and other liabilities	**(21,952,513)**	46,543,312
Cash generated from operations	**(30,198,324)**	14,620,303
Income taxes paid, including creditable withholding taxes	**(6,539,094)**	(7,245,303)
Interest received	**5,641,849**	4,952,975
Net cash flows from operating activities	**(31,095,569)**	12,327,975
CASH FLOWS FROM INVESTING ACTIVITY		
Acquisitions of property and equipment (Note 7)	**(2,067,910)**	(913,128)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of advances (Note 15)	**123,700,000**	–
Payment of advances (Note 15)	**(57,515,941)**	–
Payment of lease liabilities and related interest (Notes 18 and 21)	**(26,082,984)**	(29,121,043)
Payment of interest from loans and advances (Notes 11, 15 and 21)	**(7,670,848)**	(5,477,979)
Payment of bank loans (Notes 11 and 21)	–	(6,000,000)
Proceeds from availment of bank loans (Notes 11 and 21)	–	27,500,000
Net cash flows used in financing activities	**32,430,227**	(13,099,022)
EFFECT OF EXCHANGE RATE CHANGES IN CASH	**(152,973)**	(4,376)
NET DECREASE IN CASH	**(886,225)**	(1,688,551)
CASH AT BEGINNING OF YEAR	**3,504,619**	5,193,170
CASH AT END OF YEAR (Note 4)	**₱2,618,394**	₱3,504,619

See accompanying Notes to Financial Statements.

ACE/SAATCHI & SAATCHI ADVERTISING, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. **Corporate Information and Authorization for the Issuance of the Financial Statements**

Corporate Information
Ace/Saatchi & Saatchi Advertising, Inc. (the Company) was incorporated in the Philippines on August 12, 1949. The Company is primarily engaged in the conduct of general advertising, in the creation and production of materials for subsequent advertisements on television, print, radio, cinema, and other media. Its registered office address is Saatchi House, No. 2296 Don Chino Roces Avenue Extension, Makati City.

Authorization for the Issuance of the Financial Statements
The accompanying financial statements were approved and authorized for issuance by the Company's Board of Directors (BOD) on April 4, 2025.

2. **Summary of Material Accounting Policies**

Basis of Preparation
The financial statements of the Company have been prepared using the historical cost basis and are presented in Philippine peso, which is the Company's functional and presentation currency. All amounts are rounded to the nearest peso, except as otherwise indicated.

Statement of Compliance
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

The Company also prepares and issues consolidated financial statements for the same period as the statutory financial statements presented in accordance with PFRS Accounting Standards. The consolidated financial statements of the Company are filed with and may be obtained from the Philippine Securities and Exchange Commission (SEC).

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2024. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendments to PAS 1*, Classification of Liabilities as Current or Noncurrent*
- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7*, Disclosures: Supplier Finance Arrangements*

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed in the next page. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have significant impact on the Company's financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2025
- Amendments to PAS 21*, Lack of exchangeability*

Effective beginning on or after January 1, 2026
- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards-Volume 11
  - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
  - Amendments to PFRS 7, *Gain or Loss on Derecognition*
  - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities* and *Transaction Price*
  - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
  - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027
- PFRS 17, *Insurance Contracts*
- PFRS 19, *Subsidiaries without Public Accountability*
- PFRS 18, *Presentation and Disclosure in Financial Statements*

Deferred effectivity
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company continues to assess the impact of the above new and amendments to the accounting standards and interpretations effective subsequent to 2024 on the financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

Material Accounting Policy Information
The material accounting policies that have been used in the preparation of the financial statements are summarized below:

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

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

Financial Instruments
Date of recognition. The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets, recognition and derecognition, as applicable, that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Initial recognition of financial instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). With the exception of general trade receivables or for which the Company has applied the practical expedient, the Company's initial measurement of financial instruments, except for those classified as financial asset through profit or loss (FVTPL), includes transaction cost.

Financial assets

Financial assets measured at amortized cost. The Company's cash, receivables and refundable lease deposit are classified under this category because the following conditions were met:

- The financial asset is held to collect the contractual cash flows; and
- Contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

Impairment. The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows and all the discounted cash flows that the Company expects to receive, which include cash flows from the sale of collateral held or other credit enhancements.

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

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

Derecognition. The Company's financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) are generally derecognized when the rights to receive the cash flows from the asset have expired.

Financial liabilities

Financial liabilities measured at amortized cost. The Company's accounts payable and other liabilities (excluding payables to government agencies), bank loans, dividends payable and lease liability are classified under this category.

After initial recognition, these financial liabilities are carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any direct attributable transaction cost.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Property and Equipment

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

Depreciation and amortization commence once the property and equipment are available for use and computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Computer equipment	3
Furniture, fixtures, and equipment	3 - 5
Leasehold improvements	5 or term of the lease, whichever is shorter

Right-of-use assets
It is the Company's policy to classify right-of-use assets as part of property and equipment. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over estimated useful life of five years and lease term, whichever is shorter.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

Investment in Subsidiaries
Investment in subsidiaries is accounted at cost, less any impairment losses. A subsidiary is an entity that is controlled by the Company, directly or indirectly. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

Impairment of Noncurrent Nonfinancial Assets
The Company assesses at the end of each reporting period whether there is an indication that the noncurrent non-financial assets which consist of property and equipment, including right-of-use assets, and investment in subsidiaries may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts. An asset's recoverable amount is the higher of an asset's cash-generating units' (CGU) fair value less costs to sell and its value-in-use, and is determined for an individual item, unless such item does not generate cash inflows that are largely independent of those from other assets or group of assets or CGUs. When the carrying amount exceeds its recoverable amount, such item is considered impaired and is written down to its recoverable amount.

An assessment is made at least on each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

Leases
Lease liability
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Capital Stock
Capital stock is measured at par value for all shares issued and outstanding. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Any excess of the proceeds and the par value arising from the issuance of shares of stock are credited to "Capital paid in excess of par value" in the equity section of the parent company statement of financial position.

Deposit for Future Stock Subscription
Deposit for future stock subscription represents amounts received that will be applied as payment in exchange for a fixed number of the Company's equity instruments. This is measured at cost and is reclassified to capital stock upon issuance of shares.

In accordance with SEC's Financial Reporting Bulletin No. 006, the Company classifies deposit for future stock subscription under equity as a separate account from capital stock if, and only if, all of the following elements are present as of the end of the reporting period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is BOD's approval on the proposed increase in authorized capital stock (for which a deposit was received by the Company);
- There is stockholders' approval of said proposed increase; and
- The application for the approval of said proposed increase has been presented for filing or has been filed with the SEC.

If any of the foregoing elements are not present, the deposit is recognized as a liability.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, effects of changes in accounting policy, and other adjustments affecting the accounts.

Revenue from Contracts with Customers
Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services, excluding the related taxes. The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is the agent in its revenue arrangements.

Fixed fee
Retainer-based fees are recognized over time throughout the covered period based on the agreed annual fee. The Company elects the practical expedient to recognize revenue based on amounts invoiced to the customers since this method of measuring progress best depicts the performance provided.

Service fee and percentage-based commission
Service fees and commissions are recognized at a point in time when the related services have been substantially performed.

Cost and Expenses
Cost and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Compensation and related expenses
Compensation and related expenses are salaries and wages and other employee benefits provided to employees working directly on production activities and on those working on administrative functions. Compensation and related expenses are expensed as incurred.

Other expenses
Other expenses are recognized in the period in which these are incurred.

Pension Benefits Costs
Pension benefits costs are actuarially determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

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

Pension benefits costs comprise service costs and net interest on the defined benefit liability or asset. Service costs which include current service costs, past service costs, and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net pension benefit liability or asset is the change during the period in the net benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined pension liability or asset. Net interest on the net defined pension liability or asset is recognized as expense or income in profit or loss.

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

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount of expected income tax to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the balance sheet date.

Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability and is presented as “Income tax payable” account in the statements of financial position. If the amount already paid in respect of current and prior period exceeds the amount due for those periods, the excess shall be recognized as “Creditable withholding taxes” included as “Other current assets” or “Other noncurrent assets” in the statements of financial position.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of Net Operating Loss Carryover (NOLCO) and Minimum Corporate Income Tax (MCIT) to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Value-added Tax (VAT)

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

The net amount of VAT payable to or recoverable from the taxation authority is included as part of “Accounts payable and other liabilities” or “Other current assets” in the statements of financial position, respectively.

Provisions and Contingencies

Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) 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 the pretax discount 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.

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 disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the financial statements.

Events After Reporting Date
Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events), if any, are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Management's Use of Judgments and Estimates

The preparation of the Company's separate financial statements in conformity to PFRS Accounting Standards requires management to make judgments, estimates, and assumptions that affect the amounts reported in the financial statements and accompanying notes.

In the opinion of management, these separate financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from these estimates, and the effect of any changes in estimates will be reflected in the Company's separate financial statements when they become reasonably determinable.

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

Impairment of nonfinancial assets
The Company assesses impairment on property and equipment including right-of-use assets and investment in subsidiaries whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the overall business strategy; and
- significant negative industry or economic trends.

The Company considers the following, among others, as indicator that would trigger impairment review of investment in subsidiary:

- deterioration or poor financial condition;
- recurring losses; or
- significant changes with an adverse effect on the subsidiary have taken place during the period or will take place in the near future and the technological, market economic, or legal environment in which the subsidiary operates.

Based on the evaluation made by management, no impairment was noted on the Company's property and equipment, including right-of-use assets and investment in subsidiaries as of December 31, 2024 and 2023 (see Notes 7 and 8).

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed in the next page.

Provision for expected credit losses of receivables
The Company uses a provision matrix to calculate ECL on trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The carrying value of receivables as of December 31, 2024 and 2023 is disclosed in Note 5.

Estimating the incremental borrowing rate - Company as a lessee
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs such as market interest rates when available and is required to make certain entity-specific estimates.

The Company's lease liabilities as of December 31, 2024 and 2023 is disclosed in Note 18.

Estimation of 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 due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The carrying value of property and equipment as of December 31, 2024 and 2023 is disclosed in Note 7.

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

As of December 31, 2024 and 2023, the Company did not recognize deferred tax assets on MCIT as management believes that sufficient future taxable profit will not be available in the succeeding periods to allow these deferred tax assets to be utilized (see Note 17).

The gross deferred income tax assets recognized on NOLCO and other temporary differences as of December 31, 2024 and 2023 is disclosed in Note 17.

Estimation of pension benefits costs and obligation
The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination, among others, of the discount rate, future salary increases, and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The carrying amount of net pension liabilities as of December 31, 2024 and 2023 is disclosed in Note 16.

Provisions and contingencies
The estimate of probable costs of resolution of possible claims and assessments has been developed in consultation with external counsels handling the Company's defense in these matters and is based upon an analysis of potential results. The Company is a party to certain lawsuits or claims arising from the ordinary course of business. Management believes that the eventual liabilities under these lawsuits or claims, may have an impact on the financial statements. Accordingly, management, in consultation with its legal counsels, assessed that the provision for probable losses under these lawsuits is sufficient as of December 31, 2024 and 2023 (see Notes 10 and 22).

4. Cash

	2024	2023
Cash in banks	**₱2,551,015**	₱3,437,240
Cash on hand	**67,379**	67,379
	₱2,618,394	₱3,504,619

Cash in banks earn interest at the respective bank deposit rates. Interest income amounted to ₱2,042 in 2024 and ₱8,479 in 2023.

5. Receivables

	2024	2023
Trade:		
Third parties	**₱173,352,414**	₱148,604,281
Related parties (Note 15)	**3,505,238**	2,338,609
Due from subsidiaries (Note 15)	**89,467,736**	64,952,397
Others	**372,361**	245,807
	266,697,749	216,141,094
Less allowance for expected credit losses	**1,503,518**	1,503,518
	₱265,194,231	₱214,637,576

Trade receivables are noninterest-bearing and are generally on 60 days terms.

6. Other Current Assets

	2024	2023
Deferred input VAT	**₱8,754,888**	₱7,029,584
Prepaid expenses	**2,008,095**	904,372
Office supplies and other prepayments	**1,757,034**	118,129
Creditable withholding taxes	**985,200**	1,899,643
	₱13,505,217	₱9,951,728

7. Property and Equipment

As of December 31, 2024:

	Computer Equipment	Furniture, Fixtures, and Equipment	Leasehold Improvements	Right-of-use Asset - Building	Total
Cost					
Beginning balances	**₱28,171,668**	**₱15,062,134**	**₱47,210,935**	**₱189,754,960**	**₱280,199,697**
Additions	**1,332,017**	**17,399**	**1,847,339**	**–**	**3,196,755**
Disposal	–	**(375,005)**	–	–	**(375,005)**
Ending balances	**29,503,685**	**14,704,528**	**49,058,274**	**189,754,960**	**283,021,447**
Accumulated Depreciation and Amortization					
Beginning balances	**26,682,397**	**14,394,303**	**44,464,362**	**103,179,827**	**188,720,889**
Depreciation and amortization (Note 14)	**1,113,929**	**458,776**	**2,019,848**	**19,939,213**	**23,531,766**
Disposal	**–**	**(374,735)**	**–**	**–**	**(374,735)**
Ending balances	**27,796,326**	**14,478,344**	**46,484,210**	**123,119,040**	**211,877,920**
Net Book Values	**₱1,707,359**	**₱226,184**	**₱2,574,064**	**₱66,635,920**	**₱71,143,527**

As of December 31, 2023:

	Computer Equipment	Furniture, Fixtures, and Equipment	Leasehold Improvements	Right-of-use Asset – building	Total
Cost					
Beginning balances	₱27,111,351	₱15,012,373	₱47,210,935	₱90,058,901	₱179,393,560
Additions	1,060,317	49,761	–	99,696,059	100,806,137
Ending balances	28,171,668	15,062,134	47,210,935	189,754,960	280,199,697
Accumulated Depreciation and Amortization					
Beginning balances	25,761,089	13,779,950	42,557,157	85,774,042	167,872,238
Depreciation and amortization (Note 14)	921,308	614,353	1,907,205	17,405,785	20,848,651
Ending balances	26,682,397	14,394,303	44,464,362	103,179,827	188,720,889
Net Book Values	₱1,489,271	₱667,831	₱2,746,573	₱86,575,133	₱91,478,808

In 2024, the Company sold various office equipment and furniture and fixtures to its employees for the total proceeds of ₱84,828, which is not yet collected as of December 31, 2024, resulting to a gain on sale of ₱84,558. Further, out of the total acquisitions for the year, leasehold improvements amounting to ₱1,128,845 are not yet paid as of December 31, 2024. These are considered non-cash movements in cash flows from investing activities in the statement of cash flows.

In 2023, the Company applied deposit amounting to ₱196,950 for the acquisition of computer equipment which is considered as a non-cash movement in cash flows from investing activities in the statement of cash flows.

8. Investment in Subsidiaries

The following are the subsidiaries of the Parent Company:

	Place of incorporation	Percentage of ownership		Amount of investment	
		2024	2023	**2024**	2023
Make Technology, Inc.	Philippines	**94%**	94%	**₱47,000,000**	₱47,000,000
Lemonade by Ace, Inc.	Philippines	**100%**	100%	**100,000**	100,000
				₱47,100,000	₱47,100,000

The subsidiaries have no contingent liabilities or capital commitments as of December 31, 2024 and 2023. The subsidiaries are also not subject to restrictions as to the use or transfer of its assets or settlement of liabilities.

In 2023, the Company made an additional investment amounting to ₱20,000,000 through conversion of advances to subsidiary. This is considered as a non-cash movement in cash flows from investing activities in the statement of cash flows.

The summarized financial information of the subsidiaries as presented in its financial statements below:

	2024	2023
Statements of Financial Position		
Current assets	**₱91,280,179**	₱74,469,492
Noncurrent assets	**23,992,374**	17,367,133
Current liabilities	**140,227,252**	85,885,132
Noncurrent liabilities	**5,668,445**	7,347,754
Capital stock	**50,100,000**	50,100,000
Deficit	**(80,623,144)**	(51,496,261)
Statements of Comprehensive Loss		
Revenue	**₱49,674,830**	₱81,112,733
Net loss / Total comprehensive loss	**(29,266,883)**	(21,743,027)
Statements of Cash Flows		
Net cash flows from operating activities	**₱5,333,179**	₱4,039,642
Net cash flows used in investing activities	**(3,177,637)**	(171,007)
Net cash flows used in financing activities	**(2,467,757)**	(3,234,944)

9. Other Noncurrent Assets

	2024	2023
Creditable withholding taxes	**₱37,151,622**	₱31,054,970
Refundable lease deposit	**5,475,446**	5,438,914
Others	**8,782,117**	8,979,067
	₱51,409,185	₱45,472,951

Others includes advances to various third-party suppliers.

10. Accounts Payable and Other Liabilities

	2024	2023
Trade:		
Third party	**₱86,677,186**	₱91,144,468
Related party (Note 15)	**21,370,966**	2,413,800
Advances from stockholders (Note 15)	**17,349,728**	–
Deposits for future subscription	**10,000,000**	9,600,000
Accrued expenses:		
Outside services	**4,191,225**	6,652,488
Vacation and sick leaves	**2,550,012**	2,070,012
Salaries and wages	**1,126,100**	1,440,000
Service awards	**499,022**	559,102
Other	**1,778,342**	69,251
Statutory payables	**6,763,105**	4,506,818
Net output VAT payable	**5,958,576**	6,889,550
Deferred output VAT	**3,318,230**	8,527,467
Other payables (Note 15)	**6,978,104**	8,151,883
	₱168,560,596	₱142,024,839

Trade payables are noninterest-bearing and are generally on 30 to 90 days terms.

In 2023, the BOD approved the conversion of dividend payables to stockholder and advances from stockholder amounting to ₱2,399,410 and ₱7,200,590, respectively, to deposit for future stock subscription. In 2024, the BOD approved the additional conversion of advances from stockholder to deposit for future stock subscription amounting to ₱400,000.

The Company is a party to certain claims arising from the ordinary course of business, the outcomes of which are currently undeterminable. Provision for probable losses amounting to ₱6,481,498 as of December 31, 2024 and 2023, included as part of "Other payables", relate to these unresolved claims, which is based on the Company's best estimate. The disclosure of additional details beyond the present disclosure may seriously prejudice the Company's position and negotiation strategies with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided (see Note 22).

11. Bank Loans

The Company has existing credit line agreements with local banks to finance its working capital requirements totaling ₱80,000,000 in 2024 and 2023.

This consists of unsecured peso-denominated short-term bank loans availed by the Company from a local bank and are due within one year. Bank loans as of December 31, 2024 have maturity dates range from January 24, 2025 to June 18, 2025, and are subject to extended maturity.

The outstanding balance of the loan as of December 31, 2024 and 2023 amounted to ₱79,500,000.

The loans bear annual interest at prevailing market interest rate of 7.50% in 2024 and 2023. Interest expense recognized in profit or loss amounted to ₱6,131,458 in 2024 and ₱5,477,979 in 2023.

12. **Equity**

Capital stock
Movement in the Company's capital stock with ₱10.00 par value is as follows:

	Authorized		**Issued and Outstanding**	
	2024	2023	**2024**	2023
Balance, January 1	**₱50,000,000**	₱50,000,000	**₱50,000,000**	₱30,000,000
Addition	–	–	–	20,000,000
Balance, December 31	**₱50,000,000**	₱50,000,000	**₱50,000,000**	₱50,000,000

On December 27, 2023, the Company entered into an agreement with YC Holdings, Inc. for the subscription of the remaining unissued capital stock of the Company equivalent to 2,000,000 common voting shares at ₱10 par value amounting to ₱20,000,000. On the same agreement, YC Holdings, Inc. agreed to assign its advances to the Company amounting to ₱20,000,000 as a mode of payment for the subscription of additional shares. On December 27, 2023, the BOD approved the conversion of the ₱20,000,000 advances from YC Holdings as equity.

Deposit for future stock subscription
On November 29, 2024, the Board of Directors approved the increase of authorized capital stock from ₱50,000,000 to ₱130,000,000 divided into ₱90,000,000 common stock equivalent to 9,000,000 common shares with a par value of ₱10 per share and ₱40,000,000 preferred stock equivalent to 4,000,000 convertible preferred shares with a fixed rate of 6.25% per annum, redeemable at the option of the Company, with a par value of ₱10 per share. On the same date, the Board of Directors approved the conversion of advances from stockholders to equity amounting to ₱20,000,000 equivalent to 2,000,000 preferred shares.

The Company submitted to Philippine Securities and Exchange Commission (SEC) its application for the proposed increase on December 30, 2024. As of date, the Company is yet to receive the approval from SEC.

The above conversion of debt to equity in 2024 and 2023 is considered as non-cash movement in cash flows from investing activities in the statement of cash flows.

Retained earnings
The nature of the business of advertising is volatile that a sudden loss of a major client or realignment of a major brand to another competitor will have significant adverse effects on the Company's operation. To preclude the depletion of working capital, it has been the practice of the Company over the years to create a reserve for contingencies by restricting a portion of its profits to a level that will allow it to remain liquid over a certain period.

However, if throughout its succeeding normal operating cycle, no contingency warrants the use of the appropriation, the Company's BOD before the end of the year, unrestricts and reverts the reserve to its unappropriated status, and utilizes it to cover the dividends declared for the year. The BOD provides management the discretion to make the final appropriations out of retained earnings as may be based on the dramatic changes in the business landscape and other considerations.

On March 29, 2023, the BOD approved the reversal of all appropriations as of December 31, 2022 amounting to ₱65,000,000 prior year's appropriation and made the following appropriations: pension fund - ₱20,000,000, working capital - ₱20,000,000 and contingencies - ₱10,000,000.

13. Revenue from Contracts with Customers

Below is the disaggregation of revenue based on timing of revenue recognition:

	2024	2023
At a point in time	**₱312,228,445**	₱259,099,043
Over time	**14,633,333**	25,200,000
	₱326,861,778	₱284,299,043

14. Cost of Services and Operating Expenses

	2024	2023
Compensation and other employee benefits	**₱154,962,184**	₱168,588,491
Production cost	**103,610,027**	82,679,172
Depreciation and amortization (Note 7)	**23,531,766**	20,848,651
Security and janitorial services	**7,517,973**	7,504,674
Promotional expenses	**6,108,991**	2,801,830
Computer costs	**3,988,163**	9,391,045
Taxes and licenses	**3,128,015**	4,098,750
Light and water	**2,435,673**	2,588,867
Outside services	**1,233,481**	590,703
Transportation and travel	**1,092,595**	3,141,481
Repairs and maintenance	**844,146**	1,326,738
Telephone and communication	**488,492**	503,975
Print and commercial production	**60,000**	121,479
Space rental and other facilities	**121,143**	69,916
Others	**5,780,653**	10,303,059
	₱314,903,302	₱314,558,831

The details of compensation and related expenses follow:

	2024	2023
Salaries and wages	**₱125,823,273**	₱140,085,856
Employee benefits	**11,992,232**	12,210,614
Pension benefits cost (Note 16)	**9,305,268**	8,412,742
Bonus and profit sharing	**7,617,791**	7,681,799
Others	**223,620**	197,480
	₱154,962,184	₱168,588,491

15. Related Party Transactions

The Company has the following transactions and outstanding balances (to be settled in cash) with related parties:

Related Party/ Nature of Transaction	Amount of transactions 2024	Amount of transactions 2023	Outstanding Balance Receivable (Note 5) 2024	Outstanding Balance Receivable (Note 5) 2023	Outstanding Balance Payable (Note 10) 2024	Outstanding Balance Payable (Note 10) 2023	Terms And Conditions
Subsidiaries							
Advances and interest(ii)	**₱54,706,708**	₱41,510,768	**₱84,820,340**	₱64,419,362	**₱–**	₱–	(c)
Commission income(i)	**2,099,405**	2,073,321	**3,505,238**	1,437,024	–	–	(c)
Shared services(ii)	**2,637,752**	2,857,518	**2,551,761**	286,754	–	–	(c)
Lease(ii)	**3,191,400**	2,494,435	**2,095,635**	246,281	–	–	(c)
Commission expense(iii)	**18,228,448**	24,567,835	–	–	**21,350,409**	2,293,150	(c)
Investment (v)	–	20,100,000	–	–	–	100,000	(d)
Entities under common control							
Commission revenue(i)	–	–	–	901,585	–	–	(a), (b)
Commission expense(iii)	–	–	–	–	**20,557**	20,650	(a), (b)
Stockholders							
Availment of advances(iv)	**123,700,000**	69,300,000	–	–	**16,184,509**	–	(e)
Payment of advances(iv)	**(57,515,941)**	(43,800,000)	–	–	–	–	(e)
Conversion to equity(iv)	**(50,000,000)**	(25,500,000)	–	–	–	–	(e)
Interest expense(iv)	**(2,704,609)**	(1,835,084)	–	–	**1,165,219**	–	(e)
			₱92,972,974	₱67,291,006	**₱38,720,694**	₱2,413,800	

(i) 60 days, unsecured/unguaranteed, non-interest bearing, not impaired; presented as "Trade receivables - related parties" in "Receivables"
(ii) 60 days, unsecured/unguaranteed, interest bearing, not impaired; presented as "Due from subsidiaries" in "Receivables"
(iii) 90 days, unsecured/unguaranteed, non-interest bearing; presented as "Trade payables" in "Accounts payable and other liabilities"
(iv) 90 days, unsecured/unguaranteed, interest bearing; presented as "Advances from stockholders" in "Accounts payable and other liabilities"
(v) Presented as part of "Other payable" in "Accounts payable and other liabilities"

a. The Company, being an affiliated company of Saatchi & Saatchi Asia Pacific, is included in the global advertising servicing of a third-party global advertiser. The compensation of each associated company is calculated and agreed upon individually among all participating affiliates based on the Global Master Plan deliverables.

b. Starcom Mediavest Group Philippines, Inc. (Starcom), a subsidiary of Publicis, the majority stockholder of Saatchi North America, was appointed as the exclusive provider of media planning and buying services of certain clients of the Company. Since Starcom handles the media planning and buying services of certain clients, Starcom remits to the Company the corresponding commissions collected by Starcom on behalf of the Company based on such agreement with the client. Handling of commissions due from other clients are remitted to the Company based on similar arrangements agreed upon and approved by these other clients.

c. Details of the Company's related party transactions with its subsidiaries is as follows:

- Advances pertain to salaries and wages, supplies expense and legal expenses paid by the Company for the subsidiaries. The Company also extends short-term, interest-bearing and unsecured loans to its subsidiaries for working capital requirements. Total interest income for these short-term interest-bearing loans to subsidiaries amounted to ₱5,639,807 in 2024 and ₱4,944,496 in 2023.
- Commission income pertains to services rendered by the Company to the customers of its subsidiaries.
- The Company provides accounting and administrative service to its subsidiaries. The related income is recorded under "Other income" in the statements of income.
- The Company subleases a portion of its office space to MTI. The related income is recorded under "Other Income" in the statements of income (see Note 18).

- Commission expense pertains to services rendered by its subsidiaries to the Company's customers.

d. In 2023, the Company made an additional investment to MTI amounting to ₱20,000,000 and initial investment to Lemonade amounting to ₱100,000. No additional investments were made by the Company to its subsidiaries in 2024 (see Note 8).

e. The Company avails short-term, interest-bearing and unsecured loan borrowings to its shareholders for working capital requirements. Total interest expense for these short-term interest-bearing loans amounted to ₱2,675,802 in 2024 and ₱1,835,084 in 2023.

f. Compensation of key management personnel are as follows:

	2024	2023
Short-term benefits	**₱65,270,510**	₱67,367,280
Profit sharing, bonus, and others	**8,545,029**	9,144,781
Pension benefits cost	**6,878,288**	6,686,848
	₱80,693,827	₱83,198,909

16. Pension Plan

The Company has a funded, noncontributory defined benefit plan covering all employees. Benefits are based on the employee's years of service and final plan salary. The fund is administered by a trustee bank under the supervision of the Board of Trustee (BOT) of the plan. The BOT is responsible for investment strategy of the plan.

The following information, which is based on actuarial valuation as of December 31, 2024 and 2023, summarizes the components of the pension benefits cost recognized in profit or loss and the amounts recognized in the statements of financial position.

Pension benefits cost consists of:

	2024	2023
Service cost	**₱6,170,956**	₱5,720,953
Net interest cost	**3,134,312**	2,691,789
Pension benefits cost (Note 14)	**₱9,305,268**	₱8,412,742

The cumulative amount of defined benefit pension plan reserve as of December 31 follows:

	2024	2023
Beginning balance - net of income tax effect	**₱39,667,240**	₱26,543,364
Actuarial loss (gain)	**(4,456,904)**	12,414,644
Losses on return on plan assets	**235,696**	709,232
	(4,221,208)	13,123,876
Ending balance - gross of income tax effect	**35,446,032**	39,667,240
Income tax effect	**(8,861,507)**	(9,916,809)
Ending balance - net of income tax effect	**₱26,584,525**	₱29,750,431

Net pension liabilities was derived as follows:

	2024	2023
Present value of defined benefit obligation	**₱75,346,358**	₱76,122,645
Fair value of plan assets	**(657,053)**	(980,400)
	₱74,689,305	₱75,142,245

Movements in the net pension liabilities during the years ended December 31 follow:

	2024	2023
Beginning balances	**₱75,142,245**	₱57,605,627
Pension benefits cost	**9,305,268**	8,412,742
Remeasurements recognized in other comprehensive income	**(4,221,208)**	13,123,876
Actual contributions	**(1,800,000)**	(4,000,000)
Benefits paid from company operating fund	**(3,737,000)**	–
Ending balances	**₱74,689,305**	₱75,142,245

Changes in the present value of the defined benefits obligation are as follows:

	2024	2023
Balances at beginning of year	**₱76,122,645**	₱61,186,686
Current service cost	**6,170,956**	5,720,953
Interest cost	**3,410,566**	3,518,231
Actuarial loss (gain) for the year arising from:		
Changes in financial assumptions	**(229,617)**	4,074,931
Experience adjustments	**(4,227,287)**	8,339,713
Benefits paid from retirement fund	**(2,163,905)**	(6,717,869)
Benefits paid from company operating fund	**(3,737,000)**	–
Balances at end of year	**₱75,346,358**	₱76,122,645

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

	2024	2023
Beginning balances	**₱980,400**	₱3,581,059
Actual contributions	**1,800,000**	4,000,000
Interest income included in net interest cost	**276,254**	826,442
Losses on return on plan assets	**(235,696)**	(709,232)
Benefits paid from retirement fund	**(2,163,905)**	(6,717,869)
Ending balances	**₱657,053**	₱980,400

The Company expects to contribute ₱18,627,388 to the retirement plan in 2025.

The plan assets mostly consist (i.e., 99.99%) of investment in debt and equity securities as of December 31, 2024 and 2023. All investments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The latest actuarial valuation of the plan is as of December 31, 2024.

The principal actuarial assumptions used to determine retirement benefits costs are as follows:

	December 31, 2024	January 1, 2024	January 1, 2023
Discount rate	**6.13%**	6.06%	7.17%
Future salary increases	**4.00%**	4.00%	4.00%

The pension liability is subject to several key assumptions. The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2024 and 2023, assuming all other assumptions were held constant. These were determined based on a method that extrapolates the impact of defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

	Increase (decrease) in Basis Points	Increase (decrease) in Defined Benefit Obligation	
		2024	2023
Discount rate	+1.00%	**(₱3,419,595)**	(₱3,707,888)
	-1.00%	**3,863,442**	4,203,572
Salary increase rate	+1.00%	**4,201,771**	4,576,901
	-1.00%	**(3,819,034)**	(4,108,429)

The Company does not currently employ any asset-liability matching.

The average duration of the defined benefits obligation is 7.29 years and 7.91 years as of December 31, 2024 and 2023, respectively.

Shown below is the maturity analysis of the undiscounted expected benefit payments.

Plan year	**2024**	2023
Less than one year	**₱37,052,269**	₱33,877,531
More than one year to five years	**14,115,182**	17,973,014
More than five years to 10 years	**28,602,091**	34,423,569
More than 10 years to 15 years	**54,271,136**	48,020,794
More than 15 years to 20 years	**32,371,015**	43,700,151
More than 20 years	**29,052,749**	35,344,698
	₱195,464,442	₱213,339,757

17. **Income Taxes**

a. The Company’s provision for income tax - current represents MCIT in 2024 and 2023.

b. The reconciliation of income before income tax computed using the statutory income tax rate of 25% to provision for (benefit from) income tax as shown in the statements of income is presented in the next page.

	2024	2023
Income tax at statutory income tax rate	**₱851,640**	(₱9,059,997)
Adjustments to income tax resulting from:		
Nonrecognition of deferred tax on MCIT	**1,356,885**	−
Nondeductible expense	**643,082**	236,804
Income taxes subjected to final tax	**(511)**	(1,238,244)
Derecognition of deferred tax on MCIT	−	2,543,123
Movement in temporary differences with no DTA set-up	−	608,247
Provision for (benefit from) income tax	**₱2,851,096**	(₱6,910,067)

c. The components of the Company's net deferred income tax assets are shown below:

	2024	2023
Deferred income tax assets on:		
Lease liability	**₱19,422,003**	₱22,804,210
Net pension liability	**18,672,326**	18,785,562
NOLCO	**10,463,829**	14,595,966
Accrued vacation and sick leaves	**637,503**	517,503
Allowance for expected credit losses	**375,880**	375,880
Accrued service awards	**124,755**	139,776
Accrued profit sharing	**73,621**	73,621
Unrealized foreign exchange loss	−	11,715
	49,769,917	57,304,233
Deferred income tax liabilities on right-of-use asset	**(16,658,980)**	(21,643,783)
Deferred income tax assets – net	**₱33,110,937**	₱35,660,450

d. In 2024 and 2023, the Company's deferred tax asset from MCIT amounting to ₱1,987,945 and ₱1,776,921, respectively, were not recognized because management believes that it is not probable that sufficient future taxable income will be available to allow said deferred tax asset to be utilized.

e. The reconciliation of provision for deferred income tax follows:

	2024	2023
Deferred income tax assets - net, beginning	**₱35,660,450**	₱25,183,446
Deferred income tax assets - net, ending	**33,110,937**	35,660,450
	2,549,513	(10,477,004)
Consequential deferred tax impact of remeasurements on defined benefit pension plan	**1,055,302**	(3,280,969)
Provision for (benefit from) income tax - deferred	**₱1,494,211**	(₱7,196,035)

f. On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

NOLCO as of December 31, 2024 and 2023 is presented as follows:

Year Incurred	Expiry Year	Beginning	Applied	Expired	Balance
2023	2026	₱36,581,458	₱–	₱–	₱36,581,458
2022	2025	17,116,635	(11,842,782)	–	5,273,853
2020	2025	4,685,768	(4,685,768)	–	–
		₱58,383,861	(₱16,528,550)	₱–	₱41,855,311

g. The Company's MCIT is presented as follows:

Year Incurred	Expiry Year	Beginning	Addition	Expired	Ending
2024	2027	₱–	₱1,356,885	₱–	₱1,356,885
2023	2026	285,968	–	–	285,968
2022	2025	345,092	–	–	345,092
2021	2024	1,145,861	–	(1,145,861)	–
		₱1,776,921	₱1,356,885	(₱1,145,861)	₱1,987,945

18. **Lease Commitment**

Company as a lessee
The Company entered into an operating lease agreement with a third party for its office space in November 2007. The lease term is for a period of 10 years effective May 1, 2008 until April 30, 2018, with escalation rate ranges from 5% to 15% starting May 1, 2014.

The parties agreed to renew the said contract for another period of five (5) years from May 1, 2018 to April 30, 2023 applying the same escalation rates ranging from 5% to 15%. Refundable security deposit was increased by ₱1,834,444.

On March 1, 2023, the Company renewed the lease for another period of five (5) years commencing May 1, 2023 up to April 30, 2028 with escalation rate ranges from 5% to 7%.

The rollforward analysis of lease liability follows:

	2024	2023
Beginning balance	**₱91,216,838**	₱12,389,099
Addition	–	98,406,938
Interest expense	**12,554,156**	9,541,844
Payments	**(26,082,984)**	(29,121,043)
Ending balance	**77,688,010**	91,216,838
Less: current portion of long-term lease liability	**15,860,661**	13,831,486
Long-term lease liability	**₱61,827,349**	₱77,385,352

Short-term lease
The Company entered into a lease agreement with a third-party for a storage space for a lease term of 12 months with no renewal or extension option. Total rent expense incurred in this lease agreement amounted to ₱121,143 in 2024 and ₱69,916 in 2023.

The following are the amounts recognized in statement of income:

	2024	2023
Depreciation expense of right-of-use asset (Notes 7 and 14)	**₱19,939,213**	₱17,405,785
Interest expense on lease liability	**12,554,156**	9,541,844
Rent expense on short-term lease (Note 14)	**121,143**	69,916
	₱32,614,512	₱27,017,545

Shown below is the maturity analysis of the undiscounted lease payments:

	2024	2023
Within one year	**₱25,646,974**	₱26,082,984
After one year but not more than five years	**73,752,576**	99,399,550
	₱99,399,550	₱125,482,534

Company as a Lessor
A portion of its office space is subleased to its subsidiary. Annual rental income lodged in "Other income" in the statements of income amounted to ₱3,191,400 in 2024 and ₱2,494,435 in 2023 (see Note 15).

19. Financial Risk Management Objectives and Policies

The Company's financial instruments consist of cash, receivables, refundable lease deposit, accounts payable and other liabilities (excluding government payables), bank loans, dividends payable and lease liability. It is the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk, and foreign currency risk. Management reviews and agrees policies for managing each of these risks and they are summarized below:

Credit Risk
Credit risk arises from the risk of counterparties defaulting. Aside from the agreed upon trade practices embodied in the Ad Board Regulation, which requires the settlement of obligation by debtors before they can transfer to another advertising company, it is also a standard policy to do a credit investigation through parties who normally will be involved in obtaining credit rating for all incoming clients. The same policy applies with regard to establishing a relationship with any other banks or financial institutions.

Trade receivables
The Company uses a provision matrix to calculate ECL for trade receivables. The provision rates are determined based on the Company's historical observed default rates analyzed in accordance to days past due by grouping of customers based on customer type. The Company adjusts historical default rates to forward-looking default rate by determining the closely related economic factors affecting each customer segment. At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

As of December 31, 2024:

		Days past due				**Total balance**
	Current	**1-30 days**	**31-60 days**	**61-90 days**	**> 90 days**	**and ECL**
Estimated total gross carrying amount at default	**₱94,113,904**	**₱44,079,851**	**₱15,073,263**	**₱10,920,139**	**₱12,670,495**	**₱176,857,652**
ECL rate	**0%**	**0%**	**0%**	**0.00%**	**11.87%**	**0.85%**
ECL	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,503,518**	**₱1,503,518**

As of December 31, 2023:

		Days past due				Total balance
	Current	1-30 days	31-60 days	61-90 days	> 90 days	and ECL
Estimated total gross carrying amount at default	₱86,202,826	₱39,796,033	₱6,430,772	₱2,991,061	₱15,522,198	₱150,942,890
ECL rate	0%	0%	0%	0.00%	9.69%	0.99%
ECL	₱–	₱–	₱–	₱–	₱1,503,518	₱1,503,518

Other financial assets at amortized cost

The Company's other financial assets at amortized cost are composed of cash in banks, due from subsidiaries, other receivables and refundable deposits. The exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying values of these instruments as of December 31, 2024 and 2023. Since these financial assets are considered low risk, impairment loss is limited to 12 months ECL. In addition, the Company only deals with financial institutions duly evaluated and approved by the BOD. The Company limits its exposure to credit risk by investing its cash only with banks that have good credit standing and reputation to the banking industry. Cash in banks are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

It is the Company's policy to measure ECL on the above financial assets on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The following tables summarize the credit risk exposure and credit quality of the Company's financial assets:

As of December 31, 2024:

	Neither Past Due nor Impaired				
	High Grade	**Standard Grade**	**Past due**	**Credit Impaired**	**Total**
Cash in banks	**₱2,551,015**	**₱–**	**₱–**	**₱–**	**₱2,551,015**
Due from subsidiaries	**–**	**89,467,736**	**–**	**–**	**89,467,736**
Other receivables	**–**	**–**	**372,361**	**–**	**372,361**
Refundable lease deposits	**–**	**5,475,446**	**–**	**–**	**5,475,446**
	₱2,551,015	**₱94,943,182**	**₱372,361**	**₱–**	**₱97,866,558**

As of December 31, 2023:

	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past due	Credit Impaired	Total
Cash in banks	₱3,437,240	₱–	₱–	₱–	₱3,437,240
Due from subsidiaries	–	64,952,397	–	–	64,952,397
Other receivables	–	–	245,807	–	245,807
Refundable lease deposits	–	5,438,914	–	–	5,438,914
	₱3,437,240	₱70,391,311	₱245,807	₱	₱74,074,358

The financial assets classified as "high grade" are accounts considered assured of collection by the Company with no history of defaults. "Standard grade" are those financial instruments assured of collection with some history of default on the agreed terms. "Past due" accounts are items with history of defaults and collection would necessitate negotiation to settle the account.

The tables below show the aging analysis of past due receivables.

As of December 31, 2024:

	Past Due				
	Less than 30 days	**30-90 days**	**90-365 days**	**More than 1 year**	**Total**
Other receivables	**₱–**	**₱–**	**₱372,361**	**₱–**	**₱372,361**

As of December 31, 2023

	Past Due				
	Less than 30 days	30-90 days	90-365 days	More than 1 year	Total
Other receivables	₱–	₱–	₱245,807	₱–	₱245,807

Concentration of credit risk
The Company's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Company.

<u>Liquidity Risk</u>
The Company adopts the practice of aggressively pursuing the collection of obligations/ receivables through periodic monitoring and by involving all other parties to the transactions.

The tables below summarize the maturity analysis of the Company's financial assets held for managing liquidity and financial liabilities based on contractual undiscounted receipts and payments.

As of December 31, 2024:

	On demand	Due not later than three months	Due later than three months but not later than one year	More than one year	Total
Financial Assets					
Cash	**₱2,618,394**	**₱–**	**₱–**	**₱–**	**₱2,618,394**
Trade receivables	**23,590,634**	**153,267,017**	**–**	**–**	**176,857,651**
Due from subsidiaries	**27,036,690**	**62,431,046**			**89,467,736**
Other receivables	**372,361**	**–**	**–**	**–**	**372,361**
Refundable lease deposits	**–**	**–**	**–**	**5,475,446**	**5,475,446**
	53,618,079	**215,698,063**	**–**	**5,475,446**	**274,791,588**
Financial Liabilities					
Accounts payable and current liabilities*	**125,894,487**	**7,594,688**	**–**	**2,550,012**	**136,039,187**
Bank loans**	**–**	**–**	**87,170,848**	**–**	**87,170,848**
Lease liability**	**–**	**6,676,002**	**18,970,972**	**73,752,576**	**99,399,550**
Dividends payable	**2,933,272**	**–**	**–**	**–**	**2,933,272**
	128,827,759	**14,270,690**	**106,141,820**	**76,302,588**	**325,542,857**
Liquidity Position (Gap)	**(₱75,209,680)**	**₱201,427,373**	**(₱106,141,820)**	**(₱70,827,142)**	**(₱50,751,269)**

**Excluding statutory payables, deposit for future stock subscription and provisions for litigations & tax assessments amounting to ₱16,039,911, ₱10,000,000 and ₱6,481,498, respectively.*
***Including interest until maturity*

As of December 31, 2023:

	On demand	Due not later than three months	Due later than three months but not later than one year	More than one year	Total
Financial Assets					
Cash	₱3,504,619	₱–	₱–	₱–	₱3,504,619
Trade receivables	15,522,198	135,420,692	–	–	150,942,890
Due from subsidiaries	–	64,952,397	–	–	64,952,397
Other receivables	245,807	–	–	–	245,807
Refundable lease deposits	–	–	–	5,438,914	5,438,914
	19,272,624	200,373,089	–	5,438,914	225,084,627
Financial Liabilities					
Accounts payable and current liabilities*	95,228,652	8,720,842	–	2,070,012	106,019,506
Bank loans**	–	–	79,988,333	–	79,988,333
Lease liability**	–	6,210,235	19,872,750	99,399,550	125,482,535
Dividends payable	2,933,272	–	–	–	2,933,272
	98,161,924	14,931,077	99,861,083	101,469,562	314,423,646
Liquidity Position (Gap)	(₱78,889,300)	₱185,442,012	(₱99,861,083)	(₱96,030,648)	(₱89,339,019)

**Excluding statutory payables, deposit for future stock subscription and provisions for litigations & tax assessments amounting to ₱19,923,835, ₱9,600,000 and ₱6,481,498, respectively.*
***Including interest until maturity*

To manage short-term liquidity, the Company monitors and analyzes its cash flow position on a quarterly basis. In case additional funds are needed based on this analysis, the Company will draw funds from their existing credit line agreements or the stockholders provide advances or extends loan to the Company for working capital requirement.

Fair Value of Financial Instruments

Cash, receivables, refundable deposits, accounts payable and other liabilities, bank loans, and dividends payable - Due to the short-term nature of the transactions, the fair value of these financial instruments approximate the carrying amount at reporting dates.

Fair Value Hierarchy
The Company has no financial instruments measured at fair value, thus disclosure of fair value hierarchy is not required.

20. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structures and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to stockholders, return capital to shareholders, or issue capital securities. No changes were made in the objectives, policies, and process from the previous years.

The total capital considered by the Company as of December 31, 2024 and 2023 is shown in the equity section of the statements of financial position.

21. Notes to Statements of Cash Flows

Noncash investing activities pertain to the following:

	2024	2023
Debt conversion to equity (Note 12)	**₱20,000,000**	₱20,000,000
Addition to property and equipment (Note 7)	**1,128,845**	196,950
Disposal of property and equipment (Note 7)	**84,828**	–
Addition to right-of-use assets (Note 7)	–	99,696,059
Additional investment in subsidiary (Note 8)	–	20,000,000

Changes in liabilities arising from financing activities:

	January 1, 2024	**Cash flows**	**Noncash changes**	**December 31, 2024**
Bank loans (Note 11)	**₱79,500,000**	**₱–**	**₱–**	**₱79,500,000**
Intercompany advances (Note 15)	–	**66,184,059**	**(50,000,000)**	**16,184,059**
Interest expense on loans and advances (Notes 11 and 15)	–	**(7,670,848)**	**8,836,067**	**1,165,219**
Dividends payable	**2,933,272**	–	–	**2,933,272**
Lease liability (Note 18)	**91,216,838**	**(26,082,984)**	**12,554,156**	**77,688,010**
Total liabilities from financing activities	**₱173,650,110**	**₱32,430,227**	**(₱28,609,777)**	**₱177,470,560**

	January 1, 2023	Cash flows	Noncash changes	December 31, 2023
Bank loans (Note 11)	₱58,000,000	₱21,500,000	₱–	₱79,500,000
Interest expense on loans (Note 11)	–	(5,477,979)	5,477,979	–
Dividends payable	5,332,683	–	(2,399,411)	2,933,272
Lease liabilities (Note 18)	12,389,099	(29,121,043)	107,948,782	91,216,838
Total liabilities from financing activities	₱75,721,782	(₱13,099,022)	₱111,027,350	₱173,650,110

Noncash changes include effect of accrual of dividends payable and interests and addition of lease liability.

22. **Other Matters**

On February 7, 2012, the Company received the Final Decision on Disputed Assessment pertaining to various taxes for calendar year 2006. On March 8, 2012, the Company filed for a Petition for Review with the Court of Tax Appeals (CTA) to formally seek the reversal of the decision of the Commissioner of Internal Revenue on the substantial portion of the amount being assessed by the Bureau of Internal Revenue (BIR) since the Petition is anchored on good legal grounds and solid legal arguments and based on established rulings, which may and should merit a favorable decision from the CTA. On November 16, 2012, an accounting firm, which acted as the independent CPA to check the records of the Company on behalf of CTA, submitted its report to the CTA with recommendations favorable to the Company.

On May 8, 2015, the Company received a Decision dated April 30, 2015 rendered by the CTA First Division (the "Decision") granting its prayer for the cancellation of the compromise penalties, but sustaining the assessment for basic final withholding tax, withholding tax on compensation, expanded withholding tax, income tax, and value-added tax, inclusive of 25% surcharge. The Company was also ordered to pay the applicable 20% deficiency interest and 20% delinquency interest.

On May 22, 2015, the Company filed a Motion for Partial Reconsideration of the Decision with respect to the assessment for alleged basic deficiency taxes. The Company also moved for reconsideration of the 25% surcharge, 20% deficiency interest, and 20% delinquency interest ordered to be paid. The Commissioner of Internal Revenue (the "CIR") filed its own Motion for Partial Reconsideration of the Decision on May 26, 2015.

On December 16, 2015, the Company received the CTA First Division's Amended Decision dated December 9, 2015 (the "Amended Decision"). The Amended Decision sustained the Decision in all respects except for the cancellation of the imposition of the 20% deficiency interest on the alleged deficiency value added tax, withholding tax on compensation, expanded withholding tax, and final withholding tax. The Amended Decision denied the CIR's Motion for Partial Reconsideration *in toto*.

On January 4, 2016, the Company filed a Petition for Review with the CTA En Banc questioning the Decision and the Amended Decision of the First Division. In the Petition for Review, the Company sought the reversal of the assessment for the alleged basic deficiency tax and the applicable surcharge, deficiency interest, and delinquency interest on the assessed deficiency taxes.

The CIR filed its own Petition for Review on January 12, 2016.

On March 9, 2016, the Company filed a Supplement to the Petition for Review with the CTA En Banc. The Company and the CIR filed their Memoranda on November 2, 2016 and November 18, 2016, respectively. The consolidated Petitions were deemed submitted for decision on December 16, 2016.

On October 19, 2017, the CTA En Banc dismissed both Petitions for Review filed by the Company and the CIR for lack of jurisdiction. The CTA En Banc held that the parties should have first filed their respective motions for reconsideration of the Amended Decision of the CTA First Division before they filed their respective Petitions for Review. The CTA En Banc held that the CTA First Division's Amended Decision was a different decision, because it removed the 20% deficiency interest on the alleged deficiency value added tax, withholding tax on compensation, expanded withholding tax, and final withholding tax. However, the Petition for Review or appeal of the Company did not cover the said removal of deficiency interest but only matters which were not new. The Amended Decision was not a new decision as far as the Company was concerned.

The Company and the CIR filed their Motions for Partial Reconsideration of the CTA En Banc Decision on November 22, 2017 and November 17, 2017, respectively. However, both Motions were denied.

On July 9, 2018, the Company filed a Petition for Review on Certiorari before the Supreme Court assailing the October 19, 2017 Decision and the April 4, 2018 Resolution of the CTA En Banc. The CIR also filed a Petition for Review on Certiorari before the Supreme Court on May 30, 2018.

On June 25, 2018, the Second Division of the Supreme Court issued a resolution consolidating the Petitions for Review on Certiorari filed by the Company and the CIR.

On August 13, 2018 the Second Division of the Supreme Court issued another resolution requiring the Company and the CIR to file their Comments to each other's Petitions for Review on Certiorari.

The Company filed its Comment on the CIR's Petition on 29 October 2018. On December 3, 2018, the Company received the CIR's Comment on its Petition. The Company thereafter received a Reply to the Comment of the Company on November 15, 2019.

The Supreme Court has ordered the Executive Clerk of Court of the CTA to elevate the complete records of CTA EB No. 1403 and 1409 to the Supreme Court, which is as of December 7, 2022 awaiting the said records.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS 15-2010

The Stockholders and Board of Directors
Ace/Saatchi & Saatchi Advertising, Inc.
Saatchi House, No. 2296
Don Chino Roces Avenue Extension
Makati City

We have audited, in accordance with Philippine Standards on Auditing, the parent company financial statements of Ace/Saatchi & Saatchi Advertising, Inc. as of and for the year ended December 31, 2024 and have issued our report thereon dated April 4, 2025 which contained an unqualified opinion on those parent company financial statements. Our audit was conducted for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The Supplementary Information Required Under Revenue Regulations 15-2010 for the year ended December 31, 2024 is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. The information is also not required by the Revised Securities Regulation Code Rule 68. Revenue Regulations 15-2010 requires the information to be presented in the notes to parent company financial statements. Such information is the responsibility of the management of Ace/Saatchi & Saatchi Advertising, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Raphael Erickson M. de Leon

Raphael Erickson M. de Leon
Partner
CPA Certificate No. 0121325
Tax Identification No. 255-493-996
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-162-2025, January 8, 2025, valid until January 7, 2028
PTR No. 10465292, January 2, 2025, Makati City

April 4, 2025

ACE/SAATCHI & SAATCHI ADVERTISING, INC.

SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) No. 15-2010 amending certain provisions of RR No. 21-2002, as amended and implementing Section 6 (H) of the Tax Code of 1997, which authorizes the Commissioner of Internal Revenue to prescribe additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. These regulations require the additional disclosures in the notes to financial statements to include information on taxes and license fees paid or accrued during the taxable year.

The Company reported and/or paid the following types of taxes in 2024:

a. VAT

The Company's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

i. Commission and fees and output VAT declared in the Company's VAT returns for 2024 follow:

	Net Receipts	Output VAT
VATable receipts	₱362,556,114	₱43,506,734
Zero-rated receipts	59,550,271	–
	₱422,106,385	₱43,506,734

The Company's commission and service income are based on actual collections received up to April 2024, which is the implementation of Ease of Paying Taxes (EOPT) Act. Hence, may not be the same as the amount presented in profit or loss.

Zero-rated commission income are those arising from services rendered to entities outside the Philippines. Services rendered to a person engaged in business who is outside the Philippines is subject to 0% VAT pursuant to Sections 106 (A) (2) and 108 (B) of the Tax Code.

ii. Input VAT for 2024

Balance at January 1	₱–
Goods other than resale or manufacture	426,366
Domestic purchase of services	17,666,240
Capital goods not exceeding ₱1 million	–
	18,092,606
Less: Input VAT claimed as deduction against output VAT	18,092,606
Balance at December 31	₱–

The output VAT paid by the Company in 2024 amounted to ₱25,414,128.

b. Other Taxes and Licenses

Business taxes and permits	₱2,314,661
Documentary stamp taxes	370,137
Others	443,217
	₱3,128,015

c. Withholding Taxes

The following are the categories of the Company's withholding taxes:

Withholding taxes on compensation and benefits	₱24,978,528
Expanded withholding taxes	6,489,242
Final withholding taxes	1,418,106
	₱32,885,876

d. Tax Assessments

The Company has on-going tax assessments. The Company filed protests against the tax assessments and submitted to the BIR reconciliation statements and supporting documents.

e. Tax Cases

On February 7, 2012, the Company received the Final Decision on Disputed Assessment pertaining to various taxes for calendar year 2006. On March 8, 2012, the Company filed for a Petition for Review with the Court of Tax Appeals (CTA) to formally seek the reversal of the decision of the Commissioner of Internal Revenue on the substantial portion of the amount being assessed by the Bureau of Internal Revenue (BIR) since the Petition is anchored on good legal grounds and solid legal arguments and based on established rulings, which may and should merit a favorable decision from the CTA. On November 16, 2012, an accounting firm, which acted as the independent CPA to check the records of the Company on behalf of CTA, submitted its report to the CTA with recommendations favorable to the Company.

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The Supreme Court has ordered the Executive Clerk of Court of the CTA to elevate the complete records of CTA EB No. 1403 and 1409 to the Supreme Court, which is as of December 7, 2022 awaiting the said records.

The Company's Petition for Review before the CTA and the Petition for Review on Certiorari before the Supreme Court are founded on evidence and good legal grounds and settled jurisprudence. As such, the eventual liabilities arising from the lawsuit can be minimal or nil.

<u>Formal Letter of Demand and Final Assessment Notice (FAN) for calendar year 2018</u>

On March 21, 2023, the Company received a Formal Letter of Demand and Final Assessment Notice (collectively, FAN) dated March 20, 2023. Under the FAN, the BIR alleged that the Company is liable for deficiency Income Tax (IT), Value-Added Tax (VAT), Expanded Withholding Tax (EWT), Final Tax (FT), Final Withholding VAT (FVAT), Withholding Tax on Compensation (WTC), Documentary Stamp Tax (DST), Improperly Accumulated Earnings Tax (IAET), and Miscellaneous Tax (MC).

On April 20, 2023, the Company filed a written protest with request for reinvestigation to dispute each of the items of assessment contained in the FAN. In the protest, the Company raised the defense of prescription, except for IT and IAET, where prescription have not set in when the FAN was received. Consequently, on June 19, 2023, the Company submitted the additional supporting documents pursuant to the sixty (60)-day period after the date of filing of the protest.

Currently, together with its external legal counsel, the Company is in the process of discussing with the handling BIR examiners the potential settlement and closure of this tax audit. Based on the Company's discussions with the BIR, the Company understand that if a settlement would not materialize before the issuance of FDDA, the BIR would proceed to the issuance of FDDA which would likely retain the assessments per FAN.