

# COVER SHEET

SEC Registration Number

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Company Name

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

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Form Type

1	7	-	A
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Department requiring the report

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Secondary License Type, If Applicable

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## COMPANY INFORMATION

Company's Email Address

[compliance@vantage.ph](mailto:compliance@vantage.ph)

Company's Telephone Number/s

250-8700

Mobile Number

09175954785

No. of Stockholders

607

Annual Meeting  
Month/Day

08/31

Fiscal Year  
Month/Day

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Ma. Angelica Cabanit

Email Address

Angelica.cabanit@phil  
equity.net

Telephone Number/s

8250-8741

Mobile Number

0917-590-7176

Contact Person's Address

15TH Floor Phil. Stock Exchange, 5th Ave. cor 28th St. Bonifacio Global City, Taguig City

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



Vantage Equities Inc &lt;compliance@vantage.ph&gt;

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**Vantage Equities Inc.\_SEC Form 17-A\_31May2022**

2 messages

**Vantage Equities Inc** <compliance@vantage.ph>

Tue, May 31, 2022 at 10:25 PM

To: ICTD Submission &lt;ictdsubmission@sec.gov.ph&gt;

Cc: MSRD COVID19 &lt;msrd\_covid19@sec.gov.ph&gt;, Angelica Cabanit &lt;angelica.cabanit@philequity.net&gt;, emmylou.cayamanda@e-businessphil.ph

Greetings,

We are pleased to submit Vantage Equities Inc and Subsidiaries SEC 17 A Report as of and for the period ended 31December2021. Thank you.

Warm Regards,  
Emmylou Cayamanda

**Vantage Equities Inc\_SEC 17-A\_31May2022.pdf**  
4915K

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**ICTD Submission** <ictdsubmission+canned.response@sec.gov.ph>

Tue, May 31, 2022 at 10:28 PM

To: compliance@vantage.ph

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.

(Subject to Verification and Review of the Quality of the Attached Document)

Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at [www.sec.gov.ph](http://www.sec.gov.ph)

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## NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, Monthly Reports, Quarterly Reports, Letters, through email at

[ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph)

**Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST/OST or over- the- counter.**

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as:

AFS, GIS, GFFS, LCFS, LCIF, FCFS, FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC\_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please email to:

<https://apps010.sec.gov.ph>

**For your information and guidance.**

**Thank you and keep safe.**

**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM 17-A**

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

1. For the calendar year ended: **December 31, 2021**
2. SEC Identification Number: **ASO92-007059**
3. BIR Tax Identification No.: **002-010-620**
4. Exact name of registrant as specified in its charter:  
**VANTAGE EQUITIES, INC.**
5. Province, Country or other jurisdiction of Incorporation or organization:  
**Philippines**
6.  (SEC Use Only)  
Industry Classification Code
7. Address of Principal Office: **15<sup>TH</sup> Floor Phil. Stock Exchange, 5<sup>th</sup> Ave. cor 28<sup>th</sup>  
St. Bonifacio Global City, Taguig**
8. Registrant's telephone number, including area code: **(632) 250-8738**
9. Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA

<b>Title of Each Class</b>	<b>Number of Shares of Common Stock Outstanding</b>
<b>Common Stock, P1.00 par value</b>	<b>4,199,582,266 (Net of Treasury Shares of 135,599,500)</b>

11. Are any or all of these securities listed on the Philippine Stock Exchange  
Yes [ **X** ] No [ ]
12. Check whether the registrant:
- a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and SRC Rule 17 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):  
Yes [ **X** ] No [ ]
- b) has been subject to such filing requirements for the past 90 days  
Yes [ **X** ] No [ ]
13. Aggregate market value of the voting stock held by non-affiliates as of 31Dec 2021  
**P3,234,097,959**

## **PART I – BUSINESS AND GENERAL INFORMATION**

### **Item 1. Business**

Vantage Equities, Inc. (the “Corporation”), formerly iVantage Corporation, was incorporated in 20 October 1992 and is organized as an investment and financial holding company. It has authorized capital stock of One Billion Nine Hundred Million Pesos (P1,900,000,000), all of which are in common shares with a par value of P1.00 per share. Of the authorized capital stock, 1,788,312,570 are outstanding and 111,687,430 remain unsubscribed. On 12 January 2009, Securities & Exchange Commission (SEC) approved the increase of authorized capital stock of the Corporation to Two Billion Two Hundred Fifty Million Pesos P2,250,000,000.00. Furthermore, the SEC has authorized the Corporation to issue 447,078,142 common shares out of its authorized but unissued capital stock to cover the twenty five percent (25%) stock dividend declared by the Corporation’s Board of Directors on 4 June 2008 and ratified by its shareholders on 27 June 2008. As of 31 March 2012, the Corporation has an authorized capital stock of Two Billion Two Hundred Fifty Million Pesos (P2,250,000,000.00) divided into 2,250,000,000 common shares with par value of P1.00 per share. Out of the authorized capital stock, 2,235,390,633 shares are issued, of which 135,599,500 shares are in treasury.

On August 1, 2015, the BOD and two-thirds (2/3) of the outstanding capital of the Company approved the increase in the authorized capital stock from 2,250,000,000 shares with par value of P1.00 per share in 2014 to 5,000,000,000 shares with par value of P1.00 per share in 2015. The SEC approved the increase in the authorized capital stock on October 27, 2015.

On May 19, 2015, the BOD approved the declaration of stock dividends equivalent to a total of P2.10 billion representing 2,099,791,133 shares at P1.00 par value per share, payable to all stockholders of record as of January 8, 2016. The said dividends were paid on February 3, 2016. The two-thirds (2/3) of the outstanding capital of the Company approved the dividend declaration on August 1, 2015.

The Corporation reverted to its original name by majority vote of the Board of Directors in November 2007, which the Securities and Exchange Commission subsequently approved in April 2008. The change in corporate name is consistent with the Company’s re-alignment of its investment focus towards the broad financial sector vis-a-vis its information technology focus during the early 2000’s.

On June 20, 2017, the Board of Directors (BOD) approved Article 3 of Articles of Incorporation to change its principal address from 2005 East Tower PSE Centre, Ortigas Center, Pasig City, Metro Manila, Philippines to 15th Floor Phil. Stock Exchange, 5th Avenue corner 28th Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines. The Amended Articles of Incorporation was approved by the Securities and Exchange Commission on October 26, 2017.

### **Purpose**

The Company was originally organized with the primary purpose of oil and gas exploration, and investments and developments as among its secondary purposes. On 3 October 2000, the Securities and Exchange Commission (SEC) approved the change in the Corporation’s primary purpose to financial holdings and investments, including but not limited to information technology companies and related ventures. Since the Registrant is an investment holding company, it is not competing in terms of sales and is not dependent upon a single customer or a few customers. Also, it needs no government approval of principal products or services and no cost and effect of compliance with environmental laws.

### **Investments**

In June 2006, the Corporation divested its shareholdings in International Exchange Bank (“iBank”), its largest single investment at that time. The iBank sale generated P 2.9 billion in cash and a P1.6 billion gain, capping an 11-year investment period that yielded a 16% compound annual return. The PSE Index, by comparison, only broke even during the same period. The

divestment was timely in light of the substantial decline in financial markets in the following years.

The Corporation decided to invest its ₱2.9 billion “war chest” in portfolio of equity and fixed-income securities. The mandate is to attain above market returns while adhering to prudent risk parameters, i.e. credit, liquidity and market risk. For this purpose, the Company hired its current President in October 2006 along with a team of finance professionals. The current team is also tasked to further professionalize management of the Vantage Group of Companies.

The operating subsidiaries that comprise the Vantage Group are the following:

**Vantage Financial Corporation (formerly e-Business Services, Inc) - 100% ownership**

eBiz traces its beginnings as the first Asia-Pacific direct agent of Western Union, an International money transfer service provider. Aside from money transfer services, eBiz also offers Philequity Mutual Funds, eLoad, Bayad Center bills payment center and Cebu Pacific, Air Asia and FETA ticketing services. Starting from just 3 service centers in 1999, eBiz today operates 145 branches located in major cities and hubs throughout the country.

The company-owned branches are complemented by a network of sub-agents that effectively enables eBiz to extend its geographic reach to over 1,500 locations nationwide. eBiz agent-partners include some of the biggest commercial banks, supermarket chains and pawnshops in the country.

On January 23, 2018, the Securities and Exchange Commission approved the amendment of its Articles of Incorporation to change its company name from E-Business Services, Inc. to Vantage Financial Corporation.

**iCurrencies – 100% ownership**

iCurrencies, Inc. was incorporated on 3 February 2000 and started commercial operations on 31 May 2000. iCurrencies is organized primarily to engage in the business of buying and selling of foreign currencies.

In May 2001, the iCurrencies effectively stopped its business of buying and selling currencies as a result of Bangko Sentral ng Pilipinas Circular No. 264, issued on 26 October 2000. Among others, the new circular required additional documentation for sale of foreign currencies and required Foreign Exchange Corporations (FxCorps) to have a minimum paid-up capital of ₱50.0 million.

The Circular effectively aligned the regulations under which FxCorps are to operate to that of banks. To avoid duplication and direct competition with its previous major stockholder, iCurrencies decided to stop its business of buying and selling foreign currencies. The stockholders likewise decided not to increase its paid-up capital.

In the meantime, iCurrencies is sustained by income on its investments and interest income on its funds while awaiting for regulatory changes.

**Philequity Balanced Fund, Inc. – 100% ownership**

The Fund is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of peso-denominated fixed-income and equity securities.

On November 11, 2017, the Board of Directors (BOD) decided to shorten the corporate life of the Fund until December 31, 2017.

**Philequity Foreign Currency Fixed Income, Inc. – 100% ownership**

The Fund is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of foreign currency denominated fixed-income securities.

On November 11, 2017, the Board of Directors (BOD) decided to shorten the corporate life of the Fund until December 31, 2017

**Philequity MSCI Philippines Index Fund, Inc. (PMPI) – 69.18% ownership**

PMIF was incorporated in the Philippines, and was registered with the SEC on December 15, 2017 under the Philippine ICA as an open-end mutual fund company. PMIF is engaged to subscribe for, invest and re-invest in, sell, transfer or otherwise dispose of securities of all kinds, including all types of stocks, bonds, debentures, notes, mortgages, or other obligations, commercial papers, acceptances, scrip, investment contracts, voting trust, certificates, certificates of interest, and any receipts, warrants, certificates, or other instruments representing any other rights or interests therein, or in any property or assets created or issued by any all persons, firms, associations, corporations, organizations, government agencies or instrumentalities thereof; to acquire, hold, invest and reinvest in, sell, transfer or otherwise dispose of, real properties of all kinds; and generally to carry on the business of an Open-End Investment Company in all the elements and details thereof as prescribed by law.

In January 2019, PMPI launched its shares to the public

**Philequity Alpha One Fund, Inc. (PAOF) – 100% ownership**

PAOF was incorporated in the Philippines, and was registered with the Securities and Exchange Commission (SEC) on February 13, 2019. The primary activities of the Fund are to subscribe for, invest and re-invest in, sell, transfer or otherwise dispose of securities of all kinds, to acquire, hold, invest and reinvest in, sell, transfer or otherwise dispose of real properties of all kinds; and generally to carry on the business of an open-end investment company in all the elements and details thereof as prescribed by law.

In December 9, 2019, PAOF launched its units to the public.

**Philequity Global Fund Fund, Inc. (PGF) – 100% ownership**

PGF was incorporated in the Philippines, and was registered with the Securities and Exchange Commission (SEC) on June 24, 2019. The primary activities of the Fund are to subscribe for, invest and re-invest in, sell, transfer or otherwise dispose of securities of all kinds, to acquire, hold, invest and reinvest in, sell, transfer or otherwise dispose of real properties of all kinds; and generally to carry on the business of an open-end investment company in all the elements and details thereof as prescribed by law.

As of December 31, 2020, the Fund has not yet started its commercial operations pending the registration under the Philippine Investment Company Act (Republic Act No. 2629) as an open-end mutual fund company with the SEC. In January 20, 2021, SEC issued to the Fund its permit to offer securities for sale.

**Philequity Management, Inc. (“PEMI”) – 51% ownership**

Philequity Management, Inc. (PEMI) is an investment management company established in 1993. PEMI is proud to be the investment manager and principal distributor of Philequity Fund, Inc. (PEFI), the Philippines’ best performing equity mutual fund. PEFI has been awarded by the Philippine Investment Funds Association (PIFA) as the best performing equity fund in the 10-year category, 2nd place in the 3 and 5-year categories. Philequity Peso Bond Fund, Inc. (PPBF) was also recognized by PIFA garnering 2nd place

in the 5-year return category. Likewise, Philequity Dollar Income Fund, Inc. (PDIF) earned 1st place in the 5-year return category.

### **Government Regulation and Environmental Compliance**

The Corporation does not need any government approval for its principal products or services and is not required to comply with specific environmental laws.

### **Distribution Methods of Products and Services**

The Corporation, being a financial holding and investment company, has no distribution methods of products and services.

### **Competition of Subsidiaries**

#### **Vantage Financial Corporation - 100% ownership**

eBiz has a relatively strong competition among Western Union's direct agents and sub-agents. Agents primarily compete through location and customer service. It appears that the competition with other money transfer companies like Moneygram, Xoom, iRemit does not substantially affect the business of the Corporation. Competition however with local money transfer companies like Cebuana Pera Padala and Palawan Pedala has increasingly been affecting the business of the Company in domestic money transfer.

#### **Philequity Management, Inc. (“PEMI”) – 51% ownership**

The Philippine mutual fund industry continues to grow with 64 funds as of December 2021 according to data tracked by the Philippine Investment Funds Association. The industry continues to benefit from increased public interest on alternative investments that have higher yields over regular savings accounts and time deposits. While industry net assets grew 24% to P444 billion from P358 billion a year ago, it was nevertheless another challenging year for capital markets as volatility remained very high.

The industry is divided into 5 categories – stock, bond, balanced, money market, and feeder funds. Majority of total assets under management (AUM) is invested in money market funds (45%), stock funds (27%) and bond funds (14%) funds which make up 86% of total market share. Philequity Management, Inc. (PEMI) only offers seven funds to the public - Philequity Fund, Inc. (PEFI), Philequity PSE Index Fund, Inc. (PPSE), Philequity Dividend Yield Fund, Inc. (PDYF), Philequity MSCI Philippines Index Fund, Inc. (PMPI), Philequity Alpha One Fund, Inc. (PAOF), Philequity Peso Bond Fund, Inc. (PPBF), and Philequity Dollar Income Fund, Inc. (PDIF) which only competes against other stock and bond funds.

Investors often use a funds' performance as a gauge for comparison when choosing a mutual fund. In terms of performance, investors look at funds that have the highest return in their respective category as the basis for choosing a fund-- the higher the return, the more attractive the fund. Investors also look to a funds' outperformance over the respective benchmark as a second form of comparison. The greater the outperformance over the benchmark, the more attractive the fund. It is important to note that not all benchmarks in a fund category are aligned. For instance, a stock fund uses 100% the Philippine Stock Exchange Index (PSEi) as its benchmark while another stock fund might use a 90-10 approach where 90% is composed of the PSEi and 10% is composed of a 91-day T-bill. As a result, investors tend to use consistency as the basis, where a fund (1) consistently outperforms its peers and (2) consistently outperforms its respective benchmark.

The industry does not have an aligned fee structure charged to their clients and as a result, investors look for the lowest sales load, management fee and exit fees and other fees involved that are charged by a mutual fund. Mutual funds that charge the lowest fees and have a lower minimum holding period are considered the main competitors of PEMI in terms of fees. Investors can also use a company's expense ratio to gauge the effectiveness



of the fund's expense management. PEMI consistently monitors the fees charged by its competitors to ensure the mutual funds it offers remains in a competitive space amongst its peers.

In terms of distribution, PEMI's main competitors in the industry are BPI Asset Management, First Metro Asset Management, ATR Asset Management, Philam Asset Management and Sun Life Asset Management. The former two are large banking institutions while the latter two are renowned insurance companies—all five companies have vast distribution channels through their network of branches or through their network of agents/financial advisors. PEMI on the other hand has agreed to partner with financial institutions such as stock brokerages to distribute the funds. This has proven to be a low-cost and effective strategy for fund distribution.

#### PEMI operating results as of December 31, 2021

Gross income increased by 25% to P198 million as a result of increased assets in the managed funds. The Philippine Stock Exchange Index (PSEi) had another volatile year as the gauge moved from a high of 7432 in early January to a low of 6081 mid-May as a result of the MSCI rebalancing. The PSEi rebounded from there until the end of the year but fell short of making a positive return, closing the year at 7123, down 0.24% from 2020. The equity funds however took brought in positive returns—leading the way was the Philequity Dividend Yield Fund which returned 14% for the year due to smashing earnings from REITs and the fund manager's top picks of dividend paying stocks. Returns were also seen in the Philequity Alpha One Fund and the Philequity Fund which gained 5% and 3% respectively. On the other hand, the two bond funds suffered losses for 2021 with the Philequity Dollar Income fund losing 0.06% while the Philequity Peso Bond Fund lost 1.1%. This was a result of the US Fed Chair Jerome Powell who mentioned that they may end its asset purchases and raise rates by as much as 8 times in 2022.

General and administrative expenses decreased by 14% to P18 million due to lower overhead costs such as a waiver on rental expense and a shift to work from home arrangements for many employees. Net income for the year amounted to P140 million, higher by 27% versus a year ago due to a 22% increase in assets under management from P29.3 billion in 2020 to P35.8 billion by the end of December 2021..

### Financial Performance

The Company derived its revenues from various activities:

	2021	2020	2019
Trading and investment securities			
gains (losses) - net	<b>P67,834,925</b>	P44,818,523	P274,883,840
Money transfer service income	<b>192,807,698</b>	245,730,752	302,351,085
Service income	<b>264,552,473</b>	210,515,123	256,404,721
Share in foreign exchange			
differential	<b>121,203,399</b>	116,480,066	128,649,961
Interest income	<b>195,056,663</b>	295,040,671	367,150,269
Money changing gain	<b>60,756,236</b>	52,178,741	48,846,546
Income from business partners	<b>55,133,845</b>	11,845,355	19,209,368
Dividend income	<b>18,690,935</b>	9,743,567	5,576,266
	<b>P976,036,174</b>	P986,352,798	P1,403,072,056

The breakdown of trading and investment securities gains (losses) - net follows:

	2021	2020	2019
<b>Financial Assets at FVPL</b>			
Realized gain (loss) on sale taken to profit or loss	<b>P58,486,451</b>	P55,383,816	P 53,059,698
Unrealized gains (losses) on changes in fair value	<b>9,348,474</b>	-10,565,293	221,824,142
	<b>P67,834,925</b>	P44,818,523	P274,883,840

Total interest income follows

	2021	2020	2019
Cash and cash equivalents	<b>P12,534,905</b>	P31,340,781	P112,809,095
Financial assets	<b>182,521,758</b>	263,699,890	249,207,196
Others	-	-	5,133,978
	<b>P195,056,663</b>	P295,040,671	P367,150,269

As of December 31, 2021, the Company has a total of 476 employees as broken down below and is not subject to Collective Bargaining Agreements (CBA).

Position	No. Of Employees	Anticipated No. of Additional Employees
Executive/Senior Officer	8	-
Managers	17	-
Supervisors	20	-
Prof	7	-
Specialist	72	-
Associate	352	-
<b>TOTAL</b>	<b>476</b>	<b>-</b>

### Financial Risk Management

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and market risk. The BOD reviews and approves the policies for managing each risk and these are summarized below:

Credit Risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by trading only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Since the Group trades only with recognized third parties, there is no requirement for collateral.

The Company's maximum exposure to credit risk is equal to the carrying values of its financial assets since it does not hold any collateral or other credit enhancements that will mitigate credit risk exposure.

The fair values of financial assets at FVPL and AFS investments represent the credit risk exposure as of the reporting date but not the maximum risk exposure that could arise in the future as a result of changes in fair value of the said instruments.

There are no significant concentrations of credit risk within the Group.

Liquidity Risk is the risk that the Group will be unable to meet its obligations when they fall due under normal and stress circumstances. To limit the risk, the Group closely monitors its cash flows

and ensures that credit facilities are available to meet its obligations as and when they fall due. The Group also has a committed line of credit that it can access to meet liquidity needs. Any excess cash is invested in short-term investments. These placements are maintained to meet maturing obligations.

Market Risk is the risk of change in fair value of financial instruments from fluctuation in market prices (price risk), foreign exchange rates (currency risk) and market interest rates (interest rate risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Group is exposed to the risk that the value of the Group's financial assets will be adversely affected by the fluctuations in the price level or volatility of one or more of the said assets. The two main components of the risks recognized by the Group are systematic risk and unsystematic risk.

Systematic risk is the variability in price caused by factors that affect all securities across all markets (e.g. significant economic or political events). Unsystematic risk, on the other hand, is the variability in price caused by factors which are specific to the particular issuer (corporation) of the debt or equity security. Through proper portfolio diversification, this risk can be minimized as losses on one particular debt or equity security may be offset by gains in another.

To further mitigate these risks, the Group ensures that the investment portfolio is adequately diversified taking into consideration the size of the portfolio.

## **Item 2. Properties**

### **Vantage Equities, Inc. - Parent**

*Office Condominium* - In December 2017 the acquired office units by the company were turned over, located at 15<sup>th</sup> floor Phil. Stock Exchange, 5<sup>th</sup> Avenue cor. 28<sup>th</sup> St. Bonifacio Global City, Taguig.

*Office Improvements* - These are improvements made to the Company's office space and being depreciated over an estimated useful life of 10 years accounted for on a straight line basis.

*Furniture, Fixtures and Equipment* - These equipments are used by the Company in conducting its daily operations and located at 15<sup>th</sup> floor Phil. Stock Exchange, 5<sup>th</sup> Avenue cor. 28<sup>th</sup> St. Bonifacio Global City, Taguig.. These assets are being depreciated over an estimated useful life of 3 to 5 years and accounted for on a straight line basis.

*Transportation Equipment* - These equipments are used by the Company in conducting its daily operations and depreciated over 5 years and accounted for on a straight line basis.

### **Vantage Financial Corporation - 100% ownership**

*Transportation Equipment* - These equipments are used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 4-5 years.

*Leasehold Improvements* - The Company leases the spaces occupied by its branches with varying period of up to fifteen (15) years and renewable on such terms and conditions as shall be mutually accepted by the Company and the lessors. These leases are accounted for on a straight-line basis over 2 to 5 years or over the lease term, whichever period is shorter.

*Office Furniture and Equipment* - This furniture and equipment are used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 3 years. These assets are located at the Company's Head Office in 15<sup>th</sup> floor Phil. Stock Exchange, 5<sup>th</sup> Avenue cor. 28<sup>th</sup> St. Bonifacio Global City, Taguig. and various branches all over the Philippines.

*Software License and Software Development* – These pertains to the accounting software used by the company and amortized over a period 3 years accounted for on a straight line basis.

**eBiz Financial Services, Inc. – 100% ownership**

The Company does not own any properties and has already shortened its term of existence.

**iCurrencies, Inc. – 100% ownership**

The Company does not own any properties and already effectively stopped its business of buying and selling of currencies in May 2001 as a result of Bangko Sentral ng Pilipinas Circular No, 264, issued on October 26, 2000.

**Philequity Balanced Fund, Inc. – 100% ownership**

The Fund is not yet offered to the public and does not own any properties and has shortened its term of existence in 2017

**Philequity Foreign Currency Fixed Income Fund, Inc. – 100% ownership**

The Fund is not yet offered to the public and does not own any properties and has shortened its term of existence in 2017

**Philequity MSCI Philippines Index Fund, Inc. – 67.32% ownership**

The Company does not own any properties .

**Philequity Alpha One Fund, Inc. – 100% ownership**

The Company does not own any properties .

**Philequity Global Fund, Inc. – 100% ownership**

The Company does not own any properties .

**Philequity Management, Inc. – 51% ownership**

*IT Equipment* - These equipments are used by the Company in conducting its daily operations.

*Office Condominium* - In December 2017 the acquired office units by the company were turned over, located at 15<sup>th</sup> floor Phil. Stock Exchange, 5<sup>th</sup> Avenue cor. 28<sup>th</sup> St. Bonifacio Global City, Taguig.

*Office Equipment* - These equipments are depreciated over the estimated useful life of 3 years. These office equipments are located at 15<sup>th</sup> floor Phil. Stock Exchange, 5<sup>th</sup> Avenue cor. 28<sup>th</sup> St. Bonifacio Global City, Taguig.

*Office Furniture* - This furniture is used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 3 years. Said office furniture are located in 15<sup>th</sup> floor Phil. Stock Exchange, 5<sup>th</sup> Avenue cor. 28<sup>th</sup> St. Bonifacio Global City, Taguig.

*Transportation equipment* - This is used by the Company in conducting its daily operations and being depreciated over an estimated useful life of 5 years.

These properties are free from mortgage or lien. The Company has no plan of acquiring a property in the next twelve months.

### **Item 3. Legal Proceedings**

#### **3.1.Criminal Case No. MC-09-12289,**

captioned "*People of the Philippines vs. Noriel G. Requiso*"; for: Qualified Theft  
RTC 214, Mandaluyong City

This is a criminal case filed by e-Business as private complainant against accused Noriel Requiso on December 9, 2008 after the latter unlawfully took the sum of Php 1,150,000.00 from the vault of E-Business' Edsa Market Place. On June 5, 2009, E-Business filed a Motion to Cancel Passport of the accused who was then known to be abroad. However, the Court denied aforesaid motion. Considering that the warrant of arrest cannot be implemented since accused whereabouts is unknown, the instant case is archived.

#### **3.2. NLRC NCR Case No. Sub-RAB 1-7-05-0343-15,**

captioned "*Emma Concepcion Antipuesto vs. e-Business Services, Inc., and/or Edmundo Bunyi, Jr.; NLRC, Dagupan City*"

Complainant Antipuesto filed this case against e-Business for alleged non-payment/underpayment of salaries and other benefits in the total amount of Php216,494,.68. On the December 10, 2015, Labor Arbiter awarded the benefits being claimed by complainant prompting E-Business to file a partial appeal. NLRC granted the appeal and deleted the award of performance bonus for 2014 amounting to Php 106,800.00

#### **3.3. NLRC NCR Case No. RAB IV-03000345-15L,**

captioned "*Nancy Zaran, et. al vs. e-Business Services, Inc., Atty. Vida Bocar, Jesus Maagma and Edmundo Bunyi Jr.; NLRC Calamba City*"

Complainant Zaran filed this case against e-Business for alleged illegal suspension and illegal dismissal.

#### **3.4. NLRC NCR Case No. RAB IV-03-003545-15L,**

captioned, "*Vantage Equities and e-Business Services, Inc. vs. Atty. Vida Bocar, Commission on Bar Discipline, Pasig City*"

On August 3, 2015 e-Business together with Vantage Equities filed an administrative case against Atty. Vida Bocar, their former legal counsel for violation of the lawyer's Code of Professional Responsibility for appearing as lawyer/counsel for the opposing party in a labor case. E-Business and Vantage filed their Position Paper on March 30, 2016 while respondent Bocar filed her Position paper on April 29, 2016.

#### **3.5 NLRC - NCR Case No. 03-06308-19 Jeffrey R. Bote vs. Vantage Equities Inc et al**

Complainant Bote filed for illegal dismissal (actual) and other monetary claims. Labor Arbiter finds that the respondent validly and legally dismissed the complainant. Hence, monetary claims were also denied.

#### **3.6 NLRC - NCR NLRC Case No. 01-01912-19 Maria Luz Estrada vs. Vantage Financial Corporation et al.**

Complainant Estrada filed for illegal dismissal (constructive) and other monetary claims. It is still under an on-going appeal.

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

No matter was submitted to a vote of the security holders during the fourth quarter of 2021.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

	2021		2020		2019	
	Low	High	Low	High	Low	High
1st Quarter	0.97	1.08	1	1.17	1.13	1.19
2nd Quarter	0.90	1.05	1.02	1.08	1.12	1.23
3rd Quarter	0.82	1.00	1.1	1.12	1.1	1.19
4th Quarter	0.81	0.89	1	1.1	1.04	1.15

As of 31 December 2021, there were 607 shareholders of the 4,199,582,266 common shares issued and outstanding. As of the latest practicable trading date, 31 December 2021, the Registrant's shares were traded at the price of P1.04 per share in Philippine Stock Exchange.

On May 19, 2015, the BOD approved the declaration of stock dividends equivalent to a total of P2.10 billion representing 2,099,791,133 shares at P1.00 par value per share, payable to all stockholders of record as of January 8, 2016. The said dividends was paid on February 3, 2016. The two-thirds (2/3) of the outstanding capital of the Company approved the dividend declaration on August 1, 2015.

On August 1, 2015, the BOD and two-thirds (2/3) of the outstanding capital of the Company approved the increase in the authorized capital stock from 2,250,000,000 shares with par value of P1.00 per share in 2014 to 5,000,000,000 shares with par value of P1.00 per share in 2015. The SEC approved the increase in the authorized capital stock on October 27, 2015.

On November 10 2009, the BOD approved the proposal to buy back from the market up to Three Hundred Million Pesos (P300,000,000.00) worth of shares of the Corporation. As of December 31, 2018, the total number of shares repurchased from the market is 135,599,500 worth P190.46 million.

On June 4, 2008, the BOD increased the Company's authorized capital stock from P1.9B to P2.25B, as well as the issuance of 25% stock dividend to all stockholders. This increase in capital stock was approved by the SEC on 12 January 2009, while the stock dividends were distributed to stockholders as of record date of 10 February 2009 on 06 March 2009.

In 2007, the Parent Company declared a five percent (5%) property dividend in favor of its shareholders-of-record as of 18 May 2007, payable in the form of common shares of Yehey! worth P89,415,629. In February 2008, the Parent Company distributed the property dividends declared.

There is no sale of unregistered securities within the past four (5) years.

**Top 20 shareholders as of December 31, 2021:**

	STOCKHOLDERS' NAME	NATIONALITY	TYPE OF SHARES	No. of Shares
1	PCD NOMINEE CORP.	FILIPINO	Common	4,209,175,400
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	OTHERS	Common	16,442,883
3	EAST PACIFIC INVESTORS CORPORATION	FILIPINO	Common	9,040,000
4	A. BROWN COMPANY, INC.	FILIPINO	Common	6,882,500
5	LUCIO W. YAN &/OR CLARA YAN	FILIPINO	Common	6,812,500
6	WILLY NG OCIER	FILIPINO	Common	4,616,000
7	RICARDO L. NG	FILIPINO	Common	3,248,750
8	MICHAEL SYIACO	FILIPINO	Common	3,000,000
9	AGAPITO C. BALAGTAS, JR.	FILIPINO	Common	2,875,000
10	APRICINIA B. FERNANDEZ	FILIPINO	Common	2,875,000
11	SUZANNE LIM	FILIPINO	Common	2,875,000
12	CYGNET DEVELOPMENT CORPORATION	FILIPINO	Common	2,812,500
13	JERRY TIU	FILIPINO	Common	2,731,250
14	WILSON L. SY	FILIPINO	Common	2,300,000
15	BON S SYIACO	FILIPINO	Common	2,000,000
16	TRANS- ASIA SECURITIES, INC.	FILIPINO	Common	1,830,000
17	AVESCO MARKETING CORPORATION	FILIPINO	Common	1,437,500
18	MARY TAN DE JESUS	FILIPINO	Common	1,412,500
19	SEC ACCOUNT FAO: VARIOUS CUSTOMERS OF GUOCO SECURITIES (PHILIPPINES), INC.	FILIPINO	Common	1,265,000
20	ELLEN LAY	FILIPINO	Common	1,207,500

**Dividends**

The Company has declared 100% stock dividends with a record date and payment date of 8 January 2016 and 3 February 2016, respectively. There were no cash dividends declared for the past 3 years. The bylaws of the company prohibit the distribution of dividends that would impair the capital of the Company

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

In Millions (PHP)	2021	2020	2019
<b>Balance Sheet</b>			
Assets	11,759.72	11,167.82	10,891.30
Liabilities	623.36	504.42	660.79
Stockholder's Equity	11,127.35	10,663.40	10,230.51
Book Value Per Share	2.65	2.54	2.43
<b>Income Statement</b>			
Revenue	976.04	986.35	1,403.07
Expenses	483.97	563.67	628.16
Other Income/ (Charges)		3.6	0.16
Net Income	492.07	426.28	775.07
Earnings per Share attributable to equity holders of the Parent Company	0.0951	0.0915	0.1668

	Formula	December 31, 2021	December 31, 2020
Current Ratio	Current Asset/Current Liabilities	1933.76%	2240.6%
Acid Test Ratio	(Cash Eq + Marketable Securities +	1932.57%	2239.77%
Solvency Ratio	Net Income/Total Liabilities	80.32%	84.51%
Debt-to-Equity Ratio	Total Liabilities/Total Equity	5.68%	4.73%
Debt Ratio	Total Liabilities/Total Assets	5.38%	4.52%
Asset-to-Equity Ratio	Total Assets/Total Equity	105.68%	104.73%
Interest Rate Coverage Ratio	EBIT/Interest Expense	N/A	N/A
Return on Assets	Net Income/Average Total Asset	4.43%	3.57%
Return on Equity	Net Income/Average Total Equity	4.66%	4.29%
Net Profit Margin	Gross Profit/Net Income	119.62%	137.83%

### **Results of Operations for the Year Ended 2021**

2021 was again a very volatile year, as we still had to contend with a number of factors. First and foremost, the world had to contend with a number of COVID variants. Delta and Omicron hit the Philippines hard, with the NCR having to lockdown twice within the year as we saw cases higher than 20k per day. Then, as the US started recovering from COVID and economic data showed a stable recovery, we saw inflation and wage prices continue to rise and remain sticky. We also saw the US transition from Trump to Joe Biden, after a tumultuous end to the Trump administration, with a fatal storming of the Capitol building. In the Philippines meanwhile, presidential elections get underway as Duterte is set to step down, with Bongbong Marcos and Leni Robredo emerging as the main competitors in the election.

We started off the year with the Fed very complacent while watching the economic recovery in the US. Though inflation steadily increases, the Fed remained adamant that price pressures were temporary. They eventually said that they would start tapering in the later part of the year. However as oil prices steadily started increasing and wage prices and employment showed that the economy might be running hotter than expected, we see the Fed eventually change course and Powell conceding that they may need to deal with inflation. Transitory is eventually taken out of the Fed minutes but the Fed may have already been behind the curve. The 10y UST started the year at around 1% but as market now expects the Fed to start moving to fight inflation, we saw the 10y UST hit as high as 1.60 before ending the year at 1.40 because of some risk off fears about COVID. Meanwhile the USDPHP started off at 48.00 and actually saw this breach to the downside, hitting around 47.60 but this eventually bounced back and ended the year at 51.

In local bonds, yields pretty much followed the trajectory of UST. BTR successfully auctioned a new 3yr and 5yr RTB. The 3yr RTB 3-11 priced at 2.375 in early 2021 but this eventually marked the lows for the year. BTR was actually seen accepting bids quite a lot higher than what market was trading, signaling the need for funds. Or possibly that they expected yields to continue moving higher. We eventually see the 3-11 sold off all the way to 3.365. Meanwhile a new 5yr 5-77 issues at 3.375. This was bought all the way down to 2.85 due to market thinking that there may be a global slowdown again with the new COVID variants. However the rise in 10y USTs overwhelmed. We saw the 5-77 trade as high as 4.25, and a new 10yr 10-66 as high as 5.25. At the end of the year, we see the 5-77 close at 3.75 and the 10-66 at 4.6, around 50bp lower than the years highs.

Meanwhile local equities were pretty much rangebound up to the end of the year where we saw somewhat of a recovery. PHISIX saw collapses every time NCR needed to lock down again due to COVID. We also saw some huge IPOs in the year such as the Monde Nissin IPO. And finally we saw the issuances of REITs, which offered investors an alternative to fixed income, with some of the REITs offering around 5.25% yields.

For the year, the Vantage Fixed income portfolio return 2.12% despite bond yields higher for 2021 by around 50-100bps. This was due to our defensive stance, with the portfolio primarily held in assets with maturities of 3yrs or less. Meanwhile, the Vantage Equity portfolio returned 10% versus the Phisix return of -0.24%. The outperformance was from our ability to invest into the new issuances for the year. The portfolio started to deploy cash early in the year and was able to participate in the runup in the latter part of 2021.:



### **eBusiness Services, Inc. (“eBiz”)**

eBiz achieved a total revenue of PhP 423.92 million for the year as compared to last year’s PhP 444.99 million, 4.74% decline. This was attributable to decrease in money transfer income and foreign exchange valuation losses of dollar assets.

The Company's operating expenses decreased by 10% at PhP 363.9 million versus last year PhP 403.08 million. This is mainly attributable to decrease in utilities, entertainment and recreational expenses.

eBiz posted a total comprehensive income of PhP 44.52 million in 2021, compared to last year’s PhP 23.42 or a increase of 90%.

### **Philequity Management, Inc.**

Service Income for the year amounted to PhP 267.76 million, versus last year’s PhP 215.0 million, 25% increase as a result higher management fees due to increase of assets being managed. Total cost of services for the year amounted to PhP 68.9 million, increased by 22% from PhP 56.45 million last year

As a result, total comprehensive income for the year increased by 29% with aggregate amount of P137.59 million previously at PhP 112.0 million.

### **Other Matters**

The Parent Company and its wholly-owned subsidiary, Vantage Financial Corporation, continuously enter into currency forward transactions with bank counterparties to hedge their foreign exchange risk. The nominal amounts of these contracts are off-balance sheet while revaluation gains or losses are recognized as Miscellaneous Asset or Miscellaneous Liability, respectively.

### **Causes for any material changes (+/-5% or more) in the financial statements**

#### **Income Statement items - Y2021 versus Y2020**

*51% increase in trading and investment securities gains*  
Mainly due to positive market performance for the period.

*6% increase in foreign exchange differential*  
Due to higher international money transfer transactions

*91.83% increase in dividend income*  
Due to higher holdings with dividends

*25.67% increase in service income*  
Due to higher asset under management

*34% decrease in interest income*  
Due to lower money market placement for the period

*365% decrease in income from business partners*  
Increase in volume of transactions

*21% decrease in commission expense*  
Due to decrease in commission paid to subagents from western union transactions

*13.08% increase in general and administrative expenses*  
Due to increase in salaries and wages

### **Income Statement items - Y2020 versus Y2019**

*83% decrease in trading and investment securities gains*

Mainly due to decrease in market value of FVPL securities

*9% decrease in foreign exchange differential*

Due to lesser international money transfer transactions

*19% decrease in commission income*

Due to decline of money changing transactions

*18% decrease in service income*

Due to decline of in asset under management

*20% increase in interest income*

Due to decrease in interest rate of money market placement

*38% decrease in income from business partners*

Decrease in income from ticketing transactions

*21% decrease in commission expense*

Due to decrease in commission paid to subagents from western union transactions

*20% increase in general and administrative expenses*

Due to decrease in utilities and other expenses as a result of work from home arrangement

### **Balance Sheet items – Y2021 versus Y2020**

*14.18% increase in cash and cash equivalents*

Due to higher outstanding investments in short-term placements at the end of the year

*53% decrease in loans and receivables*

Due to decrease in receivable from Western Union

*77% increase in prepayments and other current assets*

Attributable to increase in input VAT

*59% increase in Right of Use Assets*

Due to increase in Rental Deposits

*64% decrease in deferred tax assets*

Due to receivable write off for the period

*10.18% decrease in other noncurrent assets*

Due to decrease in security deposits

*27% decrease in accounts payable*

due to lower liability to sub-agents

*27% increase in income tax payable*

Due to higher taxable income

*5% increase in retirement liabilities*

Due to change in assumption of pension liabilities

## Balance Sheet items – Y2020 versus Y2019

*29% increase in cash and cash equivalents*

Due to higher outstanding investments in short-term placements at the end of the year

*33% decrease in loans and receivables*

Due to decrease in receivable from Western Union

*62% decrease in prepayments and other current assets*

Attributable to decrease in input VAT

*57% decrease in Right of Use Assets*

Due to depreciation of ROU assets

*54% decrease in deferred tax assets*

Due to lesser provision for impairment of receivables

*13% increase in other noncurrent assets*

Due to increase in security deposits

*32% decrease in accounts payable*

due to lower liability to sub-agents

*524% increase in net assets attributable to unitholders*

Due to increase in investors in one of the subsidiaries

*40% decrease in income tax payable*

Due to lower taxable income

*42% decrease in retirement liabilities*

Due to change in assumption of pension liabilities

## Item 7. Financial Statements and Other Information

The audited consolidated financial statements and schedules listed in the accompanying index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

### Information on Independent Accountant

SGV & Co. is the external accountant of the Company. The aggregate fees billed for each of the last three years for professional services rendered by the Company's external auditors in connection with annual audit of the Consolidated and Parent Company Financial Statements for statutory and regulatory filings are summarized below:

	2021	2020	2019
Audit fee	2,665,851	2,563,172	2,973,070
Tax Services	-	-	-
Other Fees	-	-	-
TOTAL	2,665,851	2,563,172	2,973,070

The Independent Accountant does not render tax accounting compliance, advice, planning and other forms of tax services for the Corporation. The Independent Accountant also does not render other services for the Corporation.

### Geographic Concentration of Investments

	Number of Investors	Percentage of Investment	Number of Shares
Philippines	607	99.57%	4,181,735,699
Foreign	11	0.43%	17,846,567

### Level of FATCA Compliance

The fund has implemented standard procedures to be FATCA-compliant. Currently, the number of investors in the company qualifying as a US person is below 1% of the total investors.

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

There are no changes and matters of disagreement with accountants on any accounting & financial disclosures the last two (2) most recent fiscal years.

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Registrant

Office	Period Served	Name	Citizenship	Age
Director	2003 to present	Ignacio B. Gimenez	Filipino	77
Director	2002 to present	Valentino C. Sy	Filipino	66
Chairman	2005 to present			
Director	2006 to present	Edmundo P. Bunyi, Jr.	Filipino	57
President & CEO				
Director	2003 to present	Joseph L. Ong	Filipino	68
Treasurer	2005 to present			
Director	1999 to present	Willy N. Ocier	Filipino	65
Director	2003 to present	Roberto Z. Lorayes	Filipino	78
Director	1993 to 2000 & 2005 to present	Wilson L. Sy	Filipino	69
Director	2021 to present	Andy O. Co	Filipino	76
Director	2013 to present	Gregorio T. Yu	Filipino	61
Director	2017 to present	Timothy Bryce A. Sy	Filipino	37
Director	2017 to present	Kevin Neil A. Sy	Filipino	36
Director	2017 to present	Darlene Mae A. Sy	Filipino	35
Director	2017 to present	Bert Hontiveros	Filipino	68
Corporate Secretary	May 2020 to present	Jonathan P. Ong	Filipino	55

In accordance with the Corporation's By-Laws, the members of the Board of Directors are elected annually and therefore serve for a year after election.

The following is a brief write-up of the Board of Directors and Executive Officers.

**Valentino C. Sy**

Mr. Sy is currently the Chairman of the Company. He is also the Chairman of eBusiness Services. Concurrently, he is the Director of Wealth Securities (1998 to 2011) and the President of Equinox International Corp (1996 to present) and Wealth Securities (2011 to present). He holds a degree in Industrial Management Engineering from the De La Salle University.

**Edmundo P. Bunyi, Jr.**

Mr. Bunyi is currently the President and Chief Executive Officer of Vantage Equities, Inc. He is the President and Chief Executive Officer of Vantage Financial Corp (formerly e-Business Services, Inc.), a Western Union franchise (2006- August 2017) and was appointed as Chief Executive Officer of Vantage Financial Corp. effective August 2017 - present. He is also the President of Philequity Management, Inc., an investment company adviser, since October 2006. He is the former Senior Vice President and Treasurer of International Exchange Bank, Assistant Vice President and Head of FCDU & FX Sales of United Coconut Planters Bank, Assistant Manager for Corporate Banking Group of Far East Bank and Trust Company, and Assistant Manager for the Corporate Banking Department of Union Bank of the Philippines. He holds a degree in Management Engineering from the Ateneo de Manila University (1977).

**Ignacio B. Gimenez**

Mr. Gimenez became a Director of the Company in 2003. Mr. Gimenez is the Chairman of Philequity Management, Inc. He is also the Chairman and President of the following mutual fund: Philequity Fund, Inc., (1994 to present), Philequity Dollar Income Fund, Inc., and Philequity Peso Bond Fund, Inc., (1999 to present), Philequity Dividend Yield Fund (2012 to present), Philequity Balanced Fund, Inc., Philequity Foreign Currency Fixed Income, Philequity Resources Fund, Inc., and Philequity Strategic Growth Fund, Inc. (2008 to present). Concurrently, he is the Director of Vantage Equities Inc. and eBusiness Services Inc., (2007 to present). At the same time, he also holds positions as Director of PIFA-Philippine Investment Funds Association, and as the Corporate Secretary of I.B. Gimenez Securities, Inc. He is the Treasurer of I. B. Gimenez Securities, Inc., a stock brokerage firm (1976 - present). He is the President of the following mutual funds, namely, Philequity Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity PSE Index Fund, Inc. and Philequity Peso Bond Fund, Inc. (formerly Philequity Money Market Fund, Inc.). He is also the Sales and Marketing Manager of Society Publishing, Inc. (1991 - present). He holds a graduate degree in Business Administration from the Asian Institute of Management (1970) and a college degree from the University of the Philippines (1967).

**Joseph L. Ong**

Mr. Ong is the Treasurer of the Company. He became a Director of the Company in 2003. He is also the treasurer of Philequity Management, Inc., Independent Director of Vantage Equities, Inc, and a director eBusiness Services, Inc. Currently, he is president of Chemcenter Corporation (1996 to present), a company engaged in import and distribution of industrial chemicals. Previously, he was connected with Exxon Chemical/Exxon Corp holding positions in sales, marketing, planning, and audit functions both here and abroad. He holds a degree in Chemical Engineering, Magna Cum Laude, from De La Salle University (1975)

**Willy N. Ocier**

Mr. Ocier has been a Director of the Company since 1999. He is also a Director of Philequity Management, Inc. and eBusiness Services, Inc. At the same time, he is also the Chairman and President of Pacific Online Systems Corporation (1999 to present) and serves as Vice Chairman of Belle Corporation and Co-Vice Chairman of Highlands Prime, Inc. (1999 to present). Concurrently, he is the Chairman of the Boards of the following corporations: (a) APC Group, Inc. (2005 to present) (b) Sinophil Corporation (2005 to present), (c) Premium Leisure and Amusement, Inc (1999 to present), (d) Tagaytay Midlands Golf Club, Inc. (1999 to present) and

(e) Aragorn Power and Energy Corporation (1999 to present). He earned his Economics degree from the Ateneo de Manila University (1977).

**Roberto Z. Lorayes**

Mr. Lorayes is the Chairman of the company. He is also the Director of Vantage Equities, Inc. and eBusiness Services, Inc. (1994 to present). In the past he served as Chairman of the Philippine Stock Exchange (1993 to 1994) and Investment Companies Association of the Philippines (2005-2008). He also served as President of Manila Stock Exchange (1991-1992), UBP Securities (1989-1993), Citicorp (1987-1989), CT Corp, Scringeur, Vickers (1987-1989), and a Director of Philippine Central Depository (1995-1996). He received his Bachelor of Science in Commerce degree and Bachelor of Liberal Arts degree in De La Salle University (1966). He holds a Masters degree in Business Management from Ateneo de Manila University (1969).

**Wilson L. Sy**

Mr. Sy was reelected to the Board in 2005. He is the Vice Chairman of Asian Alliance Holdings, Corp. and Director of Vantage Equities, Inc.; eBusiness Services, Inc., Philequity Management, Inc., Xcell Property Ventures, Inc. (2005 to present), and Monte Oro Resources & Energy, Inc. (2005 to present) Mr. Sy is also an Independent Director of the reporting corporations: The Country Club at Tagaytay Highlands, Inc. (2011 to present), Tagaytay Highlands International Golf Club, Inc. (2011 to present), Tagaytay Midlands Golf Club, Inc. (2011 to present), and The Spa and Lodge at Tagaytay Highlands (2011 to present). He was a former Chairman of the Philippine Stock Exchange, Inc. (1994 to 1995) He holds a degree in Management Engineering from the Ateneo de Manila University (1975).

**Andy O. Co**

Mr. Co is currently the President of Technicom Electronics Corp., the largest distributor of Plantronics and Polycom products in the Philippines since 1990. The company powers authentic human connection and collaboration through unified communications. Mr. Co obtained his Bachelor of Science degree in Electrical Engineering from the University of the Philippines, Diliman in 1975. Mr. Co's knowledge and expertise in information and communications technology will surely benefit the Corporation as he shares his insights and experience in the growing segment of digitization.

**Gregorio T. Yu**

Mr. Yu is the Independent Director of the Company. He is also the Independent Director of Vantage Equities, Inc. and Philequity Management, Inc. At the same time, he is the Director of the following companies: eBusiness Services, Inc., Philippine Airlines Inc., Philippine National Reinsurance Corporation, Iremit (2007 to present), Unistar Credit and Finance Corporation, Glyph Studios, Inc., Prople BPO Inc, Jupiter Systems Inc., Nexus Technologies, Inc. (2001 to present), Wordtext Systems Inc., Yehey Inc., CMB Partners Inc., Ballet Philippines, Manila Symphony Orchestra, Iripple Inc (2007 to present). Concurrently, he is also the chairman of the following companies: CATS Motors Inc., CATS Asian Cars Inc. and CATS Automobile Corp. Also (2000 to present), he is currently the Trustee of the Government Service Insurance System (2010 to present), as well as a Trustee of Xavier School, Inc. and Xavier School Educational and Trust Fund, Inc (1993 to present). He has been a Director and a Member of Executive Committee and Audit Committee of the International Exchange Bank (1995-2006). He graduated from De la Salle University with a Bachelor of Arts in Economics (Honors Program 1978), summa cum laude. Mr. Yu holds a graduate degree in Business Administration from Wharton School, University of Pennsylvania (1983) where he was in the Director's Honor List.

The following are brief write-ups for those nominated to fill the three (3) new Board seats to be created after the approval of the proposed amendment to the Corporation's Articles of Incorporation increasing the membership of the Board of Directors:

**Timothy Bryce A. Sy**

Timothy Bryce A. Sy, Filipino, served as Treasury Head for the organization since 2010. He is also a director of Asian Alliance Holdings Corp. (2015 to present). He holds an MBA from Kellogg School of Management (2010) and an undergraduate degree from Northwestern University (2003) in Illinois USA. He is currently the President of Vantage Financial Corp (formerly e-Business Services, Inc.) from August 2017 to present.

**Kevin Neil A. Sy**

Kevin Neil Atienza Sy, Filipino, 33, is the current Vice President and Associated Person of Wealth Securities Inc (2012-Present). He was Assistant Manager for the Treasury Group of Rizal Commercial Banking Corporation's Foreign Interest Rate Risk Division (2010-2012). He was Junior Trader and Sales Associate for the Treasury Group of East West Banking Corporation's Global Debt Trading Desk (2008-2009). He holds a Bachelor's Degree in Corporate Finance and Accounting from Bentley University (2007).

**Darlene Mae A. Sy**

Darlene Mae A. Sy, Filipino, 32, is the Head of Sales and Marketing of Philequity Management, Inc. She also serves as a Director of Wealth Securities, Inc. She is licensed as a Fixed Income Salesman and as a Certified Investment Solicitor with the Securities and Exchange Commission. She holds a Bachelor's Degree from the University of British Columbia.

A third independent member of the Board of Directors has likewise been nominated for election at the annual shareholders' meeting:

**Bert Hontiveros**

Mr. Hontiveros, 65, Filipino, is the Independent Director of the fund. He is also the Independent Director of the following mutual funds from 2013 to present, namely: (a) Philequity Dollar Income Fund, Inc. (b) Philequity PSE Index Fund, Inc. and (c) Philequity Peso Bond Fund, Inc. Concurrently, he is the General Manager of HB Design Power Systems (2000 to present). He obtained his Bachelor of Science in Industrial Engineering from University of the Philippines in 1975.

**Jonathan P. Ong**

Atty. Jonathan P. Ong obtained his Bachelor of Science (Economics) degree from the U.P. School of Economics on April 2, 1989 and his Bachelor of Laws degree from the U.P. College of Law on April 24, 1993. He took the bar examinations in September 1993 and was admitted to the Philippine Bar on March 15, 1994. He joined the law firm of Atty. Mario E. Ongkiko sometime in 1994. In June 1996 he became in-house counsel of the erstwhile International Exchange Bank until August 31, 2006. He then joined Maybank Philippines (MPI) in May 2007, a position which he held until July 19, 2019. He was also the Corporate Secretary of the affiliates of MPI in the Philippines – Philmay Property, Inc. and Philmay Holdings, Inc. He is currently special counsel to the Disini Buted and Disini law offices, which he advises on matters involving banking and litigation, and a senior associate at the Valerio Law Offices. He is also currently the Corporate Secretary of Kinderheim, Inc., a small family owned educational institution.

**Independent Directors**

The nomination, pre-screening and election of independent directors were made in compliance with the requirements of the Revised Code of Corporate Governance and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors which have been adopted and made part of the Corporation's By-Laws. The Nomination Committee constituted by the Company's Board of Directors, indorsed the respective nominations given in favor of Mr. Andy Co (by Mr. A. Bayani K. Tan), Mr. Yu (by Mr. Edmundo Marco P. Bunyi, Jr.) Mr. Bert Hontiveros and Mr. Kevin Sy as Independent Directors.

The Nomination Committee, composed of Mr. Lorayes (Chairman), Mr. Yu and Mr. Ong, has determined that these nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Company's Amended Manual on Corporate Governance and Rule 38 of the Implementing Rules of the Securities Regulation Code (SRC).

The nominees, whose required information are discussed above, are in no way related to the stockholders who nominated them and have signified their acceptance of the nominations. These nominees are expected to attend the scheduled Annual Stockholders' Meeting

**Family relationships among Directors:**

Messrs. Valentino Sy and Wilson Sy are brothers.

Mr. Kevin Sy, Mr. Timothy Bryce Sy and Ms. Darlene Mae Sy are children of Mr. Wilson Sy

**Independent Director**

Mr. Gregorio T. Yu and Mr. Andy O. Co were re-elected as the independent directors of the Company in compliance with the requirements of Rule 38 of the Securities Regulation Code.

**Involvement in Certain Legal Proceedings**

The Company and its major subsidiaries and associates are not involved in, nor are any of their properties subject to, any material legal proceedings that could potentially affect their operations and financial capabilities.

Except as provided below, the Company is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years:

- (a) any bankruptcy petition filed by or against any business of which any of the above persons was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (b) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities or banking activities; and,
- (c) any finding by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self regulatory organization, that any of the above persons has violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

In May, 2013, the BIR filed a P169.83M case for tax evasion against Philmay Property, Inc. (PPI) an affiliate of Maybank Philippines, Inc. Included in the case were its President and CEO – Mr. Ong Seet Joon, Treasurer – Atty. Rafael A. Morales, Corporate Secretary – Atty. Jonathan P. Ong, Sales and Marketing Head – Mr. Benjamin Q. Lira and Accounting Associate Michelle F. Reyes. The case arose from PPI's supposed tax deficiencies, as follows: tax deficiencies, including surcharge and interest: P37.81 million in income tax deficiency P73.13 million in value-added tax deficiencies P15.57 million in documentary stamp tax deficiency P43.32 million in expanded withholding tax. The proceedings in the DOJ were suspended because PPI questioned the assessments on which the tax evasion case was based on with the Court of Tax Appeals (CTA). On May 23, 2018 the CTA second division issued a decision cancelling and withdrawing the assessments on which the tax evasion case of the BIR was based on, but ordered PPI to pay the amount of P276,381.24 as deficiency DST for fiscal year 2009, plus interest and surcharges, which it did. The BIR filed a motion for reconsideration but it was denied. The BIR elevated the decision of the CTA 2nd division to the CTA en banc. On February 5, 2020 the CTA en banc affirmed with modification the decision of the CTA 2nd Division and declared the assessments on which the BIR's case for tax evasion was based on as null and void. The BIR appealed this to the Supreme Court in February 2020.



## Significant Employees

No employee is expected by the Corporation to make a significant contribution to the business

## Item 10. Executive Compensation

Except for Messrs. Edmundo P. Bunyi, Jr., all of the Company's directors and officers have not received any form of compensation from inception up to present other than a per diem of ₱6,000.00 (net of withholding tax) for each meeting attended and annual per diem during stockholders' meeting. There is no employment contract between the Company and the above-named executive officer or current executive officers. In addition, except as provided below, there are no compensatory plans or arrangements with respect to named executive officers that resulted in or will result from the resignation, retirement or termination of such executive director or from a change-in-control in the Company.

## Summary Compensation Table (Annual Compensation)

Name and Principal Position	Year	Annual Compensation
<b>Valentino C. Sy</b>		
Chairman & CEO		
<b>Edmundo P. Bunyi, Jr.</b>		
President & COO		
<b>Joseph L. Ong</b>		
Treasurer		
<b>All officers and directors as a group</b>	2021	6,433,333
	2020	6,433,333
	2019	6,535,001

## Item 11. Security Ownership of Certain Beneficial Owners and Management

### 1. Security Ownership of Certain Record and Beneficial Owners

Title of Class	Name and Address of Record/Beneficial Owner	Relationship with the Company	Record (r) Beneficial (b) Owner	Citizenship	Number of Shares	Percent of Class
Common	PCD Nominee Corp. (*) G/F MSE Building Ayala Avenue, Makati	Stockholder	r	Filipino	4,209,175,400	97.09%

Stockholders with more than 5% ownership

Title of Class	Name and Address of Record/Beneficial Owner	Relationship with the Company	Record (r) Beneficial (b) Owner	Citizenship	Number of Shares	Percent of Class
Common	Creative Wisdom, Inc	Stockholder	r	Filipino	1,768,701,436	42.12%
Common	Wealth Securities, Inc.	Stockholder	r	Filipino	218,239,000	5.2%
Common	Lavenders and Blue Hydrangeas, Inc	Stockholder	R	Filipino	210,535,000	5.01%

(\*)PCD Nominee Corporation (PCDNC) is a wholly-owned subsidiary of Philippine Central Depository, Inc. (PCD). The beneficial owners of the shares under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their respective clients.

## 2. Security Ownership of Management

The following table shows the share beneficially owned by the directors and executive officers of the Company as of 31 December 2021:

Title of Class	Name	No. of Shares	Citizenship	Percentage
Common	Ignacio B. Gimenez	25,000	Filipino	0
Common	Roberto Z. Lorayes	50,000	Filipino	0
Common	Valentino C. Sy	350,000	Filipino	0.01
Common	Edmundo P. Bunyi, Jr.	12,525,000	Filipino	0.30
Common	Joseph L. Ong	25,000	Filipino	0
Common	Willy N. Ocier	20,569,480	Filipino	0.49
Common	Wilson L. Sy	368,300,000	Filipino	3.17
Common	Andy O. Co	125,000	Filipino	0
Common	Gregorio T. Yu	5,200,000	Filipino	0.12
Common	Timothy Bryce A. Sy	204,025,500	Filipino	4.86
Common	Darlene Mae A. Sy	201,712,000	Filipino	4.80
Common	Kevin Neil A. Sy	203,520,876	Filipino	4.85
Common	Bert C. Hontiveros	1,946,000	Filipino	0.05
All Directors and Officers as a group		783,373,856		18.65

### Voting Trust Holders of 5% or More

There is no party which holds any voting trust or any similar agreement for 5% or more of Vantage's voting securities.

### Changes in Control

The Company is not aware of any arrangement that may result in a change in control of the Company.

## Item 12. Certain Relationships and Related Transactions

The Company has not been a party during the last two (2) years to any other transaction or proposed transaction, in which any director or executive officer of the Company, or any security holder owning 10% or more of the securities of the Company or any member of the immediate family of such persons, had a direct or indirect material interest.

Vantage Equities, Inc. is not under the control of any parent company.

The following table presents the balances of intercompany transactions of the Group as of and for the years ended December 31, 2021, 2020 and 2019

Related Party	Category	2021		
		Amount/ Volume	Outstanding Balance	Nature, terms and conditions
FAUSI (Associate)	Reimbursable expenses (Other receivables)	P515,513	P61,246	On demand, noninterest bearing and unsecured
Related Party	Category	2020		
		Amount/ Volume	Outstanding Balance	Nature, terms and conditions
FAUSI (Associate)	Reimbursable expenses (Other receivables)	P515,513	P61,246	On demand, noninterest bearing and unsecured

		2019		
Related Party	Category	Amount/ Volume	Outstanding Balance	Nature, terms and conditions
FAUSI (Associate)	Reimbursable expenses (Other receivables)	P515,513	P61,246	On demand, noninterest bearing and unsecured

#### Remunerations of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the Executive Committee to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures*.

The remuneration of the Group's key management personnel are P19.15M in 2021 and 2020 P28.15 in 2019.

## **PART IV – CORPORATE GOVERNANCE**

The Company has been monitoring compliance with SEC Memorandum Circular No. 6, Series of 2009, as well as other relevant SEC circulars and rules on good corporate governance. All directors, officers, and employees complied with all the leading practices and principles on good corporate governance as embodied in the Corporation's Manual. The Company complied with the appropriate performance self-rating assessment and performance evaluation system to determine and measure compliance with the Manual of Corporate Governance.

## **PART V – EXHIBITS AND SCHEDULES**

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

- a. Exhibits – See accompanying index to exhibits.

The following exhibit is filed as a separate section of this report:  
Subsidiaries of the Company

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

- b. Reports on SEC Form 17 – C

- Filed on October 05 2021  
Results of Annual Stockholder's Meeting held on September 30, 2021

- Filed on 4 August 2021  
2021 Annual Stockholders' Meeting Record Date

**VANTAGE EQUITIES, INC**  
**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

**FORM 17 – A, Item 7**

Page No.

Consolidated Financial Statements

Statement of Management's Responsibility for Financial Statements  
Report of Independent Public Accountant  
Consolidated Balance Sheets as of December 31, 2021 2020 and 2019  
Consolidated Statements of Income and Retained Earnings for the  
Years Ended December 31, 2021, 2020 and 2019  
Consolidated Statements of Cash Flows for the Years Ended  
December 31, 2021, 2020 and 2019  
Notes to Consolidated Financial Statements

Supplementary Schedules

Report of Independent Public Accountants on Supplementary Schedules

**Part 1**

- I Schedule of Retained Earnings Available for Dividend Declaration  
(*Part 1 4C, Annex 68-D*)
- II Map showing relationships between and among parent, subsidiaries, an associate,  
and joint venture
- III Schedule Showing Financial Soundness Indicators in Two Comparative Periods

**Part 2**

- A Financial Assets (*Part II , Annex 68-J, A*)
- B Amounts Receivable from Directors, Officers, Employees, Related Parties and  
Principal Stockholders (Other than Affiliates)  
(*Part II, Annex 68-J, B*)
- C Amounts Receivable from Related Parties which are eliminated during the  
consolidation of financial statements (*Part II 6D, Annex 68-J, C*)
- D Long-Term Debt (*Part II , Annex 68-J, D*)
- E Indebtedness to Related Parties (included in the consolidated statement of  
financial position) (*Part II , Annex 68-J, E*)
- F Guarantees of Securities of Other Issuers (*Part II, Annex 68-J, F*)
- G Capital Stock (*Part II , Annex 68-J, G*)

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These schedules, which are required by Part IV (a) of RSA Rule 48, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or the notes to consolidated financial statements.

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City MAKATI CITY on MAY 26 2022.

### VANTAGE EQUITIES, INC.

Issuer

By:



VALENTINO SY (May 20, 2022 15:54 GMT+8)

**VALENTINO C. SY**  
Chairman



Edmundo P. Bunyi, Jr. (May 20, 2022 15:47 GMT+8)

**EDMUNDO MARCO P. BUNYI JR.**  
President and CEO



Angelica Cabanit (May 21, 2022 16:38 GMT+8)


**MA. ANGELICA CABANIT**  
Compliance Officer



Joseph Ong (May 20, 2022 19:29 GMT+8)

**JOSEPH L. ONG**  
Treasurer

Name	TIN NO/DL NO
Valentino Sy	122-335-536
Edmundo Marco P. Bunyi, Jr.	107-184-956
Joseph Ong	108-789-427
Ma. Angelica D. Cabanit	DL No. D186-018179
Jonathan P. Ong	162-906-632



**ATTY. JONATHAN ONG**  
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this MAY 26 2022 Makati City  
Affiant's exhibited to me their \_\_\_\_\_ I.D. Card No. \_\_\_\_\_ of \_\_\_\_\_  
and \_\_\_\_\_ I.D. Card No. \_\_\_\_\_ at \_\_\_\_\_

DOC NO. 378  
PAGE NO. 69  
BOOK NO. 290  
SERIES NO. 2022

**ATTY. GEORGE DAVID D. SITON**  
NOTARIAL PUBLIC FOR MAKATI CITY  
APPT. NO. 14-01-1 UNDER DEC. 11, 2013  
ROLL NO. 68497 / ROLL CLERK'S NO. 13-12-15-2022  
IE / O.P. NO. 14-01-1 UNDER DEC. 11, 2013  
PTE. NO. 14-01-1 UNDER DEC. 11, 2013  
EXECUTIVE BLDG. CLYNN MAKATI AVE., COR. JUPITER ST., MAKATI CITY

<sup>1</sup> equivalent to Principal Executive Officer / Principal Operating Officer



Emmylou Cayamanda &lt;emmylou.cayamanda@e-businessphil.ph&gt;

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**Vantage Equities Inc and Subsidiaries\_Consolidated AAFS\_31May2022**

2 messages

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**Emmylou Cayamanda** <emmylou.cayamanda@e-businessphil.ph>

Tue, May 31, 2022 at 9:55 PM

To: ictdsubmission@sec.gov.ph

Cc: msrd\_covid19@sec.gov.ph, Angelica Cabanit &lt;angelica.cabanit@philequity.net&gt;, Marites Codenera &lt;marites.codenera@e-businessphil.ph&gt;

Greetings,

We are pleased to submit Vantage Equities Inc and Subsidiaries\_Consolidated AAFS as of and for the period ended 31December2021. Thank you

Warm regards,

Emmylou Cayamanda

**Vantage Equities Inc and Subsidiaries Consolidated AAFS\_31May2022.pdf**

729K

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**ICTD Submission** <ictdsubmission+canned.response@sec.gov.ph>

Tue, May 31, 2022 at 9:57 PM

To: emmylou.cayamanda@e-businessphil.ph

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.

(Subject to Verification and Review of the Quality of the Attached Document)

Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at [www.sec.gov.ph](http://www.sec.gov.ph)

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**NOTICE**

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, Monthly Reports, Quarterly Reports, Letters, through email at

[ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph)

**Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST/OST or over- the- counter.**

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as:

AFS, GIS, GFFS, LCFS, LCIF, FCFS, FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC\_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please email to:

<https://apps010.sec.gov.ph>

**For your information and guidance.**

**Thank you and keep safe.**

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

A	S	0	9	2	0	0	7	0	5	9
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**COMPANY NAME**

V	A	N	T	A	G	E		E	Q	U	I	T	I	E	S	,		I	N	C	.		A	N	D		S	U	B
S	I	D	I	A	R	I	E	S																					

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

1	5	t	h		F	l	o	o	r		P	h	i	l	i	p	p	i	n	e		S	t	o	c	k		E	x
c	h	a	n	g	e	,		2	8	t	h		S	t	.		C	o	r	n	e	r		5	t	h		A	v
e	.	,		B	o	n	i	f	a	c	i	o		G	l	o	b	a	l		C	i	t	y	,		T	a	g
u	i	g		C	i	t	y	,		M	e	t	r	o		M	a	n	i	l	a								

Form Type

A	A	F	S
---	---	---	---

Department requiring the report

S	E	C	
---	---	---	--

Secondary License Type, If Applicable

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

**COMPANY INFORMATION**

Company's Email Address

investorrelations@vantage.ph
------------------------------

Company's Telephone Number

8250-8750
-----------

Mobile Number

N/A
-----

No. of Stockholders

607
-----

Annual Meeting (Month / Day)

08/31
-------

Fiscal Year (Month / Day)

12/31
-------

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

Ms. Ma. Angelica Cabanit
--------------------------

Email Address

angelica.cabanit@philequity.net
---------------------------------

Telephone Number/s

8250-8741
-----------

Mobile Number

0917-590-7176
---------------

**CONTACT PERSON's ADDRESS**

<b>15th Floor, Philippine Stock Exchange Tower, 28th St. Corner 5th Ave., Bonifacio Global City, Taguig City, Metro Manila</b>
--

**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.





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


The management of **Vantage Equities, Inc. and its Subsidiaries** is responsible for the preparation and fair presentation of the financial statements including the schedules attached for the years ended December 31, 2021, 2020, and 2019 in accordance with the prescribed financial reporting framework indicated therein, and for such international control including the additional components attached therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error or fraud.

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

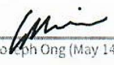
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

Sycip, Gorres, Velayo and Co., the independent auditors, appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
VALENTINO C. SY  
Chairman  
CTC No.:  
TIN: 122-335-536

  
EDMUNDO MARCO P. BUNYI JR.  
Vice Chairman/CEO  
CTC No.:  
TIN: 107-184-956

  
JOSEPH L. ONG  
Treasurer  
CTC No.:  
TIN: 108-789-427

Signed this 31 day of May, 2022.

**SUBSCRIBED AND SWORN** to me before this MAY 16 2022 at MAKATI CITY exhibiting to me their Community Tax Certificates.

Doc. No. 179  
Page No. 37  
Book No. 284  
Series of 2022

  
**NOTARY PUBLIC FOR MAKATI CITY**  
APPT. NO. M-161 - UNTIL DEC. 31, 2023  
ROLL NO. 68402 / MCE COMPLIANCE NO. VII-0010136/2-15-2022  
IBP O.A. No. 002182-01 TIME MENTEN TAYAS, 2017  
PTR No. 685206- JAN 03, 2022-MAKATI CITY  
EXECUTIVE BLDG. CENTER MAKATI AVE., COR. JUMPER ST., MAKATI CITY

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors  
Vantage Equities, Inc.  
15th Floor, Philippine Stock Exchange Tower,  
28th St. Corner 5th Ave., Bonifacio Global City  
Taguig City, Metro Manila

### Opinion

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

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

### Basis for Opinion

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



## **Key Audit Matter**

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

### *Accounting for cash and cash equivalents*

As at December 31, 2021, the Group reported cash and cash equivalents amounting to ₱3.68 billion which comprise 31.31% of the total assets of the Group. This consists of cash in banks (70.67%), cash equivalents (22.01%) and cash on hand (7.32%).

This is considered a key audit matter due to the significance of cash balance to the financial position of the Group and high volume of transactions of the Group involving cash arising from its remittance business.

The disclosures related to the cash and cash equivalents are included in Note 7 of the consolidated financial statements.

### *Audit Response*

We obtained an understanding of the processes, procedures and controls over the Group's treasury and other cash management functions, including the bank reconciliation process.

We obtained external confirmations from counterparty banks or performed alternative procedures such as tracing to relevant supporting documents (i.e., bank statements or certifications). We obtained the year-end bank reconciliation statements as prepared by management, and traced the bank balance to the confirmation reply or bank statement and the book balance to the respective subsidiary ledger balance. On a sample basis, we tested significant reconciling items by reference to the relevant supporting documents. We also tested selected fund transfers near the year-end by tracing to the underlying supporting documents.

## **Other Information**

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

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

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



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

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

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

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

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

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

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

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



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is  
Juan Carlo B. Maminta.

SYCIP GORRES VELAYO & CO.



Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260

Tax Identification No. 210-320-399

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 115260-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-132-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854326, January 3, 2022, Makati City

May 31, 2022



**VANTAGE EQUITIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2021	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 7)	₱3,681,446,990	₱3,219,805,034
Receivables (Note 8)	269,450,636	574,234,132
Financial assets at fair value through profit or loss (Note 9)	7,601,712,615	7,130,825,537
Prepaid expenses and other current assets (Note 11)	7,057,672	3,993,305
Total Current Assets	11,559,667,913	10,928,858,008
<b>Noncurrent Assets</b>		
Investment in associate (Note 12)	119,228	119,228
Property and equipment (Note 13)	123,092,302	152,635,871
Right-of-use assets (Note 22)	26,890,832	27,531,404
Deferred tax assets (Note 25)	9,410,030	13,552,209
Other noncurrent assets (Note 14)	40,534,750	45,128,010
Total Noncurrent Assets	200,047,142	238,966,722
	₱11,759,715,055	₱11,167,824,730
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 15)	₱269,580,707	₱365,403,523
Lease liabilities - current portion (Note 22)	20,895,987	21,083,238
Net assets attributable to unitholders of a mutual fund subsidiary (Note 16)	270,454,882	97,172,383
Income tax payable	36,851,827	18,315,095
Total Current Liabilities	597,783,403	501,974,239
<b>Noncurrent Liabilities</b>		
Deferred tax liabilities (Note 25)	13,208,932	—
Lease liabilities - net of current portion (Note 22)	13,190,253	8,858,065
Retirement liabilities (Note 23)	8,185,218	7,795,135
Total Noncurrent Liabilities	34,584,403	16,653,200
Total Liabilities	632,367,806	518,627,439
<b>Equity</b>		
Equity attributable to equity holders of the Parent Company:		
Capital stock (Note 24)	4,335,181,766	4,335,181,766
Cumulative net unrealized gains on changes in fair value of financial assets at fair value through other comprehensive income	70,000	70,000
Remeasurement gains on retirement plan (Note 23)	8,243,954	6,285,325
Retained earnings	6,298,057,953	5,898,506,417
Treasury stock (Note 24)	(190,460,934)	(190,460,934)
	10,451,092,739	10,049,582,574
Non-controlling interests	676,254,510	599,614,717
Total Equity	11,127,347,249	10,649,197,291
	₱11,759,715,055	₱11,167,824,730



**VANTAGE EQUITIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Years Ended December 31		
	2021	2020	2019
<b>REVENUES</b> (Note 18)	<b>₱976,036,174</b>	<b>₱986,352,798</b>	<b>₱1,403,072,064</b>
<b>COST OF SERVICES</b> (Note 19)	<b>(368,483,559)</b>	<b>(398,827,951)</b>	<b>(441,662,601)</b>
<b>GROSS INCOME</b>	<b>607,552,615</b>	<b>587,524,847</b>	<b>961,409,463</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 20)	<b>(111,319,215)</b>	<b>(95,091,476)</b>	<b>(118,828,028)</b>
<b>INTEREST EXPENSE</b> (Notes 17 and 22)	<b>(4,226,803)</b>	<b>(3,784,541)</b>	<b>(5,547,032)</b>
<b>UNREALIZED FOREIGN EXCHANGE GAIN (LOSS)</b> (Note 10)	<b>21,322,066</b>	<b>(40,163,240)</b>	<b>(85,370,798)</b>
<b>REALIZED FOREIGN EXCHANGE GAIN (LOSS)</b> (Note 10)	<b>57,325,710</b>	<b>52,102,007</b>	<b>95,192,964</b>
<b>OTHER INCOME - NET</b> (Note 21)	<b>—</b>	<b>3,596,697</b>	<b>161,071</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>570,654,373</b>	<b>504,184,294</b>	<b>847,017,640</b>
<b>PROVISION FOR INCOME TAX</b> (Note 25)			
Current	59,726,673	59,381,471	85,122,985
Deferred	16,539,018	12,265,948	(35,498,585)
Final	2,325,779	6,255,678	22,318,285
	78,591,470	77,903,097	71,942,685
<b>NET INCOME</b>	<b>₱492,062,903</b>	<b>₱426,281,197</b>	<b>₱775,074,955</b>
Attributable to:			
Equity holders of the Parent Company (Note 27)	399,551,536	370,206,519	₱700,415,035
Non-controlling interest	70,533,048	41,868,308	74,659,920
Unitholder of the Fund (Note 16)	21,978,319	14,206,370	—
	₱492,062,903	₱426,281,197	₱775,074,955
<b>Basic/Diluted Earnings Per Share</b>			
<b>Attributable to Equity Holders of the Parent Company</b> (Note 27)	<b>₱0.0951</b>	<b>₱0.0882</b>	<b>₱0.1668</b>

*See accompanying Notes to Consolidated Financial Statements.*



**VANTAGE EQUITIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2021	2020	2019
<b>NET INCOME</b>	<b>₱492,062,903</b>	<b>₱426,281,197</b>	<b>₱775,074,955</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Item that do not recycle to profit or loss in subsequent periods:</i>			
Remeasurement gains (losses) on retirement plan, net of tax (Note 23)	2,145,101	5,712,747	(8,030,798)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱494,208,004</b>	<b>₱431,993,944</b>	<b>₱767,044,157</b>
Attributable to:			
Equity holders of the Parent Company	₱401,510,165	₱375,808,135	₱692,863,628
Non-controlling interests	70,719,520	41,979,439	74,180,529
Unitholder of the Fund (Note 16)	21,978,319	14,206,370	—
	<b>₱494,208,004</b>	<b>₱431,993,944</b>	<b>₱767,044,157</b>

*See accompanying Notes to Consolidated Financial Statements.*





**VANTAGE EQUITIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the Years Ended December 31, 2021

	Capital Stock (Note 24)	Net Unrealized Gains on Changes in Fair Value of Financial Assets at FVOCI Investments	Remeasurement Gains (Losses) on Retirement Plan (Note 23)	Retained Earnings	Treasury Stock (Note 24)	Total	Non-controlling Interest (Note 24)	Total Equity
<b>Balance at January 1, 2021</b>	<b>₱4,335,181,766</b>	<b>₱70,000</b>	<b>₱6,285,325</b>	<b>₱5,898,506,417</b>	<b>(₱190,460,934)</b>	<b>₱10,049,582,574</b>	<b>₱599,614,717</b>	<b>₱10,649,197,291</b>
Issuance of shares during the year	—	—	—	—	—	—	5,920,273	5,920,273
Total comprehensive income for the year	—	—	1,958,629	399,551,536	—	401,510,165	70,719,520	472,229,685
<b>Balance at December 31, 2021</b>	<b>₱4,335,181,766</b>	<b>₱70,000</b>	<b>₱8,243,954</b>	<b>₱6,298,057,953</b>	<b>(₱190,460,934)</b>	<b>₱10,451,092,739</b>	<b>₱676,254,510</b>	<b>₱11,127,347,249</b>
Balance at January 1, 2020	₱4,335,181,766	₱70,000	₱683,709	₱5,528,299,898	(₱190,460,934)	₱9,673,774,439	₱556,737,233	₱10,230,511,672
Issuance of shares during the year	—	—	—	—	—	—	898,045	898,045
Total comprehensive income for the year	—	—	5,601,616	370,206,519	—	375,808,135	41,979,439	417,787,574
<b>Balance at December 31, 2020</b>	<b>₱4,335,181,766</b>	<b>₱70,000</b>	<b>₱6,285,325</b>	<b>₱5,898,506,417</b>	<b>(₱190,460,934)</b>	<b>₱10,049,582,574</b>	<b>₱599,614,717</b>	<b>₱10,649,197,291</b>
Balance at January 1, 2019	₱4,335,181,766	₱70,000	₱8,235,116	₱4,827,884,863	(₱190,460,934)	₱8,980,910,811	₱368,262,233	₱9,349,173,044
Issuance of shares during the year	—	—	—	—	—	—	114,294,471	114,294,471
Total comprehensive income for the year	—	—	(7,551,407)	700,415,035	—	692,863,628	74,180,529	767,044,157
<b>Balance at December 31, 2019</b>	<b>₱4,335,181,766</b>	<b>₱70,000</b>	<b>₱683,709</b>	<b>₱5,528,299,898</b>	<b>(₱190,460,934)</b>	<b>₱9,673,774,439</b>	<b>₱556,737,233</b>	<b>₱10,230,511,672</b>

See accompanying Notes to Consolidated Financial Statements.



**VANTAGE EQUITIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before tax	<b>₱570,654,373</b>	₱504,184,294	₱847,017,640
Adjustments for:			
Interest income (Notes 7, 8, 9, and 18)	<b>(195,056,663)</b>	(295,040,671)	(367,150,270)
Depreciation and amortization (Notes 13, 19 and 20)	<b>61,691,784</b>	73,330,707	78,535,116
Dividend income (Notes 9 and 18)	<b>(18,690,935)</b>	(9,743,567)	(5,576,266)
Unrealized foreign exchange loss (gain) (Note 10)	<b>(21,322,066)</b>	40,163,240	85,370,798
Trading gains (losses) (Notes 9 and 18)	<b>(9,348,474)</b>	10,565,293	(221,824,142)
Interest expense (Notes 17 and 22)	<b>4,226,803</b>	3,784,541	5,547,032
Retirement cost (Notes 19, 20 and 23)	<b>3,250,218</b>	2,505,406	2,365,017
Discount from rent	<b>—</b>	(3,596,697)	—
Operating income before working capital changes	<b>395,405,040</b>	326,152,546	424,284,925
Changes in operating assets and liabilities:			
Decrease (increase):			
Receivables	<b>279,719,534</b>	286,976,657	120,170,982
Financial assets at fair value through profit or loss	<b>(442,847,669)</b>	59,323,208	(3,618,711,076)
Prepaid expenses and other current assets	<b>(3,811,663)</b>	(6,380,408)	29,392,872
Decrease in accounts payable and other current liabilities	<b>(97,473,907)</b>	(171,587,470)	(3,881,018)
Net cash provided by (used for) operations	<b>130,991,335</b>	494,484,533	(3,048,743,315)
Interest paid	<b>(791,667)</b>	(34,416)	—
Income tax paid	<b>(43,515,720)</b>	(74,177,856)	(112,139,882)
Dividends received	<b>18,641,829</b>	9,615,084	5,458,619
Interest received	<b>201,478,796</b>	304,154,700	343,013,882
<b>Net cash provided by (used in) operating activities</b>	<b>306,804,573</b>	734,042,045	(2,812,410,696)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from:			
Maturity of investments at amortized cost (Note 9)	<b>—</b>	—	67,638,762
Acquisition of			
Property and equipment (Note 13)	<b>(804,455)</b>	(5,225,366)	(39,332,627)
Investments at amortized cost (Note 9)	<b>—</b>	—	(45,955,163)
Software	<b>—</b>	(10,369,796)	—
Net cash used in investing activities	<b>(804,455)</b>	(15,595,162)	(17,649,028)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Proceeds from:			
Borrowings	<b>350,000,000</b>		
Issuance of units (Note 16)	<b>177,722,004</b>	73,246,898	13,289,100
Issuance of subsidiary's share to NCI (Note 24)	<b>5,920,273</b>	24,480,103	116,714,501
Payment of:			
Notes payable (Note 17)	<b>(350,000,000)</b>	—	—
Redemption of capital stock (Note 24)	<b>—</b>	(23,075,383)	(1,801,138)
Redemption of units (Note 16)	<b>(26,417,824)</b>	(3,569,965)	(20)
Principal portion of lease liabilities (Note 22)	<b>(24,555,770)</b>	(33,603,034)	(41,072,162)
Cash provided by financing activities	<b>132,668,683</b>	37,478,619	87,130,281

(Forward)



	Years Ended December 31		
	2021	2020	2019
Effect of Changes in Exchange Rates	<b>₱22,973,155</b>	(₱40,163,240)	(₱85,370,798)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>461,641,956</b>	755,925,502	(2,828,300,241)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>3,219,805,034</b>	2,504,042,772	5,332,343,013
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 7)</b>	<b>₱3,681,446,990</b>	₱3,219,805,034	₱2,504,042,772

*See accompanying Notes to Consolidated Financial Statements.*



# VANTAGE EQUITIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. General Information

#### Corporate Information

Vantage Equities, Inc. (the Parent Company) was incorporated in the Philippines and was registered with the Philippine Securities and Exchange Commission (SEC) on October 20, 1992. The primary business of the Company is to invest in, acquire by purchase, exchange, assignment or otherwise of the capital stock, bonds, debentures, promissory notes and similar financial instruments. The Company's shares are publicly traded in the Philippine Stock Exchange (PSE).

The Parent Company's principal address is 15th Floor Phil. Stock Exchange, 5th Avenue corner 28th Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as the "Group"):

Name of Subsidiaries	Place of Incorporation	Percentage of Ownership		
		2021	2020	2019
Vantage Financial Corporation (Formerly VFC Services, Inc.) (VFC)	Philippines	100.00	100.00	100.00
eBIZ Financial Services, Inc. (eBIZ Financial)*	Philippines	100.00	100.00	100.00
iCurrencies, Inc. (iCurrencies)	Philippines	100.00	100.00	100.00
Philequity Balanced Fund, Inc. (PBF)	Philippines	100.00	100.00	100.00
Philequity Foreign Currency Fixed Income Fund, Inc. (PFCFF)	Philippines	100.00	100.00	100.00
Philequity Alpha One Fund, Inc.(PAOF)**	Philippines	100.00	100.00	100.00
Philequity Global Fund, Inc.(PGF)***	Philippines	100.00	100.00	100.00
Philequity MSCI Philippines Index Fund, Inc. (PMIF)	Philippines	67.32	68.57	69.18
Philequity Management, Inc. (PEMI)	Philippines	51.00	51.00	51.00

\* Indirectly owned through VFC

\*\* Incorporated on February 13, 2019

\*\*\* Incorporated on June 24, 2019

The Parent Company is the ultimate parent of the Group.

As of December 31, 2021, the clearances for liquidation of ICurrencies, PBF, and PFCFF are pending with the SEC.

#### VFC

VFC was incorporated in the Philippines and is engaged in the fund transfer and remittance services, both domestic and abroad, of any form or kind of currencies or monies, as well as in conducting money exchange transactions as may be allowed by law and other allied activities relative thereto. VFC has an existing International Representation Agreement (Agreement) with Western Union Financial Services, Inc. (Western Union) covering its fund transfer and remittance services until December 20, 2022. VFC receives remuneration for the services provided to Western Union in accordance with the terms stipulated in the Agreement.

On January 23, 2018, the SEC approved the amendment of its Articles of Incorporation to change its company name from VFC Services, Inc. to Vantage Financial Corporation.



#### eBiz Financial

eBiz Financial is wholly owned by VFC. eBiz Financial was incorporated on April 11, 2005 and started commercial operations on May 9, 2005. eBiz Financial is engaged in general financing business. On April 7, 2015, eBiz Financial's BOD decided to shorten its term of existence until October 31, 2015. This was approved by the stockholders on August 1, 2015.

#### iCurrencies

iCurrencies, Inc. was incorporated on February 3, 2000 and started commercial operations on May 31, 2000. iCurrencies is organized primarily to engage in the business of buying and selling of foreign currencies.

In May 2001, iCurrencies effectively ceased its business of buying and selling currencies as a result of Bangko Sentral ng Pilipinas Circular No. 264, issued on October 26, 2000. Among others, the circular required additional documentation for sale of foreign currencies and required Foreign Exchange Corporations (FxCorps) to have a minimum paid-up capital of ₱50.00 million.

The Circular effectively aligned the regulations under which FxCorps are to operate to that of banks. To avoid duplication and direct competition with its previous major stockholder, iCurrencies ceased its business of buying and selling foreign currencies.

As of December 31, 2021, management intends to retain the dormant status of the Company until a viable plan to revive its operations is drawn up. In the meantime, iCurrencies is sustained by interest income on its short-term deposits.

#### PBF

PBF was incorporated in the Philippines, and was registered with the SEC on May 6, 2008 under the Philippine Investment Company Act (ICA) (Republic Act 2629) as an open-end mutual fund company. PBF is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of peso-denominated fixed-income and equity securities. The initial investment amounted to ₱25.00 million.

The fund has obtained tax clearance from the BIR in 2019, however, clearance for liquidation is still pending with the SEC as of December 31, 2021.

#### PFCFF

PFCFF was incorporated in the Philippines, and was registered with the SEC on April 10, 2008 under the Philippine ICA as an open-end mutual fund company. PFCFF is engaged in selling its capital to the public and investing the proceeds in diversified portfolio of foreign currency denominated fixed-income securities. As of December 31, 2017, PFCFF has not yet launched its capital shares to the public. The initial investment amounted to ₱25.00 million.

The fund has obtained tax clearance from the BIR in 2019, however, clearance for liquidation is still pending with the SEC as of December 31, 2021.

#### PAOF

PAOF was incorporated in the Philippines, and was registered with the SEC on February 13, 2019. The primary activities of the Fund are to subscribe for, invest and re-invest in, sell, transfer or otherwise dispose of securities of all kinds, to acquire, hold, invest and reinvest in, sell, transfer or otherwise dispose of real properties of all kinds; and generally to carry on the business of an open-end investment company in all the elements and details thereof as prescribed by law.



On August 30, 2019, the SEC approved the Fund's application to register the Offer Units under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799). On December 9, 2019, PAOF launched its units to the public.

#### PGF

PGF was incorporated in the Philippines, and was registered with the SEC on June 24, 2019. The primary activities of the Fund are to subscribe for, invest and re-invest in, sell, transfer or otherwise dispose of securities of all kinds, to acquire, hold, invest and reinvest in, sell, transfer or otherwise dispose of real properties of all kinds; and generally to carry on the business of an open-end investment company in all the elements and details thereof as prescribed by law.

As of December 31, 2021, the Fund has not yet started its commercial operations pending the registration under the Philippine Investment Company Act (Republic Act No. 2629) as an open-end mutual fund company with the SEC. On January 20, 2021, the SEC approved the Fund's registration as an open-end mutual fund company.

#### PMIF

PMIF was incorporated in the Philippines, and was registered with the SEC on December 15, 2017 under the Philippine ICA as an open-end mutual fund company. PMIF is engaged to subscribe for, invest and re-invest in, sell, transfer or otherwise dispose of securities of all kinds, including all types of stocks, bonds, debentures, notes, mortgages, or other obligations, commercial papers, acceptances, scrip, investment contracts, voting trust, certificates, certificates of interest, and any receipts, warrants, certificates, or other instruments representing any other rights or interests therein, or in any property or assets created or issued by any all persons, firms, associations, corporations, organizations, government agencies or instrumentalities thereof; to acquire, hold, invest and reinvest in, sell, transfer or otherwise dispose of, real properties of all kinds; and generally to carry on the business of an Open-End Investment Company in all the elements and details thereof as prescribed by law.

On January 2019, PMIF launched its shares to the public.

#### PEMI

PEMI was incorporated in the Philippines on March 15, 1994 and is primarily engaged in the management of mutual funds.

PEMI serves as the full fund manager of the following Mutual Funds (collectively referred to as "the Funds"):

- Philequity Fund, Inc. (PEFI)
- Philequity Dollar Income Fund, Inc. (PDIF)
- Philequity Peso Bond Fund, Inc. (PPBF)
- Philequity PSE Index Fund, Inc. (PPSE)
- Philequity Dividend Yield Fund, Inc. (PDYF)
- Philequity MSCI Philippines Index Fund, Inc.(PMIF)
- Philequity Alpha One Fund, Inc.(PAOF)
- Philequity Global Fund, Inc. (PGF)



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## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI), which are measured at fair value. The consolidated financial statements are presented in Philippine peso and all values are rounded to the nearest peso unit except when otherwise indicated.

The financial statements of the Group provide comparative information in respect of the previous period.

### Statement of Compliance

The accompanying consolidated financial statements are prepared in compliance with the Philippine Financial Reporting Standards (PFRSs).

### Basis of Consolidation

The financial statements of the subsidiaries are prepared based on the same reporting period as the Parent Company using consistent accounting policies. All significant intra-group balances, transactions, income, expenses and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

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

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

Assets, liabilities, income, expenses and other comprehensive income (OCI) of a subsidiary are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.



If the Parent Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets and liabilities.

#### Non-Controlling Interest

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company and are presented in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to the Parent Company.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021. The Group 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 consolidated financial statements of the Group

- *Amendment to PFRS 16, COVID-19-related Rent Concessions beyond 30 June 2021*  
The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.





- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

#### Current versus Noncurrent Classification

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

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

#### Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the Group's functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency using the Philippine peso based on the Bankers Association of the Philippines (BAP) closing rate, prevailing at the reporting date and foreign currency-denominated income and expenses, at prevailing exchange rates at the date of transaction.



Foreign exchange differences arising from revaluation and translation of foreign currency denominated assets and liabilities are credited to or charged against operations in the year in which the rates change. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the prevailing closing exchange rate as of the date of initial transaction.

*Unrealized foreign exchange gain (loss)*

This account pertains to the unrealized foreign exchange gain earned by the Group from the revaluation of their US\$ denominated short-term deposits and Non-Deliverable Forward (NDF) contracts. Any foreign exchange gain earned is lodged as unrealized since, upon maturity of the deposits, the entire proceed, including interest earned, is retained in the Group's US\$ bank account. Unrealized foreign exchange gain is recognized for the valuation of foreign currency denominated short-term deposits and revaluation of the NDF at month-end.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

Fair Value Measurement

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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



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

#### Financial Instruments - Initial Recognition and Subsequent Measurement

##### *Date of recognition*

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial instruments that require delivery of assets and liabilities within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

##### *Initial recognition of financial instruments*

Financial instruments are initially recognized at fair value of the consideration given. The initial measurement of financial instruments includes transaction costs, except for financial instruments at financial assets at FVTPL.

##### *'Day 1' difference*

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

In 2021, 2020 and 2019, there were no 'Day 1' differences recognized in profit or loss in the consolidated statement of comprehensive income.

#### Classification and subsequent measurement of financial instruments

##### *Financial assets*

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing financial assets. The Group classifies its financial assets into the following categories: financial assets at FVTPL, financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets measured at amortized cost.

##### *Contractual cash flows characteristics*

The Group assesses whether the cash flows from the financial asset represent "solely payment of principal and interest" or "SPPI" on the principal amount outstanding. Instruments with cash flows that do not represent as such are classified at FVTPL.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).



In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

#### *Business model*

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers, if any, of the business are compensated.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As of December 31, 2021 and 2020, the Group has financial assets at FVOCI amounting to ₱0.5 million included in the statement of financial position under 'Other noncurrent assets' (see Note 14).

#### *Financial assets at FVTPL*

Debt financial assets that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss. Equity investments are classified as at FVTPL, unless the FVTPL designates an investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL include equity securities held for trading purposes and equity investments not designated as at FVOCI.

A financial asset is held for trading if:

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

Financial assets at FVTPL are carried at fair value and gains and losses on these instruments are recognized as 'Trading and investment securities gain (losses) - net' in the consolidated statement of comprehensive income. Interest earned on these investments is reported in the consolidated statement of income under 'Interest income' while dividend income is reported in the consolidated statement of income under 'Dividend income' when the right of payment has been established.



As of December 31, 2021 and 2020, the Group's financial assets at FVTPL consists of investments in corporate bonds, government securities, equity securities, mutual funds and derivate assets.

*Derivatives classified as FVTPL*

Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets at FVTPL when the fair value is positive and as financial liabilities at FVTPL when the fair value is negative. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statement of income under 'Unrealized foreign exchange gain'. The Group have currency forwards (NDF) which are considered as stand-alone derivatives as of December 31, 2021 and 2020.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of PFRS 9 (e.g., financial liabilities and non-financial host contracts) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

The Group assesses the existence of an embedded derivative on the date it first becomes a party to the contract, and performs re-assessment only where there is a change to the contract that significantly modifies the contractual cash flows.

*Financial assets at amortized cost*

Debt financial asset is measured at amortized cost if both of the following conditions are met:

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

Debt financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as 'Interest income' in the statement of income. The Group's financial assets at amortized cost consist of 'Cash and cash equivalents', 'Receivables', and security deposits (included under 'Other noncurrent assets')

*Reclassifications of financial assets*

The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated.

*Financial liabilities*

Financial liabilities are classified as financial liabilities at FVTPL and other financial liabilities.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

As of December 31, 2021 and 2020 the Group financial liabilities at FVTPL amounted to ₱13.75 million and ₱3.38 million, respectively (see Note 9).

*Other financial liabilities*

This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL at the inception of the liability. Other financial liabilities are recognized initially at fair value and are subsequently 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 directly attributable transaction costs.



This category includes ‘Accrued expenses and other liabilities’.

#### Derecognition of Financial Assets and Financial Liabilities

##### *Financial assets*

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

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred the control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

##### *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

#### Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties. This is not generally the case with master netting agreements where the related assets and liabilities are presented gross in the consolidated statement of financial position.

#### Impairment of Financial Assets

PFRS 9 requires the Group to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts. ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition.



The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of the financial asset.

#### *Definition of default*

Generally, the Group defines a financial asset as in default for purposes of calculating ECL when the contractual payments are past due for more than 90 days. As part of the qualitative assessment, the Group also considers a variety of instances that may indicate unlikeliness to pay to determine if a counterparty has defaulted.

#### *SICR*

To determine whether there has been a significant increase in credit risk in the financial assets, the Group compares credit risk at initial reporting date against credit risk as at the reporting date. The Group uses judgment combined with relevant reasonable and supportable historical and forward-looking information which are available without undue cost and effort in calculating ECL. The Group assumes that instruments with an external rating of "investment grade" from published data providers or other reputable agencies and maturities of less than 1 year at reporting date are low credit risk financial instruments and accordingly, does not have SICR since initial recognition.

For treasury exposures, a downgrade of two notches for investment grade and one notch for non-investment grade security indicates SICR since origination. The Group also presumes a SICR for receivables that are past due for 30 days. Consideration of events which caused the downgrade is relevant. Evaluation should also include historical and forward-looking information.

#### *Assessment of ECL on a collective basis*

The Group evaluates impairment of financial assets individually for those that are individually significant and collectively for those that are not. The Group groups the financial assets based on profile of customer and its payment terms and history for the collective impairment.

#### *Staging assessment*

A three-stage approach for impairment of financial assets is used, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired debt financial assets which have not experienced a SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 debt financial assets.
- Stage 2 is comprised of all non-impaired debt financial assets which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 debt financial assets.

For credit-impaired financial instruments:

Financial instruments are classified as Stage 3 when there is objective evidence of impairment.

#### *ECL parameters and methodologies*

For financial assets such as "Receivables", the Group applied the simplified approach using provision matrix that considers historical loss experience adjusted for current conditions and forward-looking inputs and assumptions. For 'Cash and cash equivalents', the Group applied the general approach in measuring ECL that considers assessment of significant increase in credit risk and adjustments for forward-looking information.



#### *Forward-looking information*

The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic outputs such as Consumer Price Index (CPI), exchange rates, Gross Domestic Product (GDP) growth rates, imports and exports, Philippine Stock Exchange index (PSEi), stock prices and unemployment rates. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The key forward-looking economic variables used in each of the economic scenarios for the ECL calculations are unemployment rate, household expenditure, PSE all shares index, interest rate benchmark for 3 months and 20 years.

#### Write-off policy

The Group writes off its financial assets when it has been established that all efforts to collect and/or recover the loss has been exhausted. This may include the other party being insolvent, deceased or the obligation being unenforceable.

#### Investments in Subsidiaries and Associates

##### *Investment in subsidiaries*

Subsidiaries pertain to all entities over which the Group has control. Control is achieved when the Group 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. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights.

##### *Investment in associates*

Associates are entities which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. In the consolidated financial statements, investments in associates are accounted for using the equity method.

Under the equity method, an investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associate, less any allowance for impairment losses. Goodwill relating to an associate is included in the carrying value of the investment and is not amortized nor tested for impairment. The Group's share in an associate's post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associate's equity reserves is recognized directly in consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.





### Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment consists of its construction cost or purchase price and any costs directly attributable to bringing the property and equipment to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to expense in the year in which such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

The cost of an item of property and equipment also includes costs of dismantlement, removal or restoration and the related obligation that the Group incurs at the end of the useful life of property and equipment.

When each major repairs and maintenance is performed, its cost is recognized in the carrying amount of the item of property and equipment as a replacement if the recognition criteria are satisfied. Such costs are capitalized and amortized over the next major repairs and maintenance activity.

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

Office condominium	20 years
Furniture and fixtures	3-10 years
Office improvements	10 years
Transportation equipment	4-5 years
Server and network equipment	3 years
Leasehold improvements	2-5 years or term of lease, whichever period is shorter

The useful lives, residual values, and depreciation and amortization method are reviewed periodically to ensure that the periods, residual values, and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are charged to the consolidated statement of income.

When property and equipment are sold or otherwise disposed of, the cost and related accumulated depreciation, amortization and any impairment in value are eliminated from the accounts and any resulting gain or loss is credited to or charged against the consolidated statement of income.

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



### Software

Development costs of software, which are included under 'Other noncurrent assets' account in the consolidated statement of financial position, are capitalized and treated as intangible assets because their costs are not an integral part of the related hardware. Amortization is computed using the straight-line method over their estimated useful life of 3 years for software and 2 years for website.

### Impairment of Non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of income in the expense category consistent with the function of the impaired asset.

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

### Goodwill

Goodwill acquired in a business combination is initially measured as the excess of the aggregate of the consideration transferred, the amount recognized for any non-controlling interest and the fair value of the acquirer's previously-held interest, if any, over the fair value of the net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the investment in PEML, the cash-generating unit to which the goodwill relates. This requires an estimation of the value in use of the investment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the investment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The discount rate reflects management's estimate of the risks specific to the investment.

Where the recoverable amount of the investment is less than the carrying amount of the investment, an impairment loss is recognized. Impairment loss relating to goodwill cannot be reversed in future periods.



### Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements.

PFRS 15, *Revenue from Contracts with Customers*, establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

- a. Identify the contract(s) with a customer
- b. Identify the performance obligations in the contract
- c. Determine the transaction price
- d. Allocate the transaction price to the performance obligation in the contract
- e. Recognize revenue when (or as) the entity satisfies a performance obligation

Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires the Group to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

### *Service income*

Service income comprises PEMI's management and other related income. Fees earned from management services provided by the Group to the managed funds over a period of time are recognized over time as the services are rendered and in accordance with the Management and Distribution Agreement. Management fees are computed using a fixed percentage based on the average NAV of the managed funds computed on a daily basis. The other fees such as commissions are recognized upon subscription and sale of the Group's common shares.

### *Money transfer service income*

This represents the commission received by the Group from Western Union for every money transfer service provided by the former for the latter. Revenue is recognized when the money transfer service with the customer has been processed, which is when Western Union acknowledges the transaction. The Group concluded that it is acting as an agent on its remittance services with Western Union. The Group is providing to Western Union a series of distinct services that are substantially the same and have the same pattern of transfer. Accordingly, the revenue on remittance services is recognized at a point in time.

### *Share in foreign exchange differential*

Western Union establishes the rates (on a daily basis) by which the currency in which money transfer service transaction at originating currency is converted to the payment currency. A foreign exchange differential gain arises when the rate set by Western Union at the date of receipt of the cash at the originating currency is different from the rate set on the date of the actual release of the cash under the payment currency. Share from foreign exchange differential based on the percentage as agreed with Western Union is recognized when remittance service is rendered and the originating currency is converted to the payment currency. The Group concluded that it is acting as an agent on its remittance services with Western Union. The Group is providing to Western Union a series of distinct services that are substantially the same and have the same pattern of transfer. Accordingly, the revenue on remittance services is recognized at point in time.



*Money changing gain*

Money changing gain is related to the Group's retail foreign exchange operations in the branches. Funds received from the customers denominated in the originating currency are translated to the payment currency based on the exchange rate set by the Western Union (WU). The difference from the specified exchange rate and the current Philippine Dealing and Exchange Corporation (PDEx) closing rate is recognized as money changing gain. Income from money changing is recognized when the money exchange service has been rendered.

*Income from business partners*

This represents fees received by the Group from partner companies for other retail services in the branches including over-the-counter payment collection and airline ticketing services. Income from business partners are recognized at the time the services are rendered.

*Other income - net*

Other revenues include web development and production, media sales, portal and E-commerce revenues and digital public relations (PR) and digital strategy revenues. Revenue from web development and production is recognized based on the percentage of completion method. The stage of completion is assessed by reference to the stage of completion of the development, including completion of services provided for post-delivery service support. Revenue from media sales, portal and E-commerce is recognized at the time that services are rendered. Revenue from PR and digital strategy is recognized when services are rendered in accordance with the provisions of the contracts.

The following specific recognition criteria must also be met before revenue is recognized outside the scope of PFRS 15:

*Trading and investment securities gains (losses)- net*

Trading and investment securities gains (losses) - net includes all gains and losses from changes in fair value of financial assets at FVTPL, derivatives and gains and losses from disposal of financial assets at FVOCI and financial assets at FVTPL and other financial instruments. Revenue recognized from disposal of financial assets at FVOCI is gross of the commission expense paid to the broker. Revenue is recognized on trade date upon receipt of confirmation of sale of investments from counterparties.

*Interest income*

Interest income on interest-bearing placements is recorded on a time proportion basis taking into account the effective yield of the asset.

*Dividend income*

Dividend income is recognized when the right to receive payment is established.

*Realized foreign exchange gain*

Realized foreign exchange gain pertains to the realized gain from the settlement of US\$ denominated NDF and from the buy and sell of US\$ denominated currency. Realized gain from NDF pertains to the difference between the agreed upon forward rate and the fixing rate used in the actual settlement of the NDF, translated into Philippine peso. While realized gain from the buy and sell of US\$ denominated currency is the difference between the spot rate from the day the currency was bought to the day it was sold. Realized foreign exchange gain is recognized when the transactions are settled and gains are translated into Philippine peso.



### Expense Recognition

Expenses are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

#### *Cost of services and sales*

Cost of services and sales, which include personnel costs and other expenses incidental to the Group's primary services, are expensed as incurred.

#### *General and administrative expenses*

General and administrative expenses, which include the cost of administering the business and are not directly associated with the generation of revenue, are expensed as incurred.

### Finance Costs

Finance costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Finance costs are calculated using the EIR method in accordance with PFRS 9 and recorded as interest expense once incurred.

### Leases

The Group assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right-of-use the underlying assets.

#### *(a) ROU assets*

The Group 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 measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow:

	Years
Head Office space	5 years
Branch Office space	1 to 10 years

Depreciation of ROU asset is presented under "Depreciation and amortization" in Cost of Services (Note 19) and General and Administrative Expenses (Note 20).

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

#### *(b) Lease liabilities*

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



The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its 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, presented under "Interest expense", 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

*(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and low-value assets recognition exemption to its leases of branch spaces that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Retirement Cost

VFC has a funded, noncontributory defined benefit retirement plan and the Parent Company, and PEMI have unfunded, noncontributory defined benefit retirement plans covering substantially all of their regular employees.

The net defined 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 (if any), 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.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

Defined benefit costs comprise of the following:

- a. service cost;
- b. net interest on the net defined benefit liability or asset; and
- c. remeasurements of net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.



Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

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 OCI 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 or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

## Income Taxes

### *Current Tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date. The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

### *Deferred tax*

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled will not reverse in the foreseeable future.



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

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

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced 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 tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

#### Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as a payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

#### Equity

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Capital paid-in excess of par value' account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Capital paid-in excess of par value' account. If the 'Capital paid-in excess of par value' is not sufficient, the excess is charged against the 'Retained earnings'.

When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.





Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments.

'Retained earnings' represents accumulated earnings of the Group less dividends declared.

#### Redeemable Units

A puttable financial instrument is classified as an equity instrument if it has all of the following features:

It entitles the Group to a pro-rata share of a Fund's net assets in the event of a fund's liquidation;

- The instrument is in the class of instruments that is subordinate to all other classes of instruments;
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the Group's right to a pro-rata share of a Fund's net assets; and
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of a fund over the life of the instrument.

In addition to the instrument having all the above features, a fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund; and
- The effect of substantially restricting or fixing the residual return to the puttable instrument holders.

The Group classified the redeemable units as financial liabilities presented as 'Net assets attributable to unitholders of a mutual fund subsidiary' in the liability section of the statement of financial position and measure them at fair value.

#### Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective BOD and shareholders of the Parent Company and its subsidiaries while stock dividends are deducted from retained earnings upon distribution. Dividends for the year that are approved after reporting are dealt with as subsequent events.

#### Basic/Diluted Earnings Per Share

Basic earnings per share (EPS) is determined by dividing net income (loss) attributable to common shareholders by the weighted average number of shares outstanding during the year with retroactive adjustments for any stock split and stock dividends declared.

Diluted EPS is calculated by dividing the net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive potential common shares.

As of December 31, 2021 and 2020, the Parent Company does not have dilutive potential common shares.



### Provisions

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain that the expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

### Contingent Liabilities and Contingent Assets

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

### Events After the Reporting Period

Any post year-end events after reporting date that provide additional information about the Group's financial position at the reporting date (adjusting events), if any, are reflected in the consolidated financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to consolidated financial statements, when material.

### Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6. The Group's assets producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

### Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the consolidated financial statements unless otherwise indicated.

#### *Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*



- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

*Effective beginning on or after January 1, 2024*

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

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

*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*

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### 3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets, and liabilities and the accompanying disclosures, as well as disclosure of contingent assets and contingent liabilities, if any. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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

#### Judgments

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

##### *a. Operating lease commitments - Group as a lessee*

The Group has entered into lease contracts for its office spaces and branches. It has determined that it has not acquired all the significant risks and rewards of ownership of the leased properties because of the following factors: (a) the Group will not acquire the ownership of the leased assets upon termination of the lease; and (b) the Group has no option to purchase the asset at a price that is sufficiently lower than the fair value at the date of the option (c) the lease term is only for a period of one year renewable annually. The Group's lease commitments are discussed in Note 22.



*b. Determining the timing of satisfaction of performance obligations*

Assessing when the Group satisfies a performance obligation, i.e. transfer control of a promised good or service to the customer, over time or point in time involves significant judgment. Accordingly, it affects the timing of revenue recognition for these performance obligations.

Based on management's assessment, performance obligations related to remittance services (money transfer service income, share in foreign exchange differential, income from business partners and income from money changing services), are series of distinct services that are satisfied over time. As the Group renders the services, the customers simultaneously receive and consumes the benefits provided by the Group's performance of these services.

In measuring the revenue to be recognized over time, management assessed that output method faithfully depicts the Group's performance in transferring control of the services to the customers. Since the Group bills a fixed price per transaction with the customers upon satisfaction of the performance obligations, management believes that this right to consideration from a customer corresponds directly with the value to the customer of the Group's performance completed to date. Accordingly, the Group has applied the "right to invoice" practical expedient in measuring the revenue recognized over time.

*c. Recognition of deferred tax assets*

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets to be recognized, based upon likely timing and level of future taxable income.

The deductible temporary differences for which deferred tax assets and liabilities were recognized in the statements of financial position as of December 31, 2021 and 2020 are disclosed in Note 25.

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 financial year are discussed below:

*a. Fair value of financial instruments*

The fair values of derivative assets and liabilities recognized or disclosed in the consolidated financial statements cannot be derived from active markets, these are determined using a valuation technique that include the use of mathematical model. The inputs to this model are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and identification of comparable investments and applicable credit spreads to arrive at adjusted quoted market prices.

The carrying values and corresponding fair values of derivative asset and liabilities as well as the manner in which fair values were determined are discussed in more detail in Note 5.

Derivative assets and liabilities recognized in the statement of financial position as of December 31, 2021 and 2020 are disclosed in Note 9.



*b. Leases - Estimating the incremental borrowing rate*

The Group 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 Group 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 Group '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 Group estimates the IBR using observable inputs such as market interest rates when available and is required to make certain entity-specific estimates.

As of December 31, 2021 and 2020, the Group's lease liabilities amounted to ₱34.08 million and ₱27.53 million, respectively (see Note 22).

*c. Credit losses on financial assets*

The Group reviews its debt financial assets subject to ECL annually with updating provisions as necessary. The measurement of credit losses requires judgment, in particular, the estimation of amount and timing of future cash flows and collateral values when determining the credit losses and the assessment of SICR. Elements of the model used to calculate ECL that are considered accounting estimates and judgments, include among others:

- Segmentation of financial assets to determine appropriate ECL model and approach
- Criteria for assessing whether there has been SICR in the debt financial assets and so allowances be measured on a lifetime ECL basis and the qualitative assessment
- Segmentation of financial assets when ECL is calculated on a collective basis
- Development of ECL models, including formula and various inputs
- Selection of forward-looking macroeconomic variables and scenarios

The gross carrying amounts of financial assets subject to ECL as of December 31, 2021 and 2020 are disclosed in Note 4, while the related ECL allowances for credit losses are disclosed in Note 8. The allowance for credit losses on these financial assets amounted to ₱12.26 million and ₱72.88 million as of December 31, 2021 and 2020, respectively (see Note 8).

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#### **4. Financial Risk Management Objectives and Policies**

The Group's principal financial instruments consist of cash and cash equivalents, receivables, financial assets at FVTPL, account payable and other liabilities. The Group also has various other financial assets and liabilities such as deposits.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risks. The BOD reviews and approves the policies for managing each risk and these are summarized below.

*Credit risk*

Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by trading only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis so that the Group's exposure to credit losses is not that significant. Since the Group trades only with recognized third parties, there is no requirement for collateral.



As of December 31, 2021 and 2020, the Group's maximum exposure to credit risk is equal to the carrying values of its financial assets since it does not hold any collateral or other credit enhancements that will mitigate credit risk exposure.

The fair values of financial assets at FVTPL and financial assets at FVOCI represent the credit risk exposure as of the reporting date but not the maximum risk exposure that could arise in the future as a result of changes in fair value of the said instruments.

The Group's trade and other receivables are assessed for impairment based on its lifetime ECL. The allowance for credit losses amounting to ₱12.26 million and ₱72.88 million as of December 31, 2021 and 2020, respectively, pertain to fully-impaired trade and other receivables.

*Credit quality per class of financial assets*

The table below shows the credit quality of the Group's financial assets based on its stage classification as of December 31, 2021 and 2020. The amounts presented are gross of impairment allowances.

2021					
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
<b>Neither past due nor impaired</b>					
Grade A					
Cash and cash equivalents*	₱3,411,976,917	₱—	₱—	₱—	₱3,411,976,917
Receivables	—	—	—	269,450,636	269,450,636
Deposits (included in "Other noncurrent assets")	17,887,276	—	—	—	17,887,276
Grade B	—	—	—	—	—
Grade C	—	—	—	—	—
<b>Impaired</b>					
Receivables	—	—	—	12,262,375	12,262,375
	<b>₱3,429,864,193</b>	<b>₱—</b>	<b>₱—</b>	<b>₱281,713,011</b>	<b>₱3,723,839,579</b>

*\*Excludes cash on hand*

2020					
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
<b>Neither past due nor impaired</b>					
Grade A					
Cash and cash equivalents*	₱2,751,118,709	₱—	₱—	₱—	2,751,118,709
Receivables	—	—	—	574,234,132	574,234,132
Deposits (included in "Other noncurrent assets")	16,932,168	—	—	—	16,932,168
Grade B	—	—	—	—	—
Grade C	—	—	—	—	—
<b>Impaired</b>					
Receivables	—	—	—	72,882,947	72,882,947
	<b>₱2,768,050,877</b>	<b>—</b>	<b>₱—</b>	<b>₱647,117,079</b>	<b>₱3,488,050,903</b>

Receivables under Grade A are all current. Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, the Group assessed that these are considered to have low credit risk and therefore, expected credit losses were assessed to be insignificant.

Impaired receivables are fully provided by allowance as of December 31, 2021 and 2020.



The table below shows the credit quality of the Group's neither past due nor impaired financial assets based on historical experience with the corresponding third parties.

	2021			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents*	₱3,411,976,917	₱—	₱—	₱3,411,976,917
Receivables:				
Due from:				
Western Union	143,601,912	—	—	143,601,912
Business partners	16,000,007	—	—	16,000,007
Brokers	2,215,264	—	—	2,215,264
Trade receivables	—	33,967,042	34,051,036	68,018,078
Interest receivable	30,582,867	—	—	30,582,867
(Forward)				
Receivable from sale of investment	₱—	₱—	₱—	₱—
Receivable from related parties and employees	—	2,806,825	—	2,806,825
Others	—	18,488,058	—	18,488,058
Deposits (included in "Other noncurrent assets")	—	17,887,276	—	17,887,276
	₱3,604,376,967	₱73,149,201	₱34,051,036	₱3,711,577,204

\*Excludes cash on hand

	2020			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents*	₱2,751,118,709	₱—	₱—	₱2,751,118,709
Receivables:				
Due from:				
Western Union	470,513,806	—	—	470,513,806
Business partners	9,702,394	—	—	9,702,394
Brokers	16,287,834	—	—	16,287,834
Trade receivables	—	25,643,342	34,051,036	59,694,378
Interest receivable	37,005,000	—	—	37,005,000
Receivable from sale of investment	—	—	44,837,926	44,837,926
Receivable from related parties and employees	—	1,532,331	—	1,532,331
Others	—	7,543,410	—	7,543,410
Deposits (included in "Other noncurrent assets")	—	16,932,168	—	16,932,168
	₱3,284,627,743	₱51,651,251	₱78,888,962	₱3,415,167,956

The Group rates its financial assets based on internal and external credit rating system. The credit quality of treasury exposures is generally monitored through the external ratings of eligible external credit assessment rating institutions.

Credit Quality	External Rating				
Investment Grade (Grade A)	Aaa	Aa	A	Baa	Ba
Non-Investment Grade (Grade B)	Ba	B	Caa	Ca	C
Impaired (Grade C)	D				

Grade A financial assets pertain to those investments with counterparties of good credit standing or receivables from clients or customers that consistently pay on or before the maturity date.

Grade B accounts are active accounts with minimal to regular instances of payment, default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Group's collection efforts and update their payment accordingly.



Grade C include those receivables being collected on due dates with varying collection efforts required, ranging from minimum to moderate that may require close monitoring.

Cash and cash equivalents are classified as Grade A because these are deposited with reputable banks.

Financial assets at FVTPL are classified as Grade A since these mostly pertain to investments in listed companies and government-issued bonds.

#### *Liquidity risk*

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stressful circumstances. To limit this risk, the Group closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when they fall due. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations.

#### *Financial assets*

Except for financial assets at FVTPL, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity. For financial assets at FVTPL, the analysis into maturity groupings is based on the expected dates on which the assets will be realized.

#### *Financial liabilities*

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.

The table below shows the financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled.

	2021					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	More than 5 years	
<b>Financial Assets</b>						
Cash and cash equivalents*	₱2,871,285,612	₱876,129,149	₱—	₱—	₱—	₱3,747,414,761
Receivables:						
Due from:						
Western Union	143,601,912	—	—	—	—	143,601,912
Business partners and brokers	18,215,271	—	—	—	—	18,215,271
Trade receivable	68,018,078	—	—	—	—	68,018,078
Receivable from related parties and employees	—	2,806,825	—	—	—	2,806,825
Others**	—	18,488,058	—	—	—	18,488,058
Financial assets at FVTPL:						
Mutual funds	948,268,858	—	—	—	—	948,268,858
Equity securities	—	1,648,436,734	—	—	—	1,648,436,734
Corporate bonds*	—	21,771,449	2,258,180,235	—	—	2,279,951,685
Government bonds*	—	23,738,176	2,866,979,404	—	—	2,890,717,580
Other noncurrent assets:						
Deposits	—	—	—	17,887,276	—	17,887,276
	<b>₱4,049,389,731</b>	<b>₱2,591,370,391</b>	<b>₱5,125,159,639</b>	<b>₱17,887,276</b>	<b>₱—</b>	<b>₱11,783,807,037</b>

(Forward)





2021						
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	More than 5 years	Total
<b>Financial Liabilities</b>						
Accounts payable and other liabilities:						
Due to sub-agents and brokers	₱33,442,300	₱-	₱-	₱-	₱-	₱33,442,300
Accrued expenses		158,726,330	-	-	-	158,726,330
Trade payable		39,210,998	-	-	-	39,210,998
Others***		-	-	-	1,422,891	1,422,891
Financial liabilities at FVTPL:						
Derivative liability		13,754,703	-	-	-	13,754,703
Net assets attributable to unitholders	270,454,882	-	-	-	-	270,454,882
	<b>₱303,897,182</b>	<b>₱211,692,031</b>	<b>₱-</b>	<b>₱-</b>	<b>₱1,422,891</b>	<b>₱517,012,104</b>

\*Includes future interest (excluding cash on hand).

\*\*Others include advances to suppliers and other non-trade receivables.

\*\*\*Excludes statutory payables.

2020						
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	More than 5 years	Total
<b>Financial Assets</b>						
Cash and cash equivalents*	₱2,124,549,685	₱1,097,993,487	₱-	₱-	₱-	₱3,222,543,172
Receivables:						
Due from:						
Western Union	470,513,806	-	-	-	-	470,513,806
Business partners and brokers	25,990,228	-	-	-	-	25,990,228
Trade receivable	25,643,342	-	-	-	-	25,643,342
Receivable from related parties and employees	-	1,532,331	-	-	-	1,532,331
Others**		9,075,741	-	-	-	9,075,741
Financial assets at FVTPL:						
Derivative assets	-	1,681,300	-	-	-	1,681,300
Mutual funds	912,120,746	-	-	-	-	912,120,746
Equity securities	-	507,345,643	-	-	-	507,345,643
Corporate bonds*	-	442,284,416	3,022,434,595	-	-	3,464,719,011
Government bonds*	-	100,285,611	3,737,682,715	-	-	3,837,968,326
Other noncurrent assets:						
Deposits	-	-	-	16,932,168	-	16,932,168
	<b>₱2,646,697,061</b>	<b>₱3,089,251,443</b>	<b>₱6,760,117,310</b>	<b>₱16,932,168</b>	<b>₱-</b>	<b>12,496,065,814</b>

<b>Financial Liabilities</b>						
Accounts payable and other liabilities:						
Due to sub-agents and brokers	₱128,597,170	₱-	₱-	₱-	₱-	₱128,597,170
Accrued expenses	-	133,976,840	-	-	-	133,976,840
Trade payable	-	63,071,022	-	-	-	63,071,022
Others***	-	-	-	-	1,836,000	1,836,000
Financial liabilities at FVTPL:						
Derivative liability	-	3,378,309	-	-	-	3,378,309
Net assets attributable to unitholders	97,172,383	-	-	-	-	97,172,383
	<b>₱128,597,170</b>	<b>₱297,598,554</b>	<b>₱-</b>	<b>₱-</b>	<b>₱1,836,000</b>	<b>₱428,031,724</b>

\*Includes future interest (excluding cash on hand).

\*\*Others include advances to suppliers and other non-trade receivables.

\*\*\*Excludes statutory payables.

The Group has committed lines of credit that it can access to meet its liquidity needs. As of December 31, 2021 and 2020, the Group has available credit lines with various banks amounting to ₱1.35 billion and ₱1.70 billion, respectively.

### Market risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in market prices (price risk), foreign exchange rates (currency risk) and market interest rates (interest rate risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.



The Group is exposed to the risk that the value of the Group's financial assets will be adversely affected by the fluctuations in the price level or volatility of one or more of the said assets. The two main components of the risks recognized by the Group are systematic risk and unsystematic risk.

Systematic risk is the variability in price caused by factors that affect all securities across all markets (e.g. significant economic or political events). Unsystematic risk, on the other hand, is the variability in price caused by factors which are specific to the particular issuer (corporation) of the debt or equity security. Through proper portfolio diversification, this risk can be minimized as losses on one particular debt or equity security may be offset by gains in another.

To further mitigate these risks, the Group ensures that the investment portfolio is adequately diversified taking into consideration the size of the portfolio.

*a. Foreign currency risk*

The Group has transactional currency exposures. The Group's financial instruments which are denominated in foreign currency include cash and cash equivalents, receivables, financial assets at FVTPL. The Group maintains several United States dollar (US\$) accounts to manage its foreign currency denominated transactions.

The Group's financial assets and liabilities denominated in U.S. dollar are as follows:

	2021	2020
Cash and cash equivalents	<b>US\$16,097,320</b>	US\$15,446,915
Receivables	<b>1,213,484</b>	9,959,095
Investments	<b>10,022,834</b>	10,454,297
	<b>27,333,638</b>	35,860,307
Due to sub-agents	<b>(200,217)</b>	(743,276)
Net foreign currency-denominated assets	<b>27,065,163</b>	35,117,031
Currency forwards	<b>(36,400,000)</b>	(41,609,000)
Net exposure	<b>(US\$9,334,837)</b>	(US\$6,491,969)

In translating the foreign currency denominated assets and liabilities into peso amounts, the exchange rates used are ₱50.99 to US\$1 and ₱48.02 to US\$1 as of December 31, 2021, and December 31, 2020, respectively.

The following table presents the impact on the Group's income before income tax due to change in the fair value of its monetary assets and liabilities, brought about by a reasonably possible change in the U.S. dollar to Peso exchange rate, with all other variables held constant. There is no other impact on equity other than those affecting earnings.

	2021		2020	
	Effect on Net Income before Tax	Effect on Net Income before Tax	Effect on Net Income before Tax	Change in Foreign Exchange Rate
Increase	<b>₱4,283,850</b>	<b>+0.90%</b>	₱2,805,699	+0.90%
Decrease	<b>(4,283,850)</b>	<b>-0.90%</b>	(₱2,805,699)	-0.90%

The increase in U.S. dollar to Peso rate means weaker Peso against the U.S. dollar while decrease in U.S. dollar to Peso exchange rate means stronger Peso against the U.S. dollar.



*b. Equity price risk*

Equity price risk is the risk that the fair value of quoted FVTPL equity investments will fluctuate as a result of changes in the value of individual stock investments.

The table below demonstrates the sensitivity to a reasonably possible change in Philippine stock index (PSEi), with all other variables held constant, of the Group's equity classified as FVTPL equity investments, as of December 31, 2021 and 2020:

	2021		2020	
	% Variance on Equity Price	% Variance on Equity Price	% Variance on Equity Price	% Variance on Equity Price
Increase	+12.637%	₱171,454,570	+13.256%	₱107,338,849
Decrease	-12.637%	(171,454,570)	-13.256%	(107,338,849)

The table below demonstrates how the change in the investment portfolio of the Group's mutual funds affects profit or loss with a reasonably possible change in the NAVPs for the years ended December 31, 2021 and 2020 with all other variables held constant:

	2021		2020	
	% Variance on Net Asset Value	% Variance on Net Asset Value	% Variance on Net Asset Value	% Variance on Equity Price
Increase	+12.637	99,895,196	+11.598%	₱96,654,147
Decrease	-12.637	(99,895,196)	-11.598%	(96,654,147)

*c. Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's investments.

The Group's market risk policy requires it to manage interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets.

The following table demonstrates the sensitivity of the Group's FVTPL debt securities to a reasonably possible change in interest rates for the year ended December 31, 2021, and 2020:

	2021	2020
Change in Basis Points	Effect on Profit/Loss	Effect on Profit/Loss
Increase by 100	(₱88,256,186)	(₱115,725,392)
Decrease by 100	94,784,508	114,083,516

*Capital management*

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The management considers capital stock and retained earnings as core capital of the Group.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the debt-to-equity ratio. As of December 31, 2021 and 2020, the Group has no interest-bearing long-term debt.



The debt-to-equity ratio as of December 31, 2021 and 2020 are as follows:

	2021	2020
Total debt (a)	<b>₱632,367,806</b>	₱518,627,439
Total equity (b)	<b>11,127,347,249</b>	10,649,197,291
Debt-to-equity ratio (a/b)	<b>0.06:1:00</b>	0.05:1:00

## 5. Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

### *Cash and cash equivalents, receivables, accounts payable and other current liabilities and notes payable*

The carrying amounts approximate fair values due to the short-term nature of these financial instruments.

### *Financial assets and liabilities at FVTPL (except derivatives)*

Fair values are generally based on quoted market prices. For the Group's equity investments, fair values are determined based on quoted closing prices or bid price in cases when the former is not available in the PSE for 2021 and 2020. For the Group's fixed income investments, fair values are determined based on BVAL reference rates for 2021 and 2020, respectively.

If market prices are not readily available or if the securities are not traded in an active market, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. For unquoted equity securities for which no reliable basis for fair value measurement is available, these are carried at cost net of impairment, if any. For the Group's mutual funds, fair values are estimated using published net asset value (NAV).

### *Rental deposit*

Fair values are estimated using the discounted cash flow methodology using the interpolated benchmark rates. The discount rate used in estimating the fair values of rental deposits ranges from 1.00% to 3.00% as of December 31, 2021 and 2020, respectively.

### *Derivative instruments (included under financial assets and liabilities at FVTPL)*

Fair values are calculated by reference to the prevailing interest differential and spot exchange rate as of the reporting date, taking into account the remaining term to maturity of the derivative instruments. For the stock warrants, fair values are determined based on quoted prices.

### *Net assets attributable to unitholders of a mutual fund subsidiary*

Fair values are estimated using published net asset value (NAV).



The fair value hierarchy as of December 31, 2021 and 2020 follows:

2021					
	Carrying Value	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>					
Financial assets at FVTPL (Note 9):					
Corporate bonds	2,232,589,461	2,232,589,461	P=	P=	2,232,589,461
Government bonds	2,772,417,562	2,772,417,562	—	—	2,772,417,562
Equities	1,648,436,734	1,648,436,734	—	—	1,648,436,734
Mutual funds	948,268,858	—	948,268,858	—	948,268,858
	<b>P7,601,712,615</b>	<b>P6,653,443,757</b>	<b>P948,268,858</b>	<b>P=</b>	<b>P7,601,712,615</b>
<b>Financial liabilities at FVTPL</b>					
Derivative liabilities (Note 15)	<b>P13,754,703</b>	<b>P=</b>	<b>P13,754,703</b>	<b>P=</b>	<b>P13,754,703</b>
<b>Assets for which fair values are disclosed</b>					
Rental deposits (Note 14)	<b>P17,887,276</b>	<b>P=</b>	<b>P=</b>	<b>P17,887,276</b>	<b>P17,887,276</b>
<b>Liabilities for which fair values are disclosed</b>					
Net assets attributable to unitholders of a mutual fund subsidiary (Note 16)	<b>P270,454,882</b>	<b>P=</b>	<b>P270,454,882</b>	<b>P=</b>	<b>P270,454,882</b>
2020					
	Carrying Value	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>					
Financial assets at FVTPL (Note 9):					
Corporate bonds	P3,495,088,751	P3,495,088,751	P=	P=	P3,495,088,751
Government bonds	2,214,589,097	2,214,589,097	—	—	2,214,589,097
Equities	507,345,643	507,345,643	—	—	507,345,643
Mutual funds	912,120,746	—	912,120,746	—	912,120,746
Derivative assets	1,681,300	—	1,681,300	—	1,681,300
	<b>P7,130,825,537</b>	<b>P6,217,023,491</b>	<b>P913,802,046</b>	<b>P=</b>	<b>P7,130,825,537</b>
<b>Financial liabilities at FVTPL</b>					
Derivative liabilities (Note 15)	<b>P3,378,309</b>	<b>P=</b>	<b>P3,378,309</b>	<b>P=</b>	<b>P3,378,309</b>
<b>Assets for which fair values are disclosed</b>					
Rental deposits (Note 14)	<b>P18,090,505</b>	<b>P=</b>	<b>P=</b>	<b>P18,090,505</b>	<b>P18,090,505</b>
<b>Liabilities for which fair values are disclosed</b>					
Net assets attributable to unitholders of a mutual fund subsidiary (Note 16)	<b>P97,172,383</b>	<b>P=</b>	<b>P97,172,383</b>	<b>P=</b>	<b>P97,172,383</b>

Fair value measurement of financial assets and liabilities under Level 2 were based on interest rates and yield curves, implied volatilities and foreign exchange spread. The Level 3 input used in the fair value measurement of the Company's rental deposits is the interpolated benchmark rates. Significant increases (decreases) in discount rate would result in a significantly lower (higher) fair value of rental deposits.

As of December 31, 2021 and 2020, there are no transfers into and out of Level 1, Level 2, and Level 3 fair value hierarchy.



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## 6. Segment information

For management purposes, the Group is organized into major operating business segments as follows:

- a. Investment holdings  
The investment holdings segment deals in the acquisition and sale of financial instruments.
- b. Remittance services  
The remittance services segment provides the infrastructure and services as the largest direct agent for money transfer of Overseas Filipino Workers. Beyond the remittance business, this segment facilitates the fulfillment of e-commerce transactions and serves as a payment platform for any Business to Business (B2B) or Business to Customers (B2C) initiative.
- c. Mutual fund management  
This segment deals in the management of mutual funds. Subject to the management agreements with the respective funds, PEMI shall manage the resources and operations of the funds. The services contemplated include Investment and re-investment of the assets of the entities in accordance with the investment policies or guidelines and in conformity with the entities' prospectus(es) and applicable Philippine laws and regulations; Preparation and submission of such information and data relating to economic conditions, industries, business, corporations, or securities; Coordination of the activities of, and extension of all necessary cooperation or assistance to, the custodian bank, the auditors and the legal counsel of the entities, without prejudice to the direct responsibility of such firms to the entities; Representation with government offices, instrumentalities and agencies, including all work required in registering the funds' securities, obtaining proper licenses and permits-complying with other legal requirements including those requirements relevant to PEMI's own operations, and submitting regular reports to various government agencies; Accounting, bookkeeping, clerical and other administrative services in the ordinary conduct of the Funds' activities, other than those services provided by the custodian, the auditors and the legal counsel; Transactions with stockbrokers for the account of the entities in connection with PEMI's investment and reinvestment of the funds' assets. In addition, PEMI shall provide such office space and other administrative facilities as the entities shall reasonably require in the ordinary conduct of its business.

Management monitors the operating results of each segment. The measure presented to manage segment performance is the segment income before tax. Segment income before tax is based on the same accounting policies as the consolidated net income except that intersegment revenues are eliminated only at the consolidation level. Transfer pricing between segments are on arm's length basis in a manner similar to transactions with third parties.

The Executive Committee (Excom) is actively involved in planning, approving, reviewing, and assessing the performance of each Group's segment. The Excom oversees the Group's decision making process. The Excom's functions are supported by the heads of each of the segments, which provide essential input and advice in the decision-making process. The Chief Operating Decision Maker is the Chief Executive Officer.

The management income earned from various funds managed by the Group comprised 27.78%, 23.33%, and 21.64% of Group's total revenue in 2021, 2020 and 2019, respectively.



The following table presents earnings and other information of operating segments presented in accordance with PFRS:

	2021				
	Investment Holdings	Remittance Services	Mutual Fund Management	Eliminations	Consolidated
<b>Earnings Information</b>					
Revenues	P317,732,727	P393,097,826	P273,419,316	(P8,213,695)	P976,036,174
Cost of services and sales	5,323,783	302,262,130	60,897,646	—	368,483,559
Depreciation and amortization	4,368,105	49,168,222	8,155,457	(4,637,881)	57,053,903
Interest expense	—	3,435,136	—	(2,206,814)	1,228,322
Segment income before tax	328,113,559	59,941,331	187,100,849	(4,501,366)	570,654,373
Provision for income tax	18,811,739	16,823,006	42,956,725	—	78,591,470
Net income attributable to continuing operations	309,301,820	43,118,325	144,144,124	(4,501,366)	492,062,903
<b>Other Information</b>					
Segment assets	9,602,701,546	1,375,895,534	1,310,272,781	(529,154,806)	11,759,715,055
Segment liabilities	330,827,029	196,470,512	144,002,350	(38,932,087)	632,367,804
Costs to acquire property and equipment	—	—	—	—	(804,455)
Net cash flows (used) provided by					
Operating activities	(139,192,327)	319,016,784	126,980,116	—	306,804,573
Investing activities	(436,502)	(367,953)	—	—	(804,455)
Financing activities	157,224,453	(24,555,770)	—	—	132,668,683
2020					
	Investment Holdings	Remittance Services	Mutual Fund Management	Eliminations	Consolidated
<b>Earnings Information</b>					
Revenues	P332,626,170	P428,874,804	P231,762,600	(P6,910,776)	P986,352,798
Cost of services and sales	4,276,782	338,087,392	56,463,777	—	398,827,951
Depreciation and amortization	4,462,263	64,873,562	8,327,429	(4,552,635)	73,110,619
Interest expense	—	5,663,509	—	(1,878,968)	3,784,541
Segment income before tax	308,862,209	41,902,798	154,403,889	(984,602)	504,184,294
Provision for income tax	16,743,530	18,482,269	42,677,194	104	77,903,097
Net income attributable to continuing operations	292,118,679	23,420,529	111,726,695	(984,706)	426,281,197
<b>Other Information</b>					
Segment assets	9,068,958,680	1,418,059,619	1,156,893,721	(476,087,290)	11,167,824,730
Segment liabilities	126,764,233	283,265,865	135,147,967	(26,550,626)	518,627,439
Costs to acquire property and equipment	96,000	5,501,812	1,307,779	—	6,905,591
Net cash flows (used) provided by					
Operating activities	437,365,446	178,982,861	117,693,738	—	734,042,045
Investing activities	(1,111,229)	(13,176,162)	(1,307,771)	—	(15,595,162)
Financing activities	71,081,652	(33,603,033)	—	—	37,478,619
2019					
	Investment Holdings	Remittance Services	Mutual Fund Management	Eliminations	Consolidated
<b>Earnings Information</b>					
Revenues	P597,458,757	P509,874,878	P305,770,501	(P10,032,072)	P1,403,072,064
Cost of services and sales	5,242,202	369,368,903	67,051,496	—	441,662,601
Depreciation and amortization	5,383,275	65,448,270	12,341,452	(4,637,881)	78,535,116
Interest expense	—	7,753,846	—	(2,206,814)	5,547,032
Segment income before tax	556,054,702	81,509,614	209,067,360	385,964	847,017,640
Provision for income tax	(11,814,323)	24,415,178	59,021,066	320,764	71,942,685
Net income attributable to continuing operations	567,869,025	57,094,436	150,046,294	65,200	775,074,955
<b>Other Information</b>					
Segment assets	8,763,847,678	1,603,252,257	1,047,669,661	(519,890,000)	10,894,879,596
Segment liabilities	77,140,318	496,247,668	151,174,096	(61,843,415)	662,718,667
Costs to acquire property and equipment	745,032	33,556,990	5,030,611	—	39,332,633
Net cash flows (used) provided by					
Operating activities	(3,179,827,231)	29,474,524	167,268,655	—	(2,983,084,052)
Investing activities	(9,563,566)	—	(8,153,722)	—	(17,717,288)
Financing activities	93,253,518	(6,123,218)	—	—	87,130,300

Eliminating entries pertaining to revenue represents the elimination of accumulated market gains from the Parent Company's mutual fund investments in PMIF, PAOF, PGF, PBF and PFCFF.

Eliminating entries for segment assets is the net effect of eliminating the cost of the Parent Company's investment in its subsidiaries, and any intercompany receivables. While eliminating entry for segment liabilities represent elimination of intercompany payables.

PEMI qualifies as a subsidiary with significant non-controlling interest. The financial information under the mutual fund management segment pertains solely to PEMI.



## 7. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	<b>₱269,470,073</b>	₱468,686,325
Cash in banks	<b>2,601,815,539</b>	1,655,863,360
Cash equivalents	<b>810,161,378</b>	1,095,255,349
	<b>₱3,681,446,990</b>	₱3,219,805,034

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of one to three months depending on the immediate cash requirements of the Group. Cash equivalents earn annual interest rates ranging from 0.13% to 0.88% in 2021, 0.25% to 0.45% in 2020 and 0.50% to 0.70% in 2019.

Interest income from cash and cash equivalents amounted to ₱12.53 million, ₱31.84 million and ₱112.81 million in 2021, 2020 and 2019 respectively (see Note 18).

## 8. Receivables

This account consists of:

	2021	2020
Due from:		
Western Union	<b>₱143,601,912</b>	₱470,513,806
Business partners	<b>16,000,007</b>	9,702,394
Brokers	<b>2,215,264</b>	16,287,834
Trade receivables	<b>68,018,078</b>	59,694,378
Receivable from sale of investment	—	38,592,600
Accrued interest receivable	<b>30,582,867</b>	37,005,000
Receivable from related parties and employees	<b>2,806,825</b>	—
Advances to employees	—	1,532,331
Others	<b>18,488,058</b>	13,788,736
	<b>281,713,011</b>	647,117,079
Less: Allowance for credit losses	<b>(12,262,375)</b>	(72,882,947)
	<b>₱269,450,636</b>	₱574,234,132

Due from Western Union represents pay-outs of VFC for fund transfers and remittance services, which were not yet reimbursed by Western Union as of December 31, 2021 and 2020.

Due from business partners include receivables from counterparty banks for cash to be delivered to the branches.

Receivable from sale of investment pertains to the sale of the Parent Company's investment in Lucky Star. Since Management believes that there is significant uncertainty with respect to the recovery of its investment in Lucky Star as a result of the Supreme Court decision to shut down Jai-alai operations, the Parent Company sold its investment in Lucky Star for ₱96.59 million (a company incorporated to operate off-front on betting stations in the Philippines). The related receivable from the sale, which is collectible over ten years at certain pre-agreed installment terms until 2012, has been fully provided with allowance for impairment and credit losses.





In 2021 and 2020, the Board of Directors approved the write-off of receivables from Lucky Star amounting to ₱38.59 million and ₱44.00 million, respectively.

The terms and conditions of receivables are as follows:

- Due from Western Union, sub-agents, and business partners generally have one to four days' term.
- Due from broker is usually collectible within three days.
- Trade receivables include receivables from advertising and web development services which are normally collectible within two to four months after billing is made. This also includes management and commission income earned from the funds managed by the Group.
- Other receivables are all short-term in nature.

Details of allowance for credit losses as of December 31, 2021 and December 31, 2020 are as follows:

	2021	2020
Trade receivables	<b>₱12,023,063</b>	₱34,051,035
Receivable from sale of investment	—	38,592,600
Others	<b>239,312</b>	239,312
	<b>₱12,262,375</b>	₱72,882,947

In 2021 and 2020, receivables amounting to ₱12.26 million and ₱72.88 million were carried at stage 3 and there were no transfers into and out of stage 3.

The rollforward analysis of allowance for credit losses follow:

	2021			
	Trade receivables	Receivable from sale of investment	Others	Total
Balance at January 1	<b>₱34,051,035</b>	<b>₱38,592,600</b>	<b>₱239,312</b>	<b>₱72,882,947</b>
Write-off	<b>(22,027,972)</b>	<b>(38,592,600)</b>	—	<b>(60,620,572)</b>
Balance at December 31	<b>₱12,023,063</b>	<b>₱—</b>	<b>₱239,312</b>	<b>₱12,262,375</b>

	2020			
	Trade receivables	Receivable from sale of investment	Others	Total
Balance at January 1	₱34,051,035	₱82,592,600	₱239,312	₱116,882,947
Write-off	—	(44,000,000)	—	(44,000,000)
Balance at December 31	₱34,051,035	₱38,592,600	₱239,312	₱72,882,947



## 9. Investment Securities

### Financial Assets at FVTPL

This account consists of investments in:

	2021	2020
Corporate bonds	<b>₱2,232,589,461</b>	₱3,495,088,751
Mutual funds	<b>948,268,857</b>	912,120,746
Government bonds	<b>2,772,417,563</b>	2,214,589,097
Equities	<b>1,648,436,734</b>	507,345,643
Derivative assets	–	1,681,300
	<b>₱7,601,712,615</b>	₱7,130,825,537

In 2021, 2020 and 2019, interest income from government and corporate bonds amounted to ₱182.88 million, ₱263.20 million and ₱248.70 million, respectively (see Note 18).

#### *Government bonds*

Government bonds include peso-denominated securities which earn interest ranging from 1.90% to 5.50% in 2021, 2.62% to 5.50% in 2020 and 2.90% to 5.50% in 2019. It also includes dollar-denominated bonds with interest rates ranging from 3.75% to 4.10% in 2021, 2020 and 2019.

#### *Corporate bonds*

Corporate bonds include peso-denominated securities which earn interest ranging from 2.00% to 5.10% in 2021, 3.12% to 5.09% in 2020, and 3.36% to 5.65% in 2019. It also includes dollar-denominated securities with interest rates ranging from 2.13% to 7.38% in 2021 and 3.28% to 7.38% in 2020 and 2019.

#### *Equity Securities*

Quoted equity securities pertain to investments in stocks listed in the PSE.

Dividend income earned from FVTPL equity securities amounted to ₱18.69 million, ₱9.74 million and ₱5.58 million in 2021, 2020 and 2019, respectively (see Note 18).

#### *Derivative instruments*

The Group's outstanding currency forward contracts have an aggregate notional amount of \$36.40 million and US\$41.61 million as of December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the weighted average forward contract rate is ₱50.62 to US\$1 and ₱48.12 to US\$1, respectively. As of December 31, 2021 and 2020, the Group is in a net sell US dollar position.

The movements in the Group's derivative instruments are as follows:

	2021	2020
Balance at beginning of year		
Derivative assets	<b>₱22,761,867</b>	₱2,491,000
Derivative liabilities	<b>(914,000)</b>	(322,000)
	<b>21,847,867</b>	2,169,000

(Forward)



	2021	2020
Fair value changes	<b>₱76,590,081</b>	₱118,311,247
Settled transactions (Note 10)	<b>(79,880,469)</b>	(122,177,256)
	<b>(3,290,388)</b>	(3,866,009)
Balance at end of year		
Derivative assets	-	1,681,300
Derivative liabilities (Note 15)	<b>(13,754,703)</b>	(3,378,309)
	<b>(₱13,754,703)</b>	(₱1,697,009)

In 2021, 2020 and 2019, settled transactions amounted to ₱79.88 million, ₱122.18 million and ₱96.27 million, respectively. Settled transactions are recognized in 'Realized foreign exchange gain (loss)' (see Note 10).

Trading and investment securities gain (loss) from financial assets at FVTPL consists of (see Note 18):

	2021	2020	2019
Realized gain (loss) from sale of:			
Equity securities	<b>₱22,622,139</b>	(₱9,299,363)	(₱5,641,910)
Bonds	<b>35,864,312</b>	64,683,179	58,701,608
	<b>58,486,451</b>	55,383,816	53,059,698
Changes in fair value of:			
Bonds	<b>106,843,779</b>	(4,485,609)	179,970,605
Equity securities	<b>(133,643,417)</b>	65,416,338	16,310,799
Mutual funds	<b>36,148,112</b>	(71,496,022)	25,542,738
	<b>9,348,474</b>	(10,565,293)	221,824,142
	<b>₱67,834,925</b>	₱44,818,523	₱274,883,840

#### *Mutual Funds*

Mutual funds represent investment in shares of:

	2021	2020
Philequity Fund, Inc. (PEFI)	<b>₱598,305,178</b>	₱583,379,175
Philequity Dividend Yield Fund, Inc. (PDYF)	<b>216,695,613</b>	196,220,305
Philequity PSE Index Fund, Inc. (PPSE)	<b>133,268,067</b>	132,521,266
	<b>₱948,268,858</b>	₱912,120,746

Movement in the Group's mutual fund investment is shown below:

	2021	2020
Beginning	<b>₱912,120,746</b>	₱861,745,442
Subscription	-	121,871,326
Revaluation	<b>36,148,112</b>	(71,496,022)
	<b>₱948,268,858</b>	₱912,120,746

Investment in shares of PEFI, PDYF and PPSE are valued at net asset value per share (NAVPS). NAVPS is computed by dividing net assets (total assets less total liabilities) by the total number of redeemable shares issued and outstanding as of reporting date. The assets consist of equity shares listed in the Philippine Stock Exchange (PSE).



## 10. Foreign Exchange Income

Breakdown of the foreign exchange income is presented below:

	2021	2020	2019
<b>Realized Foreign Exchange</b>			
<b>Gain (Losses)</b>			
Derivative assets (Note 9)	<b>₱79,880,469</b>	₱122,177,256	₱96,268,948
Money changing	<b>(22,554,759)</b>	(70,075,249)	(1,075,984)
	<b>₱57,325,710</b>	₱52,102,007	₱95,192,964
	2021	2020	2019
<b>Unrealized Foreign Exchange</b>			
<b>Gains (Losses)</b>			
Cash and cash equivalents	<b>₱6,252,051</b>	(₱17,758,964)	(₱39,922,496)
Receivables	<b>1,140,848</b>	498,439	82,373
Debt instruments	<b>27,559,163</b>	(22,319,284)	(21,334,695)
Due to sub-agent	<b>(1,651,089)</b>	(1,149,353)	266,696
Derivatives	<b>(11,978,908)</b>	565,922	(24,462,676)
	<b>₱21,322,065</b>	(₱40,163,240)	(₱85,370,798)

Realized foreign exchange gains (losses) pertains to the amount realized upon the settlement of the Group's derivative assets and realized gain from the buy and sell of US\$ denominated currency.

Unrealized foreign exchange gains (losses) pertain to the translated gains from settlement of short-term deposits and the translated revaluation of derivative assets at FVTPL at year-end.

## 11. Prepaid Expenses and Other Current Assets

This account consists of:

	2021	2020
Input value added tax	<b>₱2,087,922</b>	₱3,455,342
Prepaid expenses	<b>1,791,695</b>	1,324,291
Others	<b>3,178,055</b>	1,900,860
	<b>7,057,672</b>	6,680,493
Less: Allowance for impairment losses	—	(2,687,188)
	<b>₱7,057,672</b>	₱3,993,305

Prepaid expenses pertain to prepayments for office rent, utilities, insurance and taxes.

Others include leased branch spaces construction and renovation deposits paid by the Group in 2021 and 2020.



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## 12. Investment in Associate

Details of investments in an associate follow:

Acquisition cost:	
Fifth Agency Unified Services, Inc. (FAUSI)	₱300,000
Allowance for impairment	(180,772)
	<u>₱119,228</u>

There are no movements in the allowance for impairment on investment in FAUSI. Investment in an associate represents VFC' 25.00% ownership in FAUSI. FAUSI was incorporated in the Philippines on August 10, 2004 and started commercial operations on April 4, 2005. FAUSI is engaged in electronic commerce and trading, through the internet-based facilities and other on-line transactions, including but not limited to the development and marketing of goods and services and electronic value or debit cards.

On February 4, 2008, the BOD has decided to stop and wind down FAUSI's operations effective March 2008. In 2012, the BOD approved the liquidation of FAUSI. On November 13, 2015, the BOD decided to shorten FAUSI's term of existence until November 15, 2015. This was approved by the stockholders on December 4, 2015.

The following table presents the financial information of FAUSI (amounts in thousands):

Year	Total Assets	Total Liabilities	Loss
<b>2021</b>	<b>₱916</b>	<b>₱641</b>	<b>(₱41)</b>
2020	916	641	(41)

FAUSI has no noncurrent assets and noncurrent liabilities as of December 31, 2021 and 2020.

FAUSI is a private company and there is no quoted market price available for its shares.

In June 2017, FAUSI has obtained their clearance from the Bureau of Internal Revenue (BIR) to distribute and settle remaining assets and liabilities.

As of December 31, 2021, FAUSI has not received SEC clearance to distribute and settle its remaining assets and liabilities.



### 13. Property and Equipment

This account consists of:

2021							
	Office Condominium	Leasehold Improvements	Transportation Equipment	Furniture and Fixtures	Server and Network Equipment	Office Improvements	Total
<b>Cost</b>							
Balance at beginning of year	₱124,147,287	₱207,682,912	₱36,792,800	₱166,497,098	₱22,701,175	₱12,187,454	₱570,008,726
Additions	—	—	—	787,580	16,875	—	804,455
<b>Balance at end of year</b>	<b>124,147,287</b>	<b>207,682,912</b>	<b>36,792,800</b>	<b>167,284,678</b>	<b>22,718,050</b>	<b>12,187,454</b>	<b>570,813,181</b>
<b>Accumulated Depreciation and Amortization</b>							
Balance at beginning of year	24,812,623	177,594,794	30,995,304	160,701,913	18,939,243	4,328,978	417,372,855
Depreciation and amortization (Notes 19 and 20)	8,274,563	10,495,952	2,970,327	2,959,487	3,227,651	2,420,044	30,348,024
Disposals	—	—	—	—	—	—	—
<b>Balance at end of year</b>	<b>33,087,186</b>	<b>188,090,746</b>	<b>33,965,631</b>	<b>163,661,400</b>	<b>22,166,894</b>	<b>6,749,022</b>	<b>447,720,879</b>
<b>Net Book Value</b>	<b>₱91,060,101</b>	<b>₱19,592,166</b>	<b>₱2,827,169</b>	<b>₱3,623,278</b>	<b>₱551,156</b>	<b>₱5,438,432</b>	<b>₱123,092,302</b>

2020							
	Office Condominium	Leasehold Improvements	Transportation Equipment	Furniture and Fixtures	Server and Network Equipment	Office Improvements	Total
<b>Cost</b>							
Balance at beginning of year	₱124,147,287	₱207,682,912	₱36,792,800	₱165,350,683	₱16,762,179	₱11,266,837	₱562,002,698
Additions	—	—	—	1,146,415	5,938,996	920,617	8,006,028
<b>Balance at end of year</b>	<b>124,147,287</b>	<b>207,682,912</b>	<b>36,792,800</b>	<b>166,497,098</b>	<b>22,701,175</b>	<b>12,187,454</b>	<b>570,008,726</b>
<b>Accumulated Depreciation and Amortization</b>							
Balance at beginning of year	16,542,264	164,034,280	27,542,717	156,635,073	13,793,443	2,021,066	380,568,843
Depreciation and amortization (Notes 19 and 20)	8,270,359	13,560,514	3,452,587	4,066,840	5,145,800	2,307,912	36,804,012
Disposals	—	—	—	—	—	—	—
<b>Balance at end of year</b>	<b>24,812,623</b>	<b>177,594,794</b>	<b>30,995,304</b>	<b>160,701,913</b>	<b>18,939,243</b>	<b>4,328,978</b>	<b>417,372,855</b>
<b>Net Book Value</b>	<b>₱99,334,664</b>	<b>₱30,088,118</b>	<b>₱5,797,496</b>	<b>₱5,795,185</b>	<b>₱3,761,932</b>	<b>₱7,858,476</b>	<b>₱152,635,871</b>



Office condominium pertains to office units acquired by the Group which were turned-over in December 2017.

Fully depreciated assets are retained in the account until they are no longer in use and no further depreciation and amortization are charged against current operations. As of December 31, 2021 and 2020, the cost of fully depreciated assets still being used in operations amounted to ₱190.06 million and ₱358.73 million, respectively.

Depreciation and amortization for the years ended December 31, 2021, 2020 and 2019 are as follows:

	2021	2020	2019
Property and equipment	<b>₱30,348,024</b>	₱36,804,012	₱36,277,860
Right-of-use assets (Note 22)	<b>25,906,143</b>	33,369,471	38,269,745
Software and website costs (Note 14)	<b>5,437,617</b>	3,157,227	3,987,511
	<b>₱61,691,784</b>	₱73,330,710	₱78,535,116

The table below presents the allocation of depreciation and amortization between cost of services and general and administrative expenses.

	2021			2020			2019		
	Cost of services (Note 19)	General and administrative expenses (Note 20)	Total	Cost of services (Note 19)	General and administrative expenses (Note 20)	Total	Cost of services (Note 19)	General and administrative expenses (Note 20)	Total
Property and equipment	₱9,706,934	₱20,641,090	₱30,348,044	₱19,211,453	₱17,592,559	₱36,804,012	₱17,557,795	₱18,720,065	₱36,277,860
Right-of-use assets (Note 22)	25,906,143	—	25,906,143	33,369,471	—	33,369,471	38,269,745	—	38,269,745
Software and website costs (Note 14)	4,350,094	1,087,523	5,437,617	2,525,782	631,445	3,157,227	474,720	3,512,791	3,987,511
	<b>₱39,963,171</b>	<b>₱21,728,613</b>	<b>₱61,691,784</b>	<b>₱55,106,706</b>	<b>₱18,224,004</b>	<b>₱73,330,710</b>	<b>₱56,302,260</b>	<b>₱22,232,856</b>	<b>₱78,535,116</b>

#### 14. Other Noncurrent Assets

This account consists of:

	2021	2020
Rental and other deposits	<b>₱22,886,682</b>	₱23,200,661
Software and website costs	<b>10,396,383</b>	15,834,000
Deferred input VAT	<b>3,376,701</b>	3,376,718
Goodwill	<b>3,654,985</b>	3,654,985
Financial assets at FVOCI	<b>500,000</b>	500,000
Others	<b>222,414</b>	222,398
	<b>41,037,165</b>	46,788,762
Less: Allowance for credit and impairment losses	<b>(502,415)</b>	(1,660,752)
	<b>₱40,534,750</b>	₱45,128,010

Rental and other deposits represent payments required under the lease contracts of EBSI and PEMI's branches with the lessor as a security deposit for the rented premises. This will be returned upon termination of the lease agreement.

The goodwill recognized in the consolidated statement of financial position pertains to the acquisition cost of PEMI in 1994. In 2021, 2020 and 2019, no provision for impairment was provided for the recognized goodwill.



The movements in software and website costs follow:

	2021	2020
<b>Cost</b>		
Balance at beginning of year	<b>₱49,857,133</b>	₱39,487,337
Additions	–	10,369,796
<b>Balance at end of year</b>	<b>49,857,133</b>	49,857,133
<b>Accumulated Amortization</b>		
Balance at beginning of year	<b>34,023,133</b>	30,865,906
Amortization (Notes 13, 19 and 20)	<b>5,437,617</b>	3,157,227
<b>Balance at end of year</b>	<b>39,460,750</b>	34,023,133
	<b>₱10,396,383</b>	₱15,834,000

## 15. Accounts Payable and Other Current Liabilities

This account consists of:

	2021	2020
Due to sub-agents and brokers	<b>₱33,442,300</b>	₱128,597,170
Accrued expenses	<b>158,726,332</b>	133,976,840
Trade payables	<b>39,210,998</b>	64,907,022
Documentary stamp tax	–	14,486,384
Output value added tax	<b>14,872,654</b>	12,368,529
Expanded withholding tax	<b>6,162,333</b>	5,056,339
Derivative liabilities (Note 9)	<b>13,754,703</b>	3,378,309
Others	<b>3,411,387</b>	2,632,930
	<b>₱269,580,707</b>	₱365,403,523

Nature of the liabilities follow:

- Due to sub-agents and brokers are noninterest-bearing and are normally settled on a two to four days' term. Due from sub-agents arises from money transfer services and are shown net of related payables to the same sub-agents. Sub-agent accounts with net payable balances are shown under 'Accounts payable and other current liabilities' in the consolidated statement of financial position.
- Accrued expenses consists of accruals for profit sharing costs, vacation leave and sick leave conversion, insurance, security services, cash delivery services, utilities, media buys and others.
- Trade payables, accrued expenses and other payables are normally settled on a 60 to 90-day term.
- Other payables include merchant deposits, sundry credits, Pag-ibig and Philhealth premiums and other dues.

Trade payables, accrued expenses and other payables are all short-term in nature. These are settled within one year after the reporting period.





## 16. Net Assets Attributable to Unitholders of a Mutual Fund Subsidiary

This account pertains to the net assets of the unitholders of PAOF consolidated in the financial statements of the Group. The movements in this account in 2021 and 2020 follow:

	2021	2020
Balance beginning of year	<b>₱97,172,383</b>	₱13,289,080
Subscriptions	<b>177,722,004</b>	73,251,058
Redemptions	<b>(26,417,824)</b>	(3,574,125)
Net income attributable to unitholders	<b>21,978,319</b>	14,206,370
Balance at end of year	<b>₱270,454,882</b>	₱97,172,383

The details of the net assets attributable to unitholders of a mutual fund subsidiary consolidated in the Group's financial assets follow:

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	<b>₱27,948,505</b>	₱18,638,458
Financial assets at fair value through profit or loss	<b>245,786,580</b>	71,472,439
Other receivable	<b>128,911</b>	8,429,891
<b>Liabilities</b>		
Accrued expenses and other liabilities	<b>(3,409,114)</b>	(1,368,405)
	<b>₱270,454,882</b>	₱97,172,383

Financial assets at FVTPL consist of held-for-trading investments in shares of stock listed in the PSE.

## 17. Notes Payable

In 2021, the Group availed of various unsecured peso denominated short-term loans from local bank with terms ranging from 1 to 30 days. Annual interest rates of 3.75%.

The amount of short-term loans and their outstanding balances follows:

	2021
Loans outstanding at beginning of year	₱—
Loan availments	350,000,000
Loan payments	(350,000,000)
Loans outstanding at end of year	₱—

Interest expense incurred on short-term loans amounted to ₱0.79 million, nil and ₱0.17 in 2021, 2020 and 2019, respectively.



## 18. Revenues

Set out below is the disaggregation of the Group's revenues from contracts with customers and revenues not covered under PFRS 15 for the year ended December 31, 2021, 2020 and 2019:

2021				
	Investment Holdings	Remittance services	Mutual Fund Management	Total
<b>Revenues within the scope of PFRS 15:</b>				
Money transfer service income	P—	P192,807,698	P—	P192,807,698
Service income	—	—	264,552,473	264,552,473
Share in foreign exchange differential	—	121,203,399	—	121,203,399
Money changing gain	—	60,756,236	—	60,756,236
Income from business partners	42,903,214	11,321,056	—	54,224,270
<b>Revenues outside the scope of PFRS 15:</b>				
Interest income (Notes 7, 8 and 9)	188,564,657	837,083	5,654,923	195,056,663
Trading and investment securities gains - net (Note 9)	67,834,925	—	—	67,834,925
Dividend income (Note 9)	18,690,935	—	—	18,690,935
Other income	10,130	895,763	3,682	909,575
	<b>P318,003,861</b>	<b>P387,821,235</b>	<b>P270,211,078</b>	<b>P976,036,174</b>
2020				
	Investment Holdings	Remittance services	Mutual Fund Management	Total
<b>Revenues within the scope of PFRS 15:</b>				
Money transfer service income	P—	P245,730,752	P—	P245,730,752
Service income	—	—	210,515,123	210,515,123
Share in foreign exchange differential	—	116,480,066	—	116,480,066
Money changing gain	179,562	51,999,179	—	52,178,741
Income from business partners	—	11,498,468	—	11,498,468
<b>Revenues outside the scope of PFRS 15:</b>				
Interest income (Notes 7, 8 and 9)	276,051,828	2,818,469	16,170,374	295,040,671
Trading and investment securities gains - net (Note 9)	44,818,523	—	—	44,818,523
Dividend income (Note 9)	9,743,567	—	—	9,743,567
Other income	438	294,025	52,424	346,887
	<b>P330,793,918</b>	<b>P428,820,959</b>	<b>P226,737,921</b>	<b>P986,352,798</b>
2019				
	Investment Holdings	Remittance services	Mutual Fund Management	Total
<b>Revenues within the scope of PFRS 15:</b>				
Money transfer service income	P—	P302,351,085	P—	P302,351,085
Service income	—	—	256,404,723	256,404,723
Share in foreign exchange differential	—	128,649,961	—	128,649,961
Money changing gain	—	48,846,546	—	48,846,546
Income from business partners	—	18,282,276	—	18,282,276
<b>Revenues outside the scope of PFRS 15:</b>				
Interest income (Notes 7, 8 and 9)	312,756,299	11,590,162	42,803,809	367,150,270
Trading and investment securities gains (losses) - net (Note 9)	275,303,840	(420,000)	—	274,883,840
Dividend income (Note 9)	5,576,266	—	—	5,576,266
Other income	273,982	574,848	78,267	927,097
	<b>P593,910,387</b>	<b>P509,874,878</b>	<b>P299,286,799</b>	<b>P1,403,072,064</b>



Total interest income follows:

	2021	2020	2019
<b>Investments at amortized cost</b>			
Cash and cash equivalents (Note 7)	<b>₱12,534,905</b>	₱31,840,781	₱112,809,095
Investment securities at amortized cost (Note 9)	—	—	510,563
Others (Note 8)	—	—	5,133,978
	<b>12,534,905</b>	31,840,781	118,453,636
<b>Financial assets at FVTPL (Note 9)</b>	<b>182,521,758</b>	263,199,890	248,696,634
	<b>₱195,056,663</b>	₱295,040,671	₱367,150,270

PEMI acts as the fund manager of the Funds. As fund manager of the Funds, PEMI is entitled to the following, pursuant to the Management and Distribution Agreement dated March 14, 2003 and entered into with the Funds which is effective year on year unless terminated by both parties:

- Management income of a maximum of 1.50% per annum is computed based on daily net asset value (NAV) of the Funds. On a monthly basis, PEMI bills the Fund management fee based on the average monthly computed NAV, payable the following month. The NAV shall be determined in accordance with the procedures agreed upon by the parties.
- The Funds shall remit to PEMI for sales commission of a maximum of 3.50% of the gross investment based on tiered-front end sales schedules charged to shareholders. This is recorded as 'Receivables' (Note 8) and collectible the following month.

PEMI recognized management and commission income (presented as 'Service income') amounting ₱264.55 million and ₱210.52 million and ₱256.40 million in 2021, 2020 and 2019, respectively.

In January 2021 VEI, as parent company of VFC, and Western Union, amended the Representation Agreement with Western Union expiring December 2026. The amendment essentially lifts exclusivity for inbound or receive transactions effective January 2021 in exchange for a lower share of commissions on said transactions and a \$1.00 million signing bonus for VEI as the Parent Company of VFC. The Agreement provides for WU to pay the signing bonus to VEI who in turn will ensure VFC complies with its obligations under the Agreement. VEI has strong oversight over VFC's management and operations and provides back-office support to VFC.

VEI recognized income from business partner amounting to ₱42.90 million in 2021.

## 19. Cost of Services

This account consists of:

	2021	2020	2019
Personnel costs	<b>₱121,630,564</b>	₱130,642,016	₱135,565,479
Service and commission expense	<b>86,435,896</b>	93,226,446	118,877,850
Depreciation and amortization (Note 13)	<b>39,963,171</b>	55,106,706	56,302,260
Outside services	<b>38,807,688</b>	31,656,668	36,579,158
Cash delivery services	<b>30,396,902</b>	28,315,706	27,484,339
Rent (Note 22)	<b>18,810,600</b>	22,570,112	22,039,146

(Forward)



	2021	2020	2019
Travel and transportation	<b>₱10,671,075</b>	₱14,161,930	₱11,811,958
Communication, light and water	<b>9,451,276</b>	8,748,893	12,062,061
Supplies	<b>4,639,494</b>	5,689,674	6,631,302
Taxes and licenses	<b>4,248,002</b>	4,631,862	5,391,873
Repairs and maintenance	<b>2,362,379</b>	2,462,366	5,401,942
Entertainment, amusement and recreation	<b>478,626</b>	693,728	1,474,167
Retirement expense (Note 23)	<b>442,818</b>	369,706	327,688
Advertising	<b>145,068</b>	552,138	1,713,378
	<b>₱368,483,559</b>	₱398,827,951	₱441,662,601

Nature of the 'Cost of services' are as follows:

- Services and commission fees refer to sales load and trail commissions paid to distributors and agents of the Group. The trail commission is based on the average net asset value (NAV) held by the distributor or agent in the relevant fund managed by the Group. This also include amount paid to the Group's sub-agents as their share in the commission income earned by the Group from WU. Included herein as well is the commission fee paid by the Group to its broker upon sale of its equity securities.
- Branch personnel costs consist of trainings and seminar costs, basic salaries, overtime pay and other employee benefits.
- Outside services pertain to payroll payments for contracted security guards and utilities/maintenance workers of all branches.
- Rent represents short-term lease of branch offices.
- Cash delivery services represent charges paid to contracted banks for the delivery of cash to several branches of the Group.

## 20. General and Administrative Expenses

This account consists of:

	2021	2020	2019
Personnel costs	<b>₱37,064,890</b>	₱28,845,667	₱31,237,263
Depreciation and amortization (Note 13)	<b>21,728,613</b>	18,224,004	22,232,856
Legal and professional fees	<b>17,283,079</b>	11,448,776	13,248,140
Taxes and licenses	<b>9,241,511</b>	10,343,543	12,747,296
Transportation and communication	<b>7,483,153</b>	9,259,361	7,865,117
Commission expense	<b>3,252,188</b>	470,743	497,654
Membership fees and other dues	<b>3,235,499</b>	4,802,321	5,914,295
Retirement expense (Note 23)	<b>2,807,400</b>	2,135,700	2,037,329
Repairs and maintenance	<b>2,127,192</b>	2,110,254	3,150,579
Insurance	<b>1,517,223</b>	1,126,188	289,194
Office supplies	<b>1,294,936</b>	1,607,330	2,056,594
Entertainment, amusement and recreation	<b>553,754</b>	757,810	1,161,970

(Forward)



	2021	2020	2019
Outside services	<b>₱512,606</b>	₱440,242	₱1,174,212
Advertising	<b>10,909</b>	—	257,302
Indemnity cost	—	—	10,000,000
Utilities	—	98,231	203,286
Others	<b>3,206,262</b>	3,421,306	4,754,941
	<b>₱111,319,215</b>	₱95,091,476	₱118,828,028

Nature of the 'General and administrative expenses' are as follows:

- Head office personnel costs consist of trainings and seminar costs, basic salaries, overtime pay and other employee benefits.
- Utilities expense represents payments for the telephone and telefax expenses and internet charges of the Group.

## 21. Other Income - Net

This account consists of:

	2020	2019
Discount from rent (Note 22)	₱3,596,697	₱—
Miscellaneous income	—	161,071
	<b>₱3,596,697</b>	<b>₱161,071</b>

## 22. Leases

VFC leases their office spaces and the space occupied by VFC branches with varying periods of up to 5 years, and are renewable on such terms and conditions mutually acceptable to both parties. Various lease contracts include escalation clauses, most of which bear annual rent increase ranging from 5.00% to 10.00%.

### Right-of-use Assets

The rollforward analysis of right-of-use account follows:

Cost	2021	2020
Beginning Balance	<b>₱99,170,620</b>	₱102,258,657
Termination	—	(5,643,971)
Additions	<b>25,265,571</b>	2,555,934
Ending Balance	<b>124,436,191</b>	99,170,620
<b>Accumulated Amortization</b>		
Beginning Balance	<b>71,639,216</b>	38,269,745
Amortization	<b>25,906,143</b>	33,369,471
Ending Balance	<b>97,545,359</b>	71,639,216
	<b>₱26,890,832</b>	₱27,531,404



### Lease Liabilities

The rollforward analysis of lease liabilities are as follows:

	2021	2020
Beginning Balance	<b>₱29,941,303</b>	₱66,653,888
Additions	<b>25,265,571</b>	2,555,934
Concession	—	(3,596,697)
Interest expense	<b>3,435,136</b>	3,778,709
Termination	—	(5,847,497)
Payments	<b>(24,555,770)</b>	(33,603,034)
	<b>₱34,086,240</b>	₱29,941,303

Lease liabilities are presented in the statement of financial position as follows:

	2021	2020
Current lease liabilities	<b>₱20,895,987</b>	₱21,083,238
Noncurrent lease liabilities	<b>13,190,253</b>	8,858,065
	<b>₱34,086,240</b>	₱29,941,303

The following are the amounts recognized in the statement of income:

	2021	2020
Depreciation expense of right-of-use assets	<b>₱25,906,143</b>	₱33,369,471
Interest expense on lease liabilities	<b>3,435,136</b>	3,778,709
Rent expense	<b>18,810,600</b>	22,570,112
Total amount recognized in statement of income	<b>₱48,151,879</b>	₱59,718,292

Shown below is the maturity analysis of the undiscounted future lease payments under non-cancelable leases:

	2021	2020
Within 1 year	<b>₱41,455,242</b>	₱18,214,817
More than 1 year to 2 years	<b>21,002,064</b>	7,694,313
More than 2 years to 3 years	<b>10,141,908</b>	4,177,055
More than 3 years to 4 years	<b>5,660,981</b>	1,327,076
	<b>₱78,260,195</b>	₱31,413,261

### **23. Retirement Plan**

The Parent Company and PEMI have unfunded, noncontributory defined benefit pension plans covering substantially all of their qualified employees. VFC has a funded, noncontributory defined benefit pension plan. The funds of the plan of VFC are being administered and managed by the Trust and Investment Services Group of a commercial bank.



The breakdown of 'Retirement expense' follows:

	2021	2020	2019
General and administrative expenses (Note 20)	<b>₱2,807,400</b>	₱2,135,700	₱2,037,329
Cost of services and sales (Note 19)	<b>442,818</b>	369,706	327,687
	<b>₱3,250,218</b>	₱2,505,406	₱2,365,017

Remeasurement gains related to pension plans to be recognized in OCI follow:

	2021	2020
Actuarial changes in actuarial assumptions in the defined benefit obligation	<b>₱3,049,615</b>	₱9,768,467
Actuarial changes in actuarial assumptions in return on plan assets	<b>189,480</b>	1,607,400
Income tax effect	<b>(715,034)</b>	(2,448,320)
	<b>₱2,145,101</b>	₱5,712,747

The movement in the Group's retirement liability, present value of defined benefit obligation and fair value of plan assets in 2021 and 2020 follows:

	2021		
	Present value of DBO	Fair Value of Plan Assets	Net Retirement Liability
At January 1	<b>₱23,304,962</b>	<b>₱15,509,827</b>	<b>₱7,795,135</b>
Expense recognized in statements of income:			
Current service cost	3,003,449	—	3,003,449
Net interest cost	833,040	586,271	246,769
	3,836,489	586,271	3,250,218
Remeasurements in OCI			
Actuarial changes arising from:			
Return on plan assets	—	(189,480)	189,480
Changes in financial assumptions	(3,892,740)	—	(3,892,740)
Deviations of experience from assumptions	843,125	—	843,125
	(3,049,615)	(189,480)	(2,860,135)
At December 31	<b>₱24,091,836</b>	<b>₱15,906,618</b>	<b>₱8,185,218</b>

	2020		
	Present value of DBO	Fair Value of Plan Assets	Net Retirement Liability
At January 1	₱29,749,814	₱16,299,016	₱13,450,798
Expense recognized in statements of income:			
Current service cost	1,833,776	—	1,833,776
Net interest cost	1,489,839	818,211	671,628
	3,323,615	818,211	2,505,404
Remeasurements in OCI			
Actuarial changes arising from:			
Return on plan assets	—	(1,607,400)	1,607,400
Changes in financial assumptions	5,232,444	—	5,232,444
Deviations of experience from assumptions	(15,000,911)	—	(15,000,911)
	(9,768,467)	(1,607,400)	(8,161,067)
At December 31	<b>₱23,304,962</b>	<b>₱15,509,827</b>	<b>₱7,795,135</b>



The fair values of plan assets of Vantage Financial only by each class as at the end of the reporting periods are as follows:

	2021	2020
Cash and cash equivalents:		
Time deposit	<b>₱5,636,247</b>	₱5,801,084
Savings deposit	<b>3,656</b>	3,656
Investment in Mutual Funds - FVTPL	<b>9,632,306</b>	9,106,749
Investment in private corporate debt – FVTPL		
FVOCI investments:		
Investment in UITF	<b>670,768</b>	593,055
Accumulated market gains - UITF	–	73,022
Accrued interest income	<b>947</b>	1,700
	<b>₱15,943,924</b>	₱15,579,265
Trustee fee payable	<b>(37,306)</b>	(69,439)
	<b>₱15,906,618</b>	₱15,509,827

The carrying values of the plan assets approximate fair values as of December 31, 2021 and 2020.

The following table shows the actuarial assumptions as of December 31, 2021 and 2020 used in determining the retirement benefit obligation of the Group.

December 31, 2021			
	Average remaining working life	Discount rate	Future salary Increase
Parent Company	15.0 years	3.77%	3.50%
VFC	5.05 years	5.01%	3.50%
PEMI	7.42 years	5.03%	3.50%
December 31, 2020			
	Average remaining working life	Discount rate	Future salary Increase
Parent Company	14.0 years	2.50%	3.50%
VFC	4.05 years	3.78%	3.50%
PEMI	6.42 years	3.80%	3.50%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

December 31, 2021						
	Parent Company		VFC		PEMI	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(₱155,695)	+1.00%	(₱2,061,944)	+1.00%	(₱372,496)
	-1.00%	163,381	-1.00%	2,474,311	-1.00%	450,992
Future salary increase	+1.00%	₱162,212	+1.00%	2,489,889	+1.00%	454,027
	-1.00%	(157,578)	-1.00%	(2,120,663)	-1.00%	(383,508)
Estimated working lives	+10.00%	–	+10.00%	(623,526)	+10.00%	(60,008)
	-10.00%	–	-10.00%	623,526	-10.00%	60,008





December 31, 2020						
	Parent Company		VFC		PEMI	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(P193,193)	+1.00%	(P2,112,190)	+1.00%	(P390,743)
	-1.00%	204,840	-1.00%	2,565,876	-1.00%	476,350
Future salary increase	+1.00%	P200,806	+1.00%	2,543,181	+1.00%	472,306
	-1.00%	(193,193)	-1.00%	(2,142,494)	-1.00%	(396,364)
Estimated working lives	+10.00%	(539,714)	+10.00%	(741,013)	+10.00%	(78,443)
	-10.00%	539,714	-10.00%	741,013	-10.00%	78,443

Shown below is the maturity analysis of the Group's undiscounted benefit payments:

	December 31, 2021			December 31, 2020		
	Parent Company	VFC	PEMI	Parent Company	VFC	PEMI
Less than one year	P-	P838,296	P-	P-	P535,045	P-
More than 1 year up to 5 years	5,754,531	934,350	-	5,922,172	2,882,191	-
More than 5 years up to 10 years	-	1,111,112	-	-	8,034,690	4,222,169
More than 10 years up to 15 years	-	1,220,215	-	-	12,634,394	-
More than 15 years up to 20 years	-	1,382,599	2,447,321	-	32,769,375	-
More than 20 years	-	1,976,629	-	-	59,916,262	17,138,967

## 24. Equity

### Capital stock

The details of this account as of December 31, 2021 and 2020 are shown below:

	2021		2020		2019	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized shares (at par value of P1 per share)	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000
Issued shares, beginning	4,335,181,766	P4,335,181,766	4,335,181,766	P4,335,181,766	4,335,181,766	P4,335,181,766
Treasury stock	(135,599,500)	(190,460,934)	(135,599,500)	(190,460,934)	(135,599,500)	(190,460,934)
Outstanding shares	P4,199,582,266	P4,144,720,832	4,199,582,266	P4,144,720,832	4,199,582,266	P4,144,720,832

The track record of the Parent Company's registration of securities in compliance with the Securities Regulation Code Rule 68 Annex 68-D 1(I) follows:

#### a. Authorized Shares

Date of SEC Approval	Type of Shares	Authorized Number of Shares
October 27, 2015	Common	5,000,000,000
January 12, 2009	Common	2,250,000,000
October 20, 1992	Common	1,900,000,000

#### b. Stock Dividends

Date of SEC Approval	Percentage
December 18, 2015	100%
January 12, 2009	25%



c. Number of Shareholders

<u>Year End</u>	<u>Number of shareholders</u>
December 31, 2021	607
December 31, 2020	611

Also, the Group's retained earnings corresponding to the cost of treasury stocks amounting to ₱190.46 million is not available for dividend declaration as of December 31, 2021 and 2020.

*Increase in Authorized Capital Stock*

On June 20, 2017, the BOD and two-thirds (2/3) of the outstanding capital of the Company approved the increase in the authorized capital stock from 400,000,000 shares with par value of ₱1.00 per share in 2016 to 800,000,000 shares with par value of ₱1.00 per share in 2017. The SEC approved the increase in authorized capital stock on January 23, 2018.

Of the said increase, 400,000,000 shares of capital stock has been actually subscribed and paid by the existing shareholders of the Corporation by way of stock dividends to be paid out of the retained earnings which was declared on June 20, 2017.

*Issuance of shares to non-controlling interest*

In 2021 and 2020, PMIF issued 6,788,030 and 24,475,303 shares from the unissued portion of its authorized capital stock to non-controlling interest. The ownership of minority increased by ₱6.79 million and ₱3.21 million in 2021 and 2020, respectively.

As of December 31, 2021 and 2020, percentage of ownership interest of the Parent Company in PMIF is 67.32% and 68.57%, respectively.

*Dividend declaration of subsidiaries*

On January 19, 2019, the BOD and shareholders representing two-thirds (2/3) of the outstanding capital of PEMI approved the declaration of stock dividends equivalent to a total of 3,570,001 shares at ₱100.00 par value per share, payable to all stockholders of record as of January 31, 2019. The stock dividends were distributed on September 27, 2019.

Retained earnings

In the consolidated financial statements, a portion of the Group's retained earnings corresponding to the accumulated net earnings of the subsidiaries amounting to ₱1.64 billion and ₱1.53 million as of December 31, 2021 and 2020, respectively, is not available for dividend declaration. This accumulated equity in net earnings becomes available for dividend declaration upon receipt of dividends from the investees, subject also to SEC rules on dividend declaration.

Capital Management

The primary objectives of the Parent Company's capital management are to safeguard the Parent Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The management considers capital stock and retained earnings as core capital of the Parent Company.



## 25. Income Tax

Provision for (benefit from) income tax consists of:

	2021	2020	2019
Current:			
RCIT	<b>₱64,094,482</b>	₱58,386,493	₱83,819,580
Final	<b>2,325,779</b>	6,255,678	22,318,285
MCIT	<b>746,234</b>	994,978	1,303,405
Impact of CREATE Act	<b>(5,114,043)</b>	—	—
	<b>62,052,452</b>	65,637,149	107,441,270
Deferred income tax	<b>16,539,018</b>	12,265,948	(35,498,585)
	<b>₱78,591,470</b>	₱77,903,097	₱71,942,685

Provision for current income tax represents the corporate income tax of the Parent Company, PEMI and VFC.

President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30.00% to 25.00% for domestic and resident foreign corporations.
- Minimum corporate income tax (MCIT) rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.

Components of the net deferred tax assets and liabilities of the Group follow:

	2021	2020
<b>Deferred tax assets on:</b>		
Allowance for impairment and credit losses	<b>₱1,102,556</b>	₱12,900,847
Lease liabilities	<b>1,323,566</b>	837,049
Retirement liability	<b>1,133,930</b>	2,262,633
	<b>3,560,051</b>	16,000,529
<b>Deferred tax liabilities on:</b>		
Unrealized foreign exchange gain	<b>(6,643,919)</b>	
OCI remeasurements on pension	<b>(715,034)</b>	(2,448,320)
	<b>(7,358,953)</b>	(2,448,320)
Net deferred tax asset (liability)	<b>(₱3,798,902)</b>	₱13,552,209



The details of deductible temporary differences and carryforward benefits of NOLCO and MCIT for which no deferred tax asset had been recognized in the consolidated statements of financial position as management believes that there will be no sufficient future taxable income against which these can be applied, are as follows:

	2021	2020
Allowance for impairment and credit losses	<b>₱7,852,152</b>	₱33,486,336
NOLCO	<b>22,466,049</b>	22,131,842
MCIT	<b>2,796,357</b>	3,508,055
Unrealized foreign exchange loss	—	40,163,240
Others	<b>2,135,699</b>	2,135,699
	<b>₱35,250,015</b>	₱101,425,172

On September 30, 2020, the Bureau of Internal Revenue (BIR) has issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494, otherwise known as “Bayanihan to Recover as One Act”, allowing qualified businesses or enterprises which incurred net operating loss for taxable years 2020 and 2021 to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, the Group has available NOLCO before taxable year 2021 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years immediately following the year of such loss. Details are as follows:

Inception Year	Amount	Applied/ Expired	Balance	Expiry Year
2018	₱1,981,685	1,981,685	₱—	2021
2019	8,221,747	—	8,221,747	2022
	<b>₱10,203,432</b>	<b>₱1,981,685</b>	<b>₱8,221,747</b>	

As of December 31, 2021, the Group have incurred NOLCO for taxable years 2020 and 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to Bayanihan 2. Details are as follows:

Inception Year	Amount	Applied/Expired	Balance	Expiry Year
2020	₱11,938,538	₱—	₱11,938,538	2025
2021	2,305,764	—	2,305,764	2026
	<b>₱14,244,302</b>	<b>₱—</b>	<b>₱14,244,302</b>	

Details of the Group’s MCIT are as follows:

Inception Year	Amount	Applied/Expired	Balance	Expiry Year
2018	₱1,209,672	₱1,209,672	₱—	2021
2019	1,303,405	—	1,303,405	2022
2020	994,978	—	994,978	2023
2021	497,974	—	497,732	2024
	<b>₱4,006,029</b>	<b>₱1,209,672</b>	<b>₱2,796,115</b>	



The reconciliation of income before income tax computed at the statutory income tax rate to the provision for income tax as shown in the consolidated statements of income is as follows:

	2021	2020	2019
Statutory income tax	25.00%	30.00%	30.00%
Income tax effects of:			
Impact of CREATE Act	(0.89%)	—	—
Tax-paid income	(4.45%)	(19.28%)	(9.37%)
Changes in unrecognized deferred tax assets	(1.07%)	3.84%	(2.61%)
Nondeductible expenses	0.45%	2.38%	0.19%
Nontaxable income	(3.79%)	(1.01%)	(12.01%)
Excess MCIT over RCIT	0.13%	0.20%	—
Others	(1.61%)	(0.52%)	(2.61%)
Effective income tax	13.77%	15.61%	3.59%

## 26. Related Party Transactions

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

Related party transactions with subsidiaries are eliminated in the consolidated financial statements. These transactions are based on terms similar to those offered to non-related parties and are settled in cash.

The following table presents the balances of intercompany transactions of the Group as of and for the years ended December 31, 2021, 2020 and 2019. Transactions with subsidiaries have been eliminated in the consolidated financial statements.

2021				
Related Party	Category	Amount/ Volume	Outstanding Balance	Nature, terms and conditions
FAUSI (Associate)	Reimbursable expenses (Other receivables)	₱—	₱61,246	On demand, noninterest bearing and unsecured
2020				
Related Party	Category	Amount/ Volume	Outstanding Balance	Nature, terms and conditions
FAUSI (Associate)	Reimbursable expenses (Other receivables)	₱—	₱61,246	On demand, noninterest bearing and unsecured
2019				
Related Party	Category	Amount/ Volume	Outstanding Balance	Nature, terms and conditions
FAUSI (Associate)	Reimbursable expenses (Other receivables)	₱515,513	₱61,246	On demand, noninterest bearing and unsecured



*Terms and conditions of transactions with other related parties*

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. An assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. In 2021, 2020 and 2019, no provisions for credit losses were provided for the related parties' transactions.

Remunerations of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the Executive Committee to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures*.

Salaries and short-term benefits to the Group's key management personnel amounted to ₱19.15 million in 2021, 2020 and 2019. Post-employment benefits amounted to ₱3.25 million, ₱2.51 million and ₱2.37 million in 2021, 2020 and 2019. Director fees amounted to ₱6.85 million, ₱6.43 million and ₱6.54 million in 2021, 2020 and 2019.

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**27. Basic/Diluted Earnings Per Share**

	2021	2020	2019
(a) Net income attributable to equity holders of the Parent Company	₱399,551,536	₱384,412,889	₱700,415,035
(b) Divided by weighted average number of common shares	4,199,582,266	4,199,582,266	4,199,582,266
(c) Basic/Diluted earnings per share (a/b)	₱0.0951	₱0.0915	₱0.1668

As of December 31, 2021 and 2020, the Parent Company does not have dilutive potential common shares.

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**28. Contingencies**

In the normal course of operations of the Group, there are outstanding commitments and contingent liabilities which are not reflected in the financial statements. The Group does not anticipate losses that will materially affect its assets and liabilities as a result of these transactions.

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**29. Approval for the Release of the Financial Statements**

The accompanying consolidated financial statements were approved and authorized for issuance by the Parent Company's BOD on May 31, 2022.




## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and Board of Directors  
Vantage Equities, Inc.  
15th Floor, Philippine Stock Exchange Tower,  
28th St. Corner 5th Ave., Bonifacio Global City  
Taguig City, Metro Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vantage Equities, Inc. and Subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 31, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with Revised Securities Regulation Code Rule No. 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260

Tax Identification No. 210-320-399

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 115260-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-132-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854326, January 3, 2022, Makati City

May 31, 2022

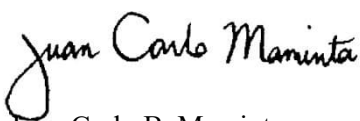


## **INDEPENDENT AUDITOR'S REPORT COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and Board of Directors  
Vantage Equities, Inc. and Subsidiaries  
15th Floor, Philippine Stock Exchange Tower,  
28th St. Corner 5th Ave., Bonifacio Global City  
Taguig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vantage Equities, Inc. and Subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 31, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260

Tax Identification No. 210-320-399

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 115260-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-132-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854326, January 3, 2022, Makati City

May 31, 2022





**VANTAGE EQUITIES, INC. AND SUBSIDIARIES**  
**INDEX TO THE FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2021**

**Schedules Required under Securities Regulation Code Rule 68**

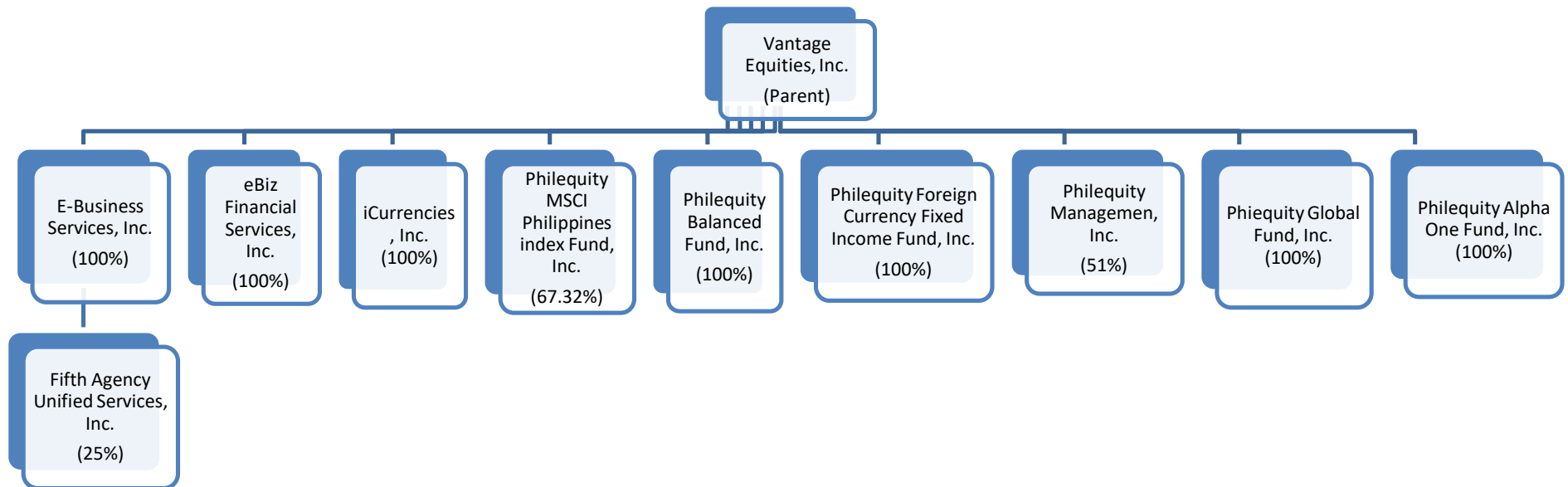
Schedule	Content	Page No.
<b>Part 1</b>		
I	Schedule of Retained Earnings Available for Dividend Declaration <i>(Part I 4C, Annex 68-D)</i>	1
II	Map showing relationships between and among parent, subsidiaries, an associate, and joint venture	2
III	Schedule Showing Financial Soundness Indicators in Two Comparative Periods	3
<b>Part 2</b>		
A	Financial Assets <i>(Part II , Annex 68-J, A)</i>	4
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates) <i>(Part II, Annex 68-J, B)</i>	5
C	Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements <i>(Part II 6D, Annex 68-J, C)</i>	6
D	Long-Term Debt <i>(Part II , Annex 68-J, D)</i>	7
E	Indebtedness to Related Parties (included in the consolidated statement of financial position) <i>(Part II , Annex 68-J, E)</i>	8
F	Guarantees of Securities of Other Issuers <i>(Part II, Annex 68-J, F)</i>	9
G	Capital Stock <i>(Part II , Annex 68-J, G)</i>	10

**SCHEDULE I**  
**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**DECEMBER 31, 2021**

**Vantage Equities, Inc.**  
15<sup>th</sup> Floor Philippine stock Exchange,  
5<sup>th</sup> Avenue cor. 28<sup>th</sup> St. Bonifacio Global City,  
Taguig City, Metro Manila, Philippines

<b>Unappropriated retained earnings, beginning</b>	<b>₱2,968,176,614</b>
<b>Add: Net income actually earned/realized during the period</b>	
Net income during the period closed to retained earnings	285,497,738
Less: Fair value adjustment (mark-to-market gains)	(2,523,076)
<b>Net income actually earned during the period</b>	<b>3,256,197,428</b>
Less: Treasury shares	(190,460,934)
<b>Total retained earnings, end available for dividend declaration</b>	<b>₱3,065,736,494</b>

**SCHEDULE II**  
**MAP SHOWING RELATIONSHIPS BETWEEN AND AMONG PARENT AND**  
**SUBSIDIARIES**



**VANTAGE EQUITIES, INC. and SUBSIDIARIES**  
**Schedule Showing Financial Soundness Indicators in Two Comparative Periods**

	<b>Formula</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current Ratio	Current Asset/Current Liabilities	1933.76%	2177.18%
Acid Test Ratio	(Cash Eq + Marketable Securities + Receivables )/Current Liabilities	1932.57%	2176.38%
Solvency Ratio	Net Income/Total Liabilities	77.81%	82.19%
Debt-to-Equity Ratio	Total Liabilities/Total Equity	5.68%	4.87%
Debt Ratio	Total Liabilities/Total Assets	5.38%	4.64%
Asset-to-Equity Ratio	Total Assets/Total Equity	105.68%	104.87%
Interest Rate Coverage Ratio	EBIT/Interest Expense	N/A	N/A
Return on Assets	Net Income/Average Total Asset	4.29%	3.86%
Return on Equity	Net Income/Average Total Equity	4.52%	4.08%
Net Profit Margin	Gross Profit/Net Income	123.47%	137.83%
Book Value Per Share	(Total Shareholder Equity – Preferred Equity)/No. of Outstanding Shares	2.65	2.54

**Vantage Equities, Inc. and Subsidiaries**  
**Schedule A - Financial Assets**  
**December 31, 2021**

<b>Name of issuing entity and association of each issue</b>	<b>Number of shares or principal amount of bonds or notes</b>	<b>Amount shown on the balance sheet</b>	<b>Valued based on market quotation at balance sheet date</b>	<b>Income accrued</b>
Financial Assets at FVPL:				
Quoted				
Government bonds	₱2,733,157,122	₱2,772,417,563	₱2,772,417,563	₱181,481,480
Corporate bonds	2,200,000,000	2,232,589,461	2,232,589,461	
Equity securities	246,089,348	1,648,436,734	1,648,436,734	9,743,567
Mutual fund	167,782,867	948,268,857	948,268,857	—
Derivative asset				

**Vantage Equities, Inc. and Subsidiaries**  
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and**  
**Principal Stockholders (Other than Related Parties)**  
**December 31, 2021**

<b>Name of Debtor</b>	<b>Balance at beginning of period</b>	<b>Additions</b>	<b>Amounts Collected</b>	<b>Amounts Written-off</b>	<b>Current</b>	<b>Non- Current</b>	<b>Balance at end of period</b>
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None to Report.

Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders are subject to usual terms in the normal course of business.

**Vantage Equities, Inc. and Subsidiaries**  
**Schedule C - Amounts Receivable from Related Parties which are eliminated**  
**during the consolidation of financial statements**  
**December 31, 2021**

<b>Name of Debtor</b>	<b>Balance at beginning of period</b>	<b>Additions</b>	<b>Amounts Collected (i)</b>	<b>Amounts Written-off (ii)</b>	<b>Current</b>	<b>Non-Current</b>	<b>Balance at end of period</b>
Vantage Financial Corporation	₱1,078,089	₱-	₱1,078,089	₱-	₱-	₱-	₱-
Philequity MSCI Index Fund, Inc.	282,491	331,541	282,491	₱-	331,541	₱-	331,541
Total	₱1,360,580	331,541	₱1,360,580	₱-	₱-	₱-	₱-

(i) If collected was other than in cash, explain.

(ii) Give reasons to write-off.

**Vantage Equities, Inc. and Subsidiaries**  
**Schedule D - Long-Term Debt**  
**December 31, 2021**

<b>Title of issue and type of obligation <sup>(i)</sup></b>	<b>Amount authorized by indenture</b>	<b>Amount shown under caption “Current portion of long-term debt” in related balance sheet <sup>(ii)</sup></b>	<b>Amount shown under caption “Long-Term Debt” in related balance sheet <sup>(iii)</sup></b>	<b>Interest Rate %</b>	<b>Maturity Date</b>
---	---	--	--	--------------------------------	--------------------------

None to Report.

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<sup>(i)</sup> Include in this column each type of obligation authorized.

<sup>(ii)</sup> This column is to be totalled to correspond to the related balance sheet caption.

<sup>(iii)</sup> Include in this column details as to interest rates, amounts or numbers of periodic instalments, and maturity dates.



**Vantage Equities, Inc. and Subsidiaries**  
**Schedule E - Indebtedness to Related Parties**  
**(included in the consolidated financial statement of position)**  
**December 31, 2021**

Name of Related Parties <sup>(i)</sup>	Balance at beginning of period	Balance at end of period <sup>(ii)</sup>
--	--------------------------------	--

None to Report.

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<sup>(i)</sup> The related parties named shall be grouped as in Schedule D. The information called shall be stated for any persons whose investments shown separately in such related schedule.

<sup>(ii)</sup> For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

**Vantage Equities, Inc. and Subsidiaries**  
**Schedule F - Guarantees of Securities of Other Issuers**  
**December 31, 2021**

<b>Name of issuing entity of securities guaranteed by the company for which this statement is filed</b>	<b>Title of issue of each class of securities guaranteed</b>	<b>Total amount of guaranteed and outstanding <sup>(i)</sup></b>	<b>Amount owned by person of which statement is filed</b>	<b>Nature of guarantee <sup>(ii)</sup></b>
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None to Report.

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(i) Indicate in a note any significant changes since the date of the last balance sheet file. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.

(ii) There must be a brief statement of the nature of the guarantee, such as "Guarantee of principal and interest", "Guarantee of Interest", or "Guarantee of Dividends". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

**Vantage Equities, Inc. and Subsidiaries**  
**Schedule G - Capital Stock**  
**December 31, 2021**

(Absolute numbers of shares)

<b>Title of Issue <sup>(i)</sup></b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under the related balance sheet caption</b>	<b>Number of shares reserved for options, warrants, conversion and other rights</b>	<b>Number of shares held by related parties <sup>(ii)</sup></b>	<b>Directors, officers and employees</b>	<b>Others <sup>(iii)</sup></b>
Common	5,000,000,000	4,199,582,266	None to Report	None to Report	783,258,776	Directors sold 115,080 shares

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<sup>(i)</sup> Include in this column each type of issue authorized

<sup>(ii)</sup> Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security.

<sup>(iii)</sup> Indicate in a note any significant changes since the date of the last balance sheet filed.



Emmylou Cayamanda &lt;emmylou.cayamanda@e-businessphil.ph&gt;

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**Vantage Equities Inc Parent\_AAFS\_31May2022**

2 messages

**Emmylou Cayamanda** <emmylou.cayamanda@e-businessphil.ph>

Tue, May 31, 2022 at 9:52 PM

To: ictdsubmission@sec.gov.ph

Cc: msrd\_covid19@sec.gov.ph, Angelica Cabanit &lt;angelica.cabanit@philequity.net&gt;, Marites Codenera &lt;marites.codenera@e-businessphil.ph&gt;

Greetings,

We are pleased to submit Vantage Equities Inc\_Parent AAFS as of and for the period ended 31December2021.

Warm regards,

Emmylou Cayamanda

**Vantage Equities Inc\_Parent AAFS\_31May2022.pdf**

1444K

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**ICTD Submission** <ictdsubmission+canned.response@sec.gov.ph>

Tue, May 31, 2022 at 9:54 PM

To: emmylou.cayamanda@e-businessphil.ph

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.

(Subject to Verification and Review of the Quality of the Attached Document)

Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at [www.sec.gov.ph](http://www.sec.gov.ph)

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**NOTICE**

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, Monthly Reports, Quarterly Reports, Letters, through email at

[ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph)

**Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST/OST or over- the- counter.**

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as:

AFS, GIS, GFFS, LCFS, LCIF, FCFS, FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC\_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please email to:

<https://apps010.sec.gov.ph>

**For your information and guidance.**

**Thank you and keep safe.**

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 9 2 0 0 7 0 5 9

**COMPANY NAME**

V A N T A G E E Q U I T I E S , I N C .

**PRINCIPAL OFFICE** (No. / Street / Barangay / City / Town / Province)1 5 t h F l o o r , P h i l i p p i n e S t o c k E  
x c h a n g e T o w e r , 2 8 t h S t . C o r n e r  
5 t h A v e . , B o n i f a c i o G l o b a l C i  
t y , T a g u i g C i t y , M e t r o M a n i l a

Form Type

A A F S

Department requiring the report

S E C

Secondary License Type, If Applicable

N / A

**COMPANY INFORMATION**

Company's Email Address

investorrelations@vantage.ph

Company's Telephone Number

8250-8750

Mobile Number

N/A

No. of Stockholders

607

Annual Meeting (Month / Day)

08/31

Fiscal Year (Month / Day)

12/31

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

Name of Contact Person

Ma. Angelica Cabanit

Email Address

angelica.cabanit@philequity.net

Telephone Number/s

8250-8713

Mobile Number

0917-590-7176

**CONTACT PERSON'S ADDRESS**15<sup>th</sup> Floor, Philippine Stock Exchange, 28th St. Corner 5th Ave., Bonifacio Global City, Taguig City, Metro Manila

**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.



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


The management of **Vantage Equities, Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached for the years ended December 31, 2021 and 2020 in accordance with the prescribed financial reporting framework indicated therein, and for such international control including the additional components attached therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error or fraud.

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


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

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

Sycip, Gorres, Velayo and Co., the independent auditors, appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
VALENTINO C. SY  
Chairman  
CTC No.:  
TIN: 122-335-536


  
EDMUNDO MARCO P. BUNYI JR  
Vice Chairman/CEO  
CTC No.:  
TIN: 107-184-956

  
JOSEPH L. ONG  
Treasurer  
CTC No.:  
TIN: 108-789-427

Signed this 31 day of May, 2022.

SUBSCRIBED AND SWORN to me before this MAY 16 2022 at MAKATI CITY exhibiting to me their Community Tax Certificates.

Doc. No. 150  
Page No. 37  
Book No. 284  
Series of 2022

  
**ATTY. GEORGE DAVID D. SITON**  
NOTARY PUBLIC FOR MAKATI CITY  
APPT. NO. M-401 - UNTIL DEC. 31, 2023  
ROLL NO. 66402 / MCLE COMPLAINT NO. VII-0310136/2-15-2022  
ISP CLE NUMBER 288-000001 MEMBER MAY 5, 2017  
PTR NO. P202060 JAN 02, 2022-MAKATI CITY  
EXECUTIVE BLDG. CENTER MAKATI AVE., COR. JUPITER ST., MAKATI CITY

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Vantage Equities, Inc.  
15th Floor, Philippine Stock Exchange Tower,  
28th St. Corner 5th Ave., Bonifacio Global City  
Taguig City, Metro Manila

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the parent company financial statements of Vantage Equities, Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Parent 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.

#### Other Information

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

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





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

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, 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 Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parent 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Parent 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 Parent 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 Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

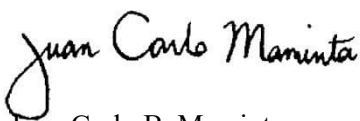
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Our audits were 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 in Note 26 to the parent company financial statements 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. Such information is the responsibility of the management of Vantage Equities, 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.

The engagement partner on the audit resulting in this independent auditor's report is Juan Carlo B. Maminta.

SYCIP GORRES VELAYO & CO.



Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260

Tax Identification No. 210-320-399

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 115260-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-132-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854326, January 3, 2022, Makati City

May 31, 2022



**VANTAGE EQUITIES, INC.****PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 6)	<b>₱1,288,595,538</b>	₱1,255,503,645
Receivables (Note 7)	<b>36,387,445</b>	45,824,293
Financial assets at fair value through profit or loss (Note 8)	<b>7,031,645,574</b>	6,737,207,298
Prepaid expenses and other current assets	<b>2,646,927</b>	2,953,568
Total Current Assets	<b>8,359,275,484</b>	8,041,488,804
<b>Noncurrent Assets</b>		
Investments in subsidiaries (Note 10)	<b>432,761,238</b>	432,761,238
Property and equipment (Note 11)	<b>39,128,729</b>	43,496,835
Deferred tax assets (Note 20)	<b>—</b>	11,098,931
Other noncurrent assets (Note 12)	<b>498,223</b>	605,015
Total Noncurrent Assets	<b>472,388,190</b>	487,962,019
	<b>₱8,831,663,674</b>	₱8,529,450,823
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accrued expenses and other current liabilities (Note 14)	<b>₱11,742,286</b>	₱11,721,189
Derivative liabilities (Note 8)	<b>9,176,000</b>	—
Income tax payable	<b>632,347</b>	533,526
Total Current Liabilities	<b>21,550,633</b>	12,254,715
<b>Noncurrent Liability</b>		
Retirement liability (Note 15)	<b>4,136,894</b>	4,077,130
Deferred tax liabilities (Note 20)	<b>7,107,827</b>	—
Total Noncurrent Liabilities	<b>11,244,721</b>	4,077,130
Total Liabilities	<b>32,795,354</b>	16,331,845
<b>Equity</b>		
Capital stock (Note 16)	<b>4,335,181,766</b>	4,335,181,766
Treasury stock (Note 16)	<b>(190,460,934)</b>	(190,460,934)
Retained earnings	<b>4,653,917,512</b>	4,368,419,774
Remeasurement losses on retirement plan (Note 15)	<b>229,976</b>	(21,628)
Total Equity	<b>8,798,868,320</b>	8,513,118,978
	<b>₱8,831,663,674</b>	₱8,529,450,823

*See accompanying Notes to Parent Company Financial Statements.*



**VANTAGE EQUITIES, INC.****PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2021	2020	2019
<b>TRADING AND INVESTMENT SECURITIES</b>			
<b>GAINS - NET</b> (Note 8)	<b>₱48,551,092</b>	<b>₱67,049,437</b>	<b>₱262,231,709</b>
<b>INTEREST INCOME</b> (Note 18)	<b>188,386,266</b>	<b>275,652,063</b>	<b>311,683,798</b>
<b>INCOME FROM BUSINESS PARTNER</b> (Note 19)	<b>42,903,215</b>	<b>—</b>	<b>—</b>
<b>REALIZED FOREIGN EXCHANGE</b> <b>GAIN</b> (Note 9)	<b>15,459,396</b>	<b>30,492,708</b>	<b>44,735,444</b>
<b>UNREALIZED FOREIGN EXCHANGE GAINS</b> <b>(LOSSES)</b> (Note 9)	<b>26,575,676</b>	<b>(25,798,237)</b>	<b>(46,999,198)</b>
<b>DIVIDEND INCOME</b> (Note 8)	<b>7,929,930</b>	<b>3,215,959</b>	<b>410,640</b>
<b>GENERAL AND ADMINISTRATIVE</b> <b>EXPENSES</b> (Note 17)	<b>(23,844,178)</b>	<b>(19,363,562)</b>	<b>(20,766,437)</b>
<b>OTHER GAINS (LOSSES) - NET</b>	<b>(813,485)</b>	<b>471,791</b>	<b>(6,863,077)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>305,147,912</b>	<b>331,720,159</b>	<b>544,432,879</b>
<b>PROVISION FOR INCOME TAX (BENEFIT)</b> (Note 20)	<b>19,650,174</b>	<b>16,663,687</b>	<b>(12,028,824)</b>
<b>NET INCOME</b>	<b>285,497,738</b>	<b>315,056,472</b>	<b>556,461,703</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b> <i>Item that will not recycle to profit or loss in     subsequent periods:</i>			
Remeasurement gains (losses) on retirement plan (Note 15)	<b>251,604</b>	<b>1,117,314</b>	<b>(1,649,256)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱285,749,342</b>	<b>₱316,173,786</b>	<b>₱554,812,447</b>
<b>EARNINGS PER SHARE</b> (Note 24)	<b>₱0.0679</b>	<b>₱0.0750</b>	<b>₱0.1325</b>

See accompanying Notes to Parent Company Financial Statements.



**VANTAGE EQUITIES, INC.****PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock (Note 16)	Treasury Stock (Note 16)	Retained Earnings	Remeasurement Gains (Losses) on Retirement Plan (Note 15)	Total
<b>Balance at January 1, 2021</b>	<b>₱4,335,181,766</b>	<b>(₱190,460,934)</b>	<b>₱4,368,419,774</b>	<b>(₱21,628)</b>	<b>₱8,513,118,978</b>
Total comprehensive income for the year	—	—	285,497,738	251,604	285,749,342
<b>Balance at December 31, 2021</b>	<b>₱4,335,181,766</b>	<b>(₱190,460,934)</b>	<b>₱4,653,917,512</b>	<b>₱229,976</b>	<b>₱8,798,868,320</b>
Balance at January 1, 2020	₱4,335,181,766	(₱190,460,934)	₱4,053,363,302	(₱1,138,942)	₱8,196,945,192
Total comprehensive loss for the year	—	—	315,056,472	1,117,314	316,173,786
Balance at December 31, 2020	₱4,335,181,766	(₱190,460,934)	₱4,368,419,774	(₱21,628)	₱8,513,118,978
Balance at January 1, 2019	₱4,335,181,766	(₱190,460,934)	₱3,496,901,600	₱510,314	₱7,642,132,746
Total comprehensive income for the year	—	—	556,461,702	(1,649,256)	554,812,446
Balance at December 31, 2019	₱4,335,181,766	(₱190,460,934)	₱4,053,363,302	(₱1,138,942)	₱8,196,945,192

*See accompanying Notes to Parent Company Financial Statements.*



**VANTAGE EQUITIES, INC.****PARENT COMPANY STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱305,147,912</b>	₱331,720,159	₱544,432,878
Adjustments for:			
Interest income (Note 18)	<b>(188,386,266)</b>	(275,652,063)	(311,683,798)
Unrealized foreign exchange gain (loss) (Note 9)	<b>(26,575,676)</b>	25,798,237	46,999,198
Dividend income (Note 8)	<b>(7,929,930)</b>	(3,215,959)	(410,640)
Trading and investment securities losses (gains) - net (Note 8)	<b>2,523,076</b>	(3,056,702)	(206,970,608)
Depreciation and amortization (Notes 11)	<b>4,368,106</b>	4,462,263	5,383,275
Retirement costs (Note 15)	<b>395,236</b>	505,969	552,075
Operating income before working capital changes	<b>89,542,458</b>	80,561,904	78,302,380
Decrease (increase) in:			
Receivables	<b>15,770,587</b>	45,768,019	178,604,575
Financial assets at fair value through profit or loss	<b>(287,265,852)</b>	102,825,493	(3,465,935,839)
Prepaid expenses and other current assets	<b>413,290</b>	1,772,488	(5,601)
Other noncurrent assets	<b>—</b>	—	—
Increase (decrease) in accrued expenses and other current liabilities	<b>9,197,099</b>	(57,751,007)	56,239,962
Net cash generated from (used in) operations	<b>(172,342,418)</b>	173,176,897	(3,152,794,523)
Interest received	<b>182,052,527</b>	268,210,525	336,516,524
Income tax paid	<b>(1,428,322)</b>	(3,857,426)	(11,821,691)
Net cash provided by (used in) operating activities	<b>8,281,787</b>	437,529,996	(2,828,099,690)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property and equipment (Note 11)	—	—	88,255
Proceeds from maturity of investments at amortized cost	—	—	67,638,762
Acquisitions of:			
Investments at amortized cost	—	—	(45,955,163)
Investment in a subsidiary (Note 10)	—	—	(2,650,000)
Property and equipment (Note 11)	—	(95,999)	(813,287)
Dividends received (Note 8)	<b>7,929,930</b>	3,215,959	410,640
Net cash provided by investing activities	<b>7,929,930</b>	3,119,960	18,719,207
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from notes payable	<b>350,000,000</b>	—	—
Payment of notes payable	<b>(350,000,000)</b>	—	—
Net cash provided by (used in) financing activities	—	—	—
<b>EFFECT OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>	<b>16,880,176</b>	(25,865,737)	(57,247,346)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>33,091,893</b>	414,784,219	(2,866,627,829)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,255,503,645</b>	840,719,426	3,707,347,255
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>₱1,288,595,538</b>	₱1,255,503,645	₱840,719,426

See accompanying Notes to Parent Company Financial Statements.



# VANTAGE EQUITIES, INC.

## NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

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### 1. Corporate Information

Vantage Equities, Inc. (the Parent Company) was incorporated in the Philippines and was registered with the Philippine Securities and Exchange Commission (SEC) on October 20, 1992. The primary business of the Parent Company is to invest in, acquire by purchase, exchange, assignment or otherwise of the capital stock, bonds, debentures, promissory notes and similar financial instruments. The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE).

The Parent Company's principal address is 15th Floor Philippine Stock Exchange Tower, 28th St. Corner 5th Ave., Bonifacio Global City, Taguig City, Metro Manila, Philippines.

### 2. Summary of Significant Accounting Policies

#### Basis of Preparation

The accompanying parent company financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) which are measured at fair value. The parent company financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency, and all values are rounded to the nearest peso except when otherwise indicated.

#### Presentation of Financial Statements

The parent company financial statements provide comparative information in respect of the previous period.

#### Statement of Compliance

The accompanying parent company financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). These may be obtained at the Parent Company's registered address as indicated in Note 1 to the parent company financial statements, at the SEC and at the PSE.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021. The Parent 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 consolidated financial statements of the Parent Company.

- **Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021***

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;



- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Parent Company shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

### Summary of Significant Accounting Policies

#### Current versus Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company statement of financial position based on current or noncurrent classification.

An asset is current if:

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

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or





- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

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

#### Foreign Currency Transactions

For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities of the Parent Company are translated in Philippine peso based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rates as at the date of transaction. All differences are taken to the parent company statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the prevailing closing exchange rate as of the date of initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined

#### *Unrealized foreign exchange gain (loss)*

This account pertains to the unrealized foreign exchange gain earned by the Parent Company from the maturity of their US\$ denominated short-term deposits and the revaluation made for their non-deliverable forward contracts (NDFs). Any foreign exchange gain earned is lodged as unrealized since, upon maturity of the deposits, the entire proceed, including interest earned, is retained in the Parent Bank's US\$ bank account. Unrealized foreign exchange gain is recognized for the valuation of foreign currency denominated short-term deposits and revaluation of the NDF at month-end.

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

#### Fair Value Measurement

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.



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

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

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

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

#### Financial Instruments - Initial Recognition and Subsequent Measurement

##### *Date of recognition*

The Parent Company recognizes a financial asset or a financial liability in the parent company statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial instruments that require delivery of assets and liabilities within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

##### *Initial recognition of financial instruments*

Financial instruments are initially recognized at fair value of the consideration given. The initial measurement of financial instruments includes transaction costs, except for financial instruments at financial assets at FVTPL.

##### *'Day 1' difference*

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss in the parent company statement of income unless it qualifies for recognition as some other type of asset. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss in the parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the 'Day 1' difference amount.

In 2021, 2020 and 2019, there were no 'Day 1' differences recognized in profit or loss in the statement of comprehensive income.

#### Classification and subsequent measurement of financial instruments

##### *Financial assets*

For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under PAS 32, *Financial Instruments*):



*Presentation*), except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are ‘debt instruments’.

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Parent Company’s business model for managing financial assets. The Parent Company classifies its financial assets into the following categories: financial assets at FVTPL, financial assets at fair value through other comprehensive income (FVOCI) with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets measured at amortized cost.

#### *Contractual cash flows characteristics*

The Parent Company assesses whether the cash flows from the financial asset represent “solely payment of principal and interest” or “SPPI” on the principal amount outstanding. Instruments with cash flows that do not represent as such are classified at FVTPL.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

In making this assessment, the Parent Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

#### *Business model*

The Parent Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Parent Company’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers, if any, of the business are compensated.

The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Parent Company’s original expectations, the Parent Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As of December 31, 2021 and December 31, 2020, the Parent Company has no financial assets at FVOCI.



#### *Financial assets at FVTPL*

Debt financial assets that do not meet the amortized cost criteria, or that meet the criteria but the Parent Company has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss. Equity investments are classified as at FVTPL, unless the FVTPL designates an investment that is not held for trading as at FVOCI at initial recognition.

The Parent Company's financial assets at FVTPL include equity securities held for trading purposes and equity investments not designated as at FVOCI.

A financial asset is held for trading if:

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

Financial assets at FVTPL are carried at fair value and gains and losses on these instruments are recognized as 'Trading and investment securities gains (losses) - net' in the parent company statement of comprehensive income. Interest earned on these investments is reported in the parent company statement of income under 'Interest income' while dividend income is reported in the parent company statement of income under 'Dividend income' when the right of payment has been established.

As of December 31, 2021 and December 31, 2020, the Parent Company's financial assets at FVTPL consists of investments in corporate bonds, government securities, equity securities, mutual funds and derivate assets.

#### *Derivatives classified as FVTPL*

Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets at FVTPL when the fair value is positive and as financial liabilities at FVTPL when the fair value is negative. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the parent company statement of income under 'Unrealized foreign exchange gain (loss)'. The Parent Company has currency forwards (NDF) which are considered as stand-alone derivatives as of December 31, 2021 and December 31, 2020.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of PFRS 9 (e.g., financial liabilities and non-financial host contracts) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

The Parent Company assesses the existence of an embedded derivative on the date it first becomes a party to the contract, and performs re-assessment only where there is a change to the contract that significantly modifies the contractual cash flows.

#### *Financial assets at amortized cost*

Debt financial asset is measured at amortized cost if both of the following conditions are met:

- (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and



- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as 'Interest income' in the statement of income. The Parent Company's financial assets at amortized cost consist of 'Cash and cash equivalents', 'Receivables' and 'Investments at amortized cost'.

#### *Reclassifications of financial assets*

The Parent Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Parent Company and any previously recognized gains, losses or interest shall not be restated.

#### *Financial liabilities*

Financial liabilities are classified as financial liabilities at FVTPL and other financial liabilities.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

As of December 31, 2021 and December 31, 2020, the Parent Company has no financial liabilities at FVTPL.

#### *Other financial liabilities*

This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL at the inception of the liability. Other financial liabilities are recognized initially at fair value and are subsequently 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 directly attributable transaction costs.

This category includes 'Accrued expenses and other liabilities'.

#### Derecognition of Financial Assets and Financial Liabilities

##### *Financial assets*

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

- the rights to receive cash flows from the asset have expired; or
- the Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Parent Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred the control over the asset.

Where the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.



#### *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

#### Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties. This is not generally the case with master netting agreements where the related assets and liabilities are presented gross in the parent company statement of financial position.

#### Derecognition of Financial Assets and Liabilities

##### *Financial assets*

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

- the rights to receive cash flows from the asset have expired;
- the Parent Company retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Parent Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership and retained control over the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over the asset.

Where the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a “pass-through arrangement”, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

#### Impairment of Financial Assets

The Parent Company record the allowance for expected credit losses for all loans and receivables and other debt financial assets not held at FVTPL all referred to as ‘financial instruments’. Equity instruments are not subject to impairment under PFRS 9.



ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

#### *Staging assessment*

A three-stage approach for impairment of financial assets is used, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The criteria for determining whether an account should be assessed under Stage 1 are as follows: (i) current or past due up to 30 days; (ii) unclassified. The Parent Company recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all financial instruments which have experienced a SICR as of reporting date compared to initial recognition. The Parent Company recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Parent Company's criteria for Stage 3 accounts are generally aligned with the definition of "default" which is explained in the next paragraph. The Parent Company recognizes a lifetime ECL for Stage 3 financial instruments.

#### *Definition of "default" and "restored"*

The Parent Company classifies loans, investments, receivables, or any financial asset as in default when it is credit impaired, becomes past due on its contractual payments for more than 90 days, considered non-performing, under litigation or is classified as doubtful or loss. As part of a qualitative assessment of whether a customer is in default, the Parent Company considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Parent Company carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

#### *Credit risk at initial recognition*

The Parent Company uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.



*Significant increase in credit risk*

The assessment of whether there has been a significant increase in credit risk is based on an increase in the probability of a default occurring since initial recognition. The SICR criteria vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. For cash in bank, the credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Parent Company's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. If contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Parent Company shall revert to recognizing a 12-month ECL.

*ECL parameters and methodologies*

ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stages 2 and 3. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Parent Company segments its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It makes use of defaulted accounts that have either been identified as cured, restructured, or liquidated.

The Parent Company segmented its LGD based on homogenous risk characteristics and calculated the corresponding segment-level averages.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

*Forward-looking information*

The Parent Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.





The key forward-looking economic variables used in each of the economic scenarios for the ECL calculations are unemployment rate, household expenditure, PSE all shares index, interest rate benchmark for 3 months and 20 years.

#### *Write-offs*

Financial assets are written off either partially or in their entirety only when the Parent Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Write-offs are charged against previously established allowance for credit losses.

#### Investments in Subsidiaries

Investments in subsidiaries are carried in the statement of financial position at cost, less any impairment.

Using the cost method of accounting, the Parent Company recognizes income only to the extent that it receives distributions from the accumulated net income of the investee arising subsequent to the date of acquisition. Distributions received in excess of such profits are considered a recovery of investment and are recorded as a reduction of the cost of the investment.

The reporting date of the Parent Company and its subsidiaries are identical and the subsidiaries' accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances.

#### Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any costs directly attributable to bringing the property and equipment to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against income in the year in which such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

When each major repairs and maintenance is performed, its cost is recognized in the carrying amount of the item of property and equipment as a replacement if the recognition criteria are satisfied. Such costs are capitalized and amortized over the next major repairs and maintenance activity.

Depreciation are computed using the straight-line basis over the estimated useful life of the property and equipment as follows:

	Years
Office condominium	20 years
Office improvements	10 years
Furniture, fixtures and equipment	3-10 years
Transportation equipment	5 years
Leasehold improvements	5 years or term of the lease, whichever period is shorter



The useful lives, residual values and depreciation method are reviewed periodically to ensure that the periods, residual values and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation or amortization are charged against profit or loss in the parent company statement of comprehensive income.

When property and equipment are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization and any impairment in value are eliminated from the accounts and any resulting gain or loss is credited to or charged against profit or loss in the parent company statement of comprehensive income.

#### Impairment of Non-financial Assets

The Parent Company assesses at each reporting date whether there is an indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the Parent Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been previously recognized. Such reversal is recognized in the profit or loss in the parent company statement of comprehensive income. After such reversal, the depreciation or amortization is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

#### Revenue Recognition

The Parent Company follows a five-step model to account for revenue arising from the contracts with customers. The five-step model is as follows:

- a. Identify the contract(s) with customer
- b. Identify the performance obligations in the contract
- c. Determine the transaction price
- d. Allocate the transaction price to the performance obligation
- e. Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.



The Parent Company exercises judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Parent Company is acting as principal in all revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized outside the scope of PFRS 15:

*Trading and investment securities gains - net*

Trading and investment securities gains - net represents gains from trading activities and changes in fair values of financial instruments at FVTPL. Revenue is recognized on trade date upon receipt of confirmation of sale of investments from counterparties.

*Dividend income*

Dividend income is recognized when the Parent Company's right to receive payment is established.

*Interest income*

Interest income is recognized in profit or loss for all instruments measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Parent Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

*Income from business partner*

Income from business partner is recognized at the time the services are rendered.

Expense Recognition

Expenses are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

*General and administrative expenses*

General and administrative expenses, which include the cost of administering the business are not directly associated with the generation of revenue, are expensed as incurred.

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;



- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

*Parent Company as lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss in the parent company statement of comprehensive income on a straight-line basis over the lease term.

*Parent Company as a lessor*

Leases where the Parent Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Retirement Costs

The Parent Company has an unfunded, non-contributory defined benefit retirement plan covering substantially all of its regular employees.

The net defined 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 (if any), 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.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

Defined benefit costs comprise of the following:

- a. service cost;
- b. net interest on the net defined benefit liability or asset; and
- c. remeasurements of net defined benefit liability or asset.

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



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

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

### Income Taxes

#### *Current tax*

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

The Parent Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

#### *Deferred tax*

Deferred tax is provided, using the liability method, on all temporary differences and carryforward benefits of minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO) at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from the excess of MCIT over regular corporate income tax (RCIT) and unused NOLCO, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred tax assets, however, are not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Movements in deferred tax assets and liabilities arising from changes in tax rate are charged or credited to income for the year.

Deferred tax relating to items recognized directly in other comprehensive income are also recognized in other comprehensive income.



#### Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as a payable in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

#### Equity

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Capital paid-in excess of par value' account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Capital paid-in excess of par value' account. If the 'Capital paid-in excess of par value' is not sufficient, the excess is charged against the 'Retained earnings'.

When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the parent company statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments.

'Retained earnings' represents accumulated earnings of the Parent Company less dividends declared.

#### Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the Board of Directors (BOD) and shareholders of the Parent Company while stock dividends are deducted from retained earnings upon distribution. Dividends for the year that are approved after reporting date are dealt with as subsequent events.

#### Basic/Diluted Earnings per Share

Basic earnings per share (EPS) is determined by dividing net income (loss) by the weighted average number of shares outstanding during the year with retroactive adjustments for any stock split and stock dividends declared.

Diluted EPS is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive potential common shares. As of December 31, 2019, 2018 and 2017, the Parent Company does not have dilutive potential common shares.

#### Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.



Where the Parent Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain that the expense relating to any provision is presented in the profit or loss in the parent company statement of comprehensive income, net of any reimbursement.

#### Contingent Liabilities and Contingent Assets

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

#### Events After the Reporting Date

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

#### Segment Reporting

The Parent Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 23. The Parent Company's assets producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

#### Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Parent Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Parent Company's consolidated financial statements.

##### *Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

##### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

##### *Effective beginning on or after January 1, 2024*

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



*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

*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*

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### 3. Significant Accounting Estimates

The preparation of the parent company financial statements in accordance with PFRS requires the management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent assets and liabilities, if any. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the parent company financial statements as they become reasonably determinable.

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

#### Judgment

##### *a. Recognition of deferred tax assets*

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is possible that taxable income will be available against which the differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets to be recognized, based upon likely timing and level of future taxable income.

The deductible temporary differences for which deferred tax assets and liabilities were recognized in the statements of financial position as of December 31, 2021 and 2020 are disclosed in Note 20.

#### 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 material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### *a. Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recognized or disclosed in the financial statements cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and identification of comparable investments and applicable credit spread to arrive at adjusted quoted market prices.

The carrying values and corresponding fair values of financial instruments as well as the manner in which fair values were determined are discussed in more detail in Note 5.

Derivative assets and liabilities recognized in the statement of financial position as of December 31, 2021 and 2020 are disclosed in Note 8.





*b. Credit losses on financial assets*

The Parent Company reviews its debt financial assets subject to ECL annually with updating provisions as necessary. The measurement of credit losses requires judgment, in particular, the estimation of amount and timing of future cash flows and collateral values when determining the credit losses and the assessment of SICR. Elements of the model used to calculate ECL that are considered accounting estimates and judgments, include among others:

- Segmentation of financial assets to determine appropriate ECL model and approach
- Criteria for assessing whether there has been SICR in the debt financial assets and so allowances be measured on a lifetime ECL basis and the qualitative assessment
- Segmentation of financial assets when ECL is calculated on a collective basis
- Development of ECL models, including formula and various inputs
- Selection of forward-looking macroeconomic variables and scenarios

The gross carrying amounts of financial assets subject to ECL as of December 31, 2021 and December 31, 2020 are disclosed in Note 4, while the related ECL allowances for credit losses are disclosed in Note 7.

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#### **4. Financial Risk Management Objectives and Policies**

The Parent Company's principal financial instruments consist of cash and cash equivalents, receivables, financial assets at FVTPL, investments at amortized cost, accrued expenses and other liabilities. The Parent Company also has various other financial assets and liabilities such as deposits.

The main risks arising from the Parent Company's financial instruments are credit risk, liquidity risk and market risks. The BOD reviews and approves the policies for managing each risk and these are summarized below.

*Credit risk*

Credit risk is the risk that the Parent Company will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Parent Company manages and controls credit risk by trading only with recognized, creditworthy third parties. It is the Parent Company's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis so that the Parent Company's exposure to credit losses is not significant. Since the Parent Company trades only with recognized third parties, there is no requirement for collateral.

*Maximum exposure to credit risk*

As of December 31, 2021 and 2020, the Parent Company's maximum exposure to credit risk is equal to the carrying values of its financial assets since it does not hold any collateral or other credit enhancements that will mitigate credit risk exposure.

The fair values of financial assets at FVTPL represent the credit risk exposure as of the reporting date but not the maximum risk exposure that could arise in the future as a result of changes in fair value of the said instruments.

The Parent Company's trade and other receivables are assessed for impairment based on its lifetime ECL. The allowance for credit losses amounting ₱4.01 million and ₱68.47 million as of December 31, 2021 and 2020 pertain to fully-impaired trade and other receivables.



*Credit quality per class of financial assets*

The tables below show the credit quality of the Parent Company's financial assets based on its stage classification as of December 31, 2021 and 2020. The amounts presented are gross of impairment allowances.

	2021			
	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired				
Grade A				
Cash and cash equivalents*	₱1,288,590,538	₱–	₱–	₱1,288,590,538
Interest receivable	–	30,530,238	–	30,530,238
Financial assets at fair value through profit or loss	7,031,645,574	–	–	7,031,645,574
Grade B				–
Trade receivable	–	6,065,628	–	6,065,628
Due from broker	–	2,215,264	–	2,215,264
Other receivables	–	1,343,629	–	1,343,629
Deposits (included in “Other noncurrent assets”)	478,211	–	–	478,211
Grade C	–	–	–	–
Impaired				
Trade receivable	–	–	4,006,626	4,006,626
	₱8,320,714,323	₱40,154,759	₱4,006,626	₱8,364,875,708

\*Excludes cash on hand

	2020			
	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired				
Grade A				
Cash and cash equivalents*	₱1,255,498,645	₱—	₱—	₱1,255,498,645
Interest receivable	36,863,977	—	—	36,863,977
Financial assets at fair value through profit or loss	6,737,207,298			6,737,207,298
Grade B				—
Trade receivable	—	—	—	—
Due from broker	—	7,889,230	—	7,889,230
Other receivables	—	1,122,245	—	1,122,245
Deposits (included in “Other noncurrent assets”)	478,211	—	—	478,211
Grade C	—	—	—	—
Impaired				
Trade receivable	—	—	68,472,723	68,472,723
	₱8,030,048,131	₱9,011,475	₱68,472,723	₱8,107,532,329

The table below shows the credit quality of the Parent Company's neither past due nor impaired financial assets based on historical experience with the corresponding third parties.

	2021			Total
	Grade A	Grade B	Grade C	
Cash and cash equivalents*	₱1,288,590,538	₱—	₱—	₱1,288,590,538
Receivables:				
Trade receivables	—	—	—	—
Due from broker	—	2,215,264	—	2,215,264
Interest receivable	30,530,238	—	—	30,530,238
Receivable from sale of investment	—	—	—	—
Others	—	—	—	—
FVTPL investments:				
Corporate bonds	2,812,947,926	—	—	2,812,947,926
Government bonds	2,192,059,097	—	—	2,192,059,097
Mutual funds	1,023,975,067	—	—	1,023,975,067
Equity securities	1,002,663,484	—	—	1,002,663,484
Derivative assets	—	—	—	—
Deposits (included in "Other noncurrent assets")	—	478,211	—	478,211
	<b>₱8,350,766,350</b>	<b>₱2,693,475</b>	<b>₱—</b>	<b>₱8,353,459,825</b>

\*Excludes cash on hand



	2020			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents*	₱1,255,498,645	₱–	₱–	₱1,255,498,645
Receivables:				
Trade receivables	–	–	–	–
Due from broker	–	7,889,230	–	7,889,230
Interest receivable	36,863,977	–	–	36,863,977
Receivable from sale of investment	–	–	–	–
Others	–	1,122,245	–	1,122,245
FVTPL investments:				
Corporate bonds	3,495,088,751	–	–	3,495,088,751
Government bonds	2,214,589,097	–	–	2,214,589,097
Mutual funds	932,927,840	–	–	932,927,840
Equity securities	94,082,110	–	–	94,082,110
Derivative assets	519,500	–	–	519,500
Deposits (included in “Other noncurrent assets”)	–	478,211	–	478,211
	₱8,029,569,920	₱9,489,686	₱–	₱8,039,059,606

\*Excludes cash on hand

The Parent Company rates its financial assets based on internal and external credit rating system. The credit quality of treasury exposures is generally monitored through the external ratings of eligible external credit assessment rating institutions.

Credit Quality	External Rating				
Investment Grade (Grade A)	Aaa	Aa	A	Baa	Ba
Non-Investment Grade (Grade B)	Ba	B	Caa	Ca	C
Impaired (Grade C)	D				

Grade A financial assets pertain to those investments with counterparties of good credit standing or receivables from clients or customers that consistently pay on or before the maturity date.

Grade B and C include those receivables being collected on due dates with varying collection efforts required, ranging from minimum to moderate that may require close monitoring.

Cash and cash equivalents are classified as Grade A because it is deposited with reputable banks.

Financial assets at FVTPL are classified as Grade A since these mostly pertain to investments in listed companies and government-issued bonds.

#### *Liquidity risk*

Liquidity risk is the risk that the Parent Company will be unable to meet its payment obligations when they fall due under normal and stressful circumstances. To limit this risk, the Parent Company closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when they fall due. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations.

#### *Financial assets*

Except for other financial assets, the analysis into maturity groupings is based on the expected dates on which the assets will be realized. For other financial assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date.

#### *Financial liabilities*

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Parent Company can be required to pay.



The table below shows the financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled.

	2021					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	More than 5 years	
<b>Financial Assets</b>						
Cash and cash equivalents	₱954,455,306	₱334,244,300	₱—	₱—	₱—	₱1,288,699,606
Receivables:						
Trade receivables	6,065,628	—	—	—	—	6,065,628
Due from broker	—	2,215,264	—	—	—	2,215,264
Interest receivables	—	30,530,238	—	—	—	30,530,238
Other receivables	—	1,582,941	—	—	—	1,582,941
FVTPL investment:						
Quoted:						
Mutual funds	1,023,975,067	—	—	—	—	1,023,975,067
Equity securities	1,002,663,484	—	—	—	—	1,002,663,484
Government bonds*	—	21,771,449	2,258,180,235	—	—	2,279,951,685
Corporate bonds*	—	23,738,176	2,866,979,404	—	—	2,890,717,580
Deposits (included in 'Other noncurrent assets')	—	—	478,211	—	—	478,211
	₱2,987,159,485	₱414,082,369	₱5,125,637,850	₱—	₱—	₱8,526,879,704
<b>Financial Liabilities</b>						
Accrued expenses and other liabilities:						
Accrued expenses	₱—	₱4,535,886	₱—	₱—	₱—	₱4,535,886
Accounts payable	—	1,198,771	—	—	—	1,198,771
Derivative liabilities	—	9,176,000	—	—	—	9,176,000
Others	—	1,970,276	—	—	—	1,970,276
	₱—	₱16,880,933	₱—	₱—	₱—	₱16,880,933

\*Includes accrued interest receivable, and future interest

	2020					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	More than 5 years	
<b>Financial Assets</b>						
Cash and cash equivalents	₱450,234,865	₱805,698,929	₱—	₱—	₱—	₱1,255,933,794
Receivables:						
Trade receivables	29,589,652	—	—	—	—	29,589,652
Due from broker	—	7,889,230	—	—	—	7,889,230
Receivable from related party	—	—	—	—	—	—
Interest receivables	—	36,863,977	—	—	—	36,863,977
Receivable from sale of investment	38,592,600	—	—	—	—	38,592,600
Other receivables	—	1,361,557	—	—	—	1,361,557
FVTPL investment:						
Quoted:						
Mutual funds	₱932,927,840	₱—	₱—	₱—	₱—	₱932,927,840
Equity securities	94,082,110	—	—	—	—	94,082,110
Government bonds*	—	100,285,611	3,348,948,296	—	—	3,449,233,907
Corporate bonds*	—	442,284,416	2,868,818,561	—	—	3,311,102,977
Derivative assets	—	519,500	—	—	—	519,500
Deposits (included in 'Other noncurrent assets')	—	—	478,211	—	—	478,211
	₱1,545,427,067	₱1,394,903,220	₱6,218,245,068	₱—	₱—	₱9,158,575,355
<b>Financial Liabilities</b>						
Accrued expenses and other liabilities:						
Accrued expenses	₱—	₱1,026,816	₱—	₱—	₱—	₱1,026,816
Accounts payable	—	1,195,491	—	—	—	1,195,491
Derivative liabilities	—	—	—	—	—	—
Others	—	1,981,743	—	—	—	1,981,743
	₱—	4,204,050	₱—	₱—	₱—	4,204,050

\*Includes accrued interest receivable, and future interest



### Market risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in market prices (price risk), foreign exchange rates (currency risk) and market interest rates (interest rate risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Parent Company is exposed to the risk that the value of its financial assets will be adversely affected by the fluctuations in the price level or volatility of one or more of the said assets. The two main components of the risks recognized by the Parent Company are systematic risk and unsystematic risk.

Systematic risk is the variability in price caused by factors that affect all securities across all markets (e.g. significant economic or political events). Unsystematic risk, on the other hand, is the variability in price caused by factors which are specific to the particular issuer (corporation) of the debt or equity security. Through proper portfolio diversification, this risk can be minimized as losses on one particular debt security may be offset by gains in another.

To further mitigate these risks, the Parent Company ensures that the investment portfolio is adequately diversified taking into consideration the size of the portfolio.

#### a. Foreign currency risk

The Parent Company has transactional currency exposures. The Parent Company's financial instruments which are denominated in foreign currency include cash and cash equivalents, receivables, and financial assets at FVTPL. The Parent Company maintains several United States dollar (US\$) accounts to manage its foreign currency denominated transactions.

The Parent Company's financial assets and liabilities denominated in US\$ are as follows:

	2021		2020	
Cash and cash equivalents	\$1,646,092	₱83,949,037	\$10,745,651	₱516,038,399
Financial assets at FVTPL - debt	10,022,834	511,154,511	10,454,297	502,046,708
Accrued interest receivable	151,649	7,733,936	120,774	5,799,950
Accounts receivable - others	46,416	2,367,160	368	17,687
	11,866,990	605,204,644	21,321,090	1,023,902,744
Currency forwards	(13,000,000)	(662,987,000)	(21,000,000)	(1,008,483,000)
Net exposure	(\$1,133,010)	(₱57,782,356)	\$321,090	₱15,419,744

In translating the foreign currency denominated assets and liabilities into peso amounts, the exchange rate used was ₱50.999 to US\$1 and ₱48.023 to US\$1 as of December 31, 2021 and 2020.

The following table presents the impact on the Parent Company's income before income tax due to change in the fair value of its monetary assets and liabilities, brought out by a reasonably possible change in the US dollar to Peso exchange rate, with all other variable held constant. There is no other impact on equity other than those affecting earnings.

	2021		2020	
	Change in Foreign Exchange Rate	Effect on Income before tax	Change in Foreign Exchange Rate	Effect on Income before tax
Increase	+0.90%	₱747,201	+0.90%	(₱177,350)
Decrease	-0.90%	(747,201)	-0.90%	177,350



*Equity price risk*

Equity price risk is the risk that the fair value of quoted investments will fluctuate as a result of changes in the value of individual stock investment.

The table below demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Parent Company's equity. The impact on the Parent Company's equity already excludes the impact on transactions affecting the income before income tax. The possible change in equity prices was determined using historical closing prices of the benchmark 30-company Philippine stock index (PSEi).

	2021		2020	
	% Variance on Equity Price	% Variance on Equity Price	% Variance on Equity Price	Effect on Equity
Increase	12.637%	₱94,516,002	13.256%	₱117,449,601
Decrease	-12.637%	(94,516,002)	-13.256%	(117,449,601)

The table below demonstrates how the change in the investment portfolio of the Parent Company's mutual funds affects income before income tax with a reasonably possible change in the net asset value for the years ended December 31, 2021 and 2020 with all other variables held constant.

There is no other impact on the Parent Company mutual fund's equity account other than those already affecting the profit or loss in the statements of comprehensive income.

	2021		2020	
	% Variance on net asset value	Effect on Equity	% Variance on net asset value	Effect on Equity
Increase	12.637%	₱110,269,138	13.256%	₱106,658,794
Decrease	-12.637%	(110,269,138)	-13.256%	(106,658,794)

*b. Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Parent Company's exposure to market risk for changes in interest rates relates primarily to the Parent Company's debt securities booked at FVTPL and investments at amortized cost.

The Parent Company's market risk policy requires it to manage interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets.

The following table demonstrates the sensitivity of the Parent Company's FVTPL debt securities to a reasonably possible change in interest rates for the year ended December 31, 2021 and 2020.

	2021	2020
<i>Basis points</i>	Effect on Pre-Tax Equity	Effect on Pre-Tax Equity
+100	(₱88,256,186)	(₱115,712,449)
-100	94,784,508	114,098,852

As of December 31, 2021 and 2020, the Parent Company's interest-bearing financial assets and liabilities have fixed interest rates. As such, the Parent Company's exposure to interest rate risks is minimal.



## 5. Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

### *Cash and cash equivalents, receivables and accrued expenses and other current liabilities*

The carrying amounts of these financial assets and liabilities approximate fair values due to the relatively short-term maturity of these financial instruments.

### *Financial assets and liabilities at FVTPL*

Fair values are generally based on quoted market prices. For the Parent Company's equity investments, fair values are determined based on quoted closing prices or bid price in cases when the former is not available in the PSE for 2021 and 2020. For the Parent Company's fixed income investments, fair values are determined based on BVAL reference rates for 2021 and 2020, respectively. If market prices are not readily available or if the securities are not traded in an active market, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. For unquoted equity securities for which no reliable basis for fair value measurement is available, these are carried at cost net of impairment, if any. For the Parent Company's mutual funds, fair values are estimated using published net asset value (NAV).

### *Derivative instruments (included under financial assets at FVTPL)*

Fair values are calculated by reference to the prevailing interest differential and spot exchange rate as of reporting date, taking into account the remaining term to maturity of the derivative instruments.

The fair value hierarchy as of December 31, 2021 and 2020 follows:

	2021				
	Carrying Amount	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Financial assets at FVTPL:					
Corporate bonds	₱2,812,947,926	₱2,812,947,926	₱—	₱—	₱2,812,947,926
Government bonds	2,192,059,097	2,192,059,097	—	—	2,192,059,097
Mutual funds	1,023,975,067	—	1,023,975,067	—	1,023,975,067
Equity securities	1,002,663,484	1,002,663,484	—	—	1,002,663,484
	<b>₱7,031,645,574</b>	<b>₱6,007,670,507</b>	<b>₱1,023,975,067</b>	<b>₱—</b>	<b>₱7,031,645,574</b>
<b>Financial liability</b>					
Derivative liability	₱9,176,000	₱—	₱9,176,000	₱—	₱9,176,000



2020					
	Carrying Amount	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>					
Financial assets at FVTPL:					
Corporate bonds	₱3,495,088,751	₱3,495,088,751	₱—	₱—	₱3,495,088,751
Government bonds	2,214,589,097	2,214,589,097	—	—	2,214,589,097
Mutual funds	932,927,840	—	932,927,840	—	932,927,840
Equity securities	94,082,110	94,082,110	—	—	94,082,110
Derivative assets	519,500	—	519,500	—	519,500
	<b>₱6,737,207,298</b>	<b>₱5,803,759,958</b>	<b>933,447,340</b>	<b>—</b>	<b>₱6,737,207,298</b>
<i>Financial liability</i>					
Derivative liability	₱—	₱—	₱—	₱—	₱—

Fair value measurement of financial assets and liabilities under Level 2 were based on interest rates and yield curves, implied volatilities and foreign exchange spread.

As of December 31, 2021 and 2020, there are no transfers into and out of Level 1, Level 2 and Level 3 fair value hierarchy.

## 6. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	<b>₱5,000</b>	₱5,000
Cash in banks	<b>954,455,306</b>	450,229,863
Cash equivalents	<b>334,135,232</b>	805,268,782
	<b>₱1,288,595,538</b>	<b>₱1,255,503,645</b>

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company and earn interest at the prevailing short-term deposit rates.

The table below shows the range of annual interest rates for cash equivalents.

	2021	2020	2019
Philippine peso	<b>0.25%-0.75%</b>	0.25% - 3.50%	1.00% - 6.98%
US dollar	<b>0.13%-0.63%</b>	0.13% - 1.25%	1.10% - 2.75%

In 2021, 2020 and 2019, interest income from cash and cash equivalents amounted to ₱7.27million, ₱12.45 million and ₱58.29 million, respectively (see Note 18).





## 7. Receivables

This account consists of:

	2021	2020
Accrued interest receivable	<b>₱30,530,238</b>	₱36,863,977
Trade receivables	<b>6,065,628</b>	29,589,652
Due from broker	<b>2,215,264</b>	7,889,230
Other receivables	<b>1,582,941</b>	1,361,557
Receivable from sale of investment	—	38,592,600
	<b>40,394,071</b>	114,297,016
Less: Allowance for impairment and credit losses (Note 13)	<b>(4,006,626)</b>	(68,472,723)
	<b>₱36,387,445</b>	₱45,824,293

Trade receivables are non-interest bearing and are normally collectible within two to four months after billing is made. Trade receivables amounting to ₱29.00 million were assigned by a former subsidiary of the Parent Company and is fully provided by allowance. In 2021, the Board of Directors approved the write-off of the assigned trade receivables amounting to ₱25.87 million.

Receivable from sale of investment pertains to the sale of the Parent Company's investment in Lucky Star. Since Management believes that there is significant uncertainty with respect to the recovery of its investment in Lucky Star as a result of the Supreme Court decision to shut down Jai-alai operations, the Parent Company sold its investment in Lucky Star for ₱96.59 million (a company incorporated to operate off-front on betting stations in the Philippines). The related receivable from the sale, which is collectible over ten years at certain pre-agreed installment terms until 2012, has been fully provided with allowance for impairment and credit losses. Written off amount as of December 31, 2020 is ₱58.00 million. In 2021, the Board of Directors approved the write-off of the remaining receivables from Lucky Star amounting to ₱38.59 million.

In 2021 and 2020, receivables amounting to ₱4.01 million and ₱68.47 million were carried at stage 3 and there were no transfers into and out of stage 3.

## 8. Investment Securities

### Financial Assets at Fair Value through Profit or Loss

This account consists of the following:

	2021	2020
Corporate bonds:	<b>₱2,812,947,926</b>	₱3,495,088,751
Government bonds	<b>2,192,059,097</b>	2,214,589,097
Mutual funds	<b>1,023,975,067</b>	932,927,840
Equities	<b>1,002,663,484</b>	94,082,110
Derivative assets	—	519,500
	<b>₱7,031,645,574</b>	₱6,737,207,298



### Corporate Bonds

Corporate bonds include peso-denominated securities which earn interest ranging from 2.00% to 5.10% and 2.50% to 6.00% in December 31, 2021 and 2020, respectively. It also includes dollar-denominated securities with interest rates ranging from 2.13% to 7.38% and 3.28% to 7.38% in December 31, 2021 and 2020, respectively.

### Government Bonds

Government bonds include peso-denominated securities which earn interest ranging from 1.90% to 5.50% in 2021 and 2020, respectively. It also includes dollar-denominated bonds with interest rates ranging from ranging from 3.75% to 4.10% in 2021 and 2020.

### Mutual Funds

Mutual funds represent investment in shares and units of:

	2021	2020
Philequity Fund, Inc. (PEFI)	<b>₱598,305,178</b>	₱583,379,175
Philequity Dividend Yield Fund, Inc. (PDYF)	<b>164,567,207</b>	144,091,899
Philequity Balanced Fund, Inc. (PBF)	<b>31,067,500</b>	31,067,500
Philequity Foreign Currency Fixed Income Fund, Inc. (PFCFF)	<b>30,895,000</b>	30,895,000
Philequity PSE Index Fund, Inc. (PPSE)	<b>133,268,066</b>	132,521,266
Philequity Alpha One Fund, Inc. (PAOF)	<b>65,872,116</b>	10,973,000
	<b>₱1,023,975,067</b>	₱932,927,840

Movement in the Parent Company's mutual fund investment is shown below:

	2021	2020
Beginning	<b>₱932,927,840</b>	₱881,880,535
Subscription	<b>50,000,000</b>	121,188,077
Revaluation	<b>41,047,227</b>	(70,140,772)
	<b>₱1,023,975,067</b>	₱932,927,840

Investment in shares of PEFI, PDYF, PBF, PCFFF, PPSE, and PAOF are valued at net asset value per share (NAVPS). NAVPS is computed by dividing net assets (total assets less total liabilities) by the total number of redeemable shares or units issued and outstanding as of reporting date.

### Equity Securities

Quoted equity securities pertain to investments in stocks listed in the PSE.

Dividend income earned from FVTPL equity securities amounted to ₱7.93 million, ₱3.22 million and ₱0.41 million in 2021, 2020 and 2019, respectively.

### Derivative Assets

As of December 31, 2021 and 2020, this account includes currency forward contracts entered into by the Parent Company to economically hedge the foreign exchange risk on certain US\$-denominated assets. The Parent Company's outstanding currency forward contracts have an aggregate notional amount of US\$13.0 million and US\$21.00 million as of December 31, 2021 and 2020, respectively.



As of December 31, 2021 and 2020, the weighted average forward contract rate is ₱50.52 to US\$1 and ₱48.12 to US\$1, respectively. The Parent Company is in a sell US dollar position as of December 31, 2021 and 2020.

The movements in the Parent Company's derivative instruments are as follows:

	2021	2020	2019
Balance at beginning of year:			
Derivative assets	<b>₱519,500</b>	₱909,000	₱11,535,148
Derivative liabilities	—	(322,000)	(700,000)
	<b>519,500</b>	587,000	10,835,148
Fair value changes	<b>5,410,693</b>	36,599,345	56,068,327
Settled transactions	<b>4,284,807</b>	(36,531,845)	(45,820,179)
	<b>9,695,500</b>	67,500	10,248,148
Balance at end of year:			
Derivative assets	—	519,500	909,000
Derivative liabilities	<b>(9,176,000)</b>	—	(322,000)
	<b>(₱9,176,000)</b>	₱519,500	₱587,000

The net fair value changes on the Parent Company's currency forward contracts amounting to ₱5.41 million and ₱36.60 million in 2021 and 2020, respectively, are recognized in 'Unrealized foreign exchange gain' in profit or loss in the parent company statement of comprehensive income.

#### Interest Income on Financial Assets at FVTPL

In 2021, 2020 and 2019, interest income, from financial assets at FVTPL amounted to ₱181.12 million, ₱263.20 million and ₱252.88 million, respectively (Note 18).

Trading and investment securities gains (losses) from financial assets at FVTPL consists of:

	2021	2020	2019
Realized gain (loss) from sale of:			
Bonds	<b>₱35,864,312</b>	₱64,683,179	₱58,701,608
Equity securities	<b>15,209,856</b>	(690,444)	(3,440,507)
	<b>₱51,074,168</b>	₱63,992,735	55,261,101
Changes in fair value of:			
Bonds	<b>(133,643,417)</b>	65,416,338	179,970,605
Equity securities	<b>90,073,113</b>	7,781,136	774,015
Mutual funds	<b>41,047,228</b>	(70,140,772)	26,225,988
	<b>(2,523,076)</b>	3,056,702	206,970,608
	<b>₱48,551,092</b>	₱67,049,437	₱262,231,709

## **9. Foreign Exchange Gain (Loss)**

This account consists of gains and losses from the translation of the Parent Company's US\$ denominated cash and cash equivalents and financial assets at FVTPL.



Breakdown of the foreign exchange income is presented below:

	2021	2020	2019
<b>Realized Foreign Exchange Gain (Loss)</b>			
Derivative assets (Note 8)	(P4,284,807)	P36,531,845	P45,820,179
Currency trading	19,744,203	(6,039,137)	(1,084,735)
	<b>P15,459,396</b>	<b>P30,492,708</b>	<b>P44,735,444</b>
<b>Unrealized Foreign Exchange Gain (Loss)</b>			
Cash and cash equivalents	P16,880,176	(P25,865,737)	(P57,247,346)
Derivative assets (Note 8)	9,695,500	67,500	10,248,148
	<b>P26,575,676</b>	<b>(P25,798,237)</b>	<b>(P46,999,198)</b>

Realized foreign exchange gain (loss) pertains to the amount realized upon the settlement of the Parent Company's derivative assets and realized gain from the buying and selling currencies.

Unrealized foreign exchange gain (loss) pertains to the translated gains from settlement of short-term deposits and the translated revaluation of derivative assets at FVTPL at year-end.

## 10. Investments in Subsidiaries

As of December 31, 2021 and 2020, the Parent Company has investments in the following subsidiaries, which are accounted for under the cost method of accounting:

	2021		2020	
	% of Ownership	Acquisition Cost	% of Ownership	Acquisition Cost
Philequity MSCI Index Fund, Inc (PMIF)	68.57	₱250,650,000	68.57	₱250,650,000
Vantage Financial Corporation (VFC)	100.00	132,925,065	100.00	132,925,065
Philequity Management, Inc. (PEMI)	51.00	32,407,700	51.00	32,407,700
iCurrencies, Inc. (iCurrencies)	100.00	14,778,473	100.00	14,778,473
Philequity Global Fund, Inc. (PGFI)	100.00	1,000,000	100.00	1,000,000
Philequity Alpha One Fund, Inc. (PAOF)	100.00	1,000,000	100.00	1,000,000
		₱432,761,238		₱432,761,238

The Parent Company's subsidiaries are all incorporated in the Philippines.

### *Investment in Philequity MSCI Index Fund, Inc. (PMIF)*

As of December 31, 2021 and 2020, the Parent Company owns 250,618,397 common shares (with a par value of P1.00 per share) or 68.57% interest in PMIF.

PMIF was incorporated in the Philippines, and was registered with the SEC on December 15, 2017 under the Philippine ICA as an open-end mutual fund company. PMIF is engaged to subscribe for, invest and re-invest in, sell, transfer or otherwise dispose of securities of all kinds, including all types of stocks, bonds, debentures, notes, mortgages, or other obligations, and/or similar financial instruments. Also, it will carry on the business of an Open-End Investment Company in all the elements and details thereof as prescribed by law.

In January 2019, PMIF launched its capital shares to the public.



*Investment in VFC*

As of December 31, 2021, the Parent Company owns 800,000,000 common shares (with a par value of ₱1.00 per share) or 100% interest in VFC.

*Investment in PEMI*

As of December 31, 2021, the Parent Company owns 1,820,000 common shares (with a par value of ₱100.00 per share) or 51% interest in PEMI.

*Investment in iCurrencies*

As of December 31, 2020, the Parent Company owns 12,500,000 common shares (with a par value of ₱1.00 per share) or 100% interest in iCurrencies.

*Investment in PGFI*

Philequity Global Fund, Inc. was incorporated in the Philippines, and was registered with the Securities and Exchange Commission (SEC) on June 24, 2019. The primary activities of the Fund are to subscribe for, invest and re-invest in, sell, transfer or otherwise dispose of securities of all kinds, to acquire, hold, invest and reinvest in, sell, transfer or otherwise dispose of real properties of all kinds; and generally to carry on the business of an open-end investment company in all the elements and details thereof as prescribed by law.

On January 20, 2021, the SEC approved the Fund's registration as an open-end mutual fund company.

*Investment in PAOF*

Philequity Alpha One Fund, Inc. was incorporated in the Philippines, and was registered with the Securities and Exchange Commission (SEC) on February 13, 2019. The primary activities of the Fund are to subscribe for, invest and re-invest in, sell, transfer or otherwise dispose of securities of all kinds, to acquire, hold, invest and reinvest in, sell, transfer or otherwise dispose of real properties of all kinds; and generally to carry on the business of an open-end investment company in all the elements and details thereof as prescribed by law. On August 30, 2019, the SEC approved the Fund's application to register the Offer Units under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799).

On December 9, 2019, PAOF launched its units to the public.

*Investment in PBF*

As of December 31, 2021, the Parent Company owns 25,000,000 common shares (with a par value of ₱0.01 per share) or 100% interest in PBF. Investment in PBF is recorded as a mutual fund investment.

The fund has obtained tax clearance from the BIR, however, clearance for liquidation is still pending with the SEC as of December 31, 2021.

In 2021 and 2020, the Parent Company has not provided any allowance for impairment for its investment in PBF. The Parent Company believes that its investment is fully recoverable.

*Investment in PFCFF*

As of December 31, 2021 the Parent Company owns 25,000,000 common shares (with a par value of ₱0.01 per share) or 100% interest in PFCFF. Investment in PFCFF is recorded as a mutual fund investment.



The fund has obtained tax clearance from the BIR, however, clearance for liquidation is still pending with the SEC as of December 31, 2021.

In 2021 and 2020, the Parent Company has not provided any allowance for impairment for its investment in PFCFF. The Parent Company believes that its investment is fully recoverable.

## 11. Property and Equipment

The components of and movements in this account follow:

	2021			Total
	Office Condominium and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	
<b>Cost</b>				
Balance at beginning of year	₱52,696,797	₱27,901,228	₱14,281,523	₱94,879,548
Additions	—	—	—	—
Balance at end of year	52,696,797	27,901,228	14,281,523	94,879,548
<b>Accumulated Depreciation</b>				
Balance at beginning of year	10,540,338	27,899,059	12,943,316	51,382,713
Depreciation (Note 17)	3,517,068	—	851,038	4,368,106
Balance at end of year	14,057,406	27,899,059	13,794,354	55,750,819
<b>Net Book Value</b>	<b>₱38,639,391</b>	<b>₱2,169</b>	<b>₱487,169</b>	<b>₱39,128,729</b>

	2020			Total
	Office Condominium and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	
<b>Cost</b>				
Balance at beginning of year	₱52,696,797	₱27,805,229	₱14,281,523	₱94,783,549
Additions	—	95,999	—	95,999
Balance at end of year	52,696,797	27,901,228	14,281,523	94,879,548
<b>Accumulated Depreciation</b>				
Balance at beginning of year	7,027,300	27,773,640	12,119,510	46,920,450
Depreciation (Note 17)	3,513,038	125,419	823,806	4,462,263
Balance at end of year	10,540,338	27,899,059	12,943,316	51,382,713
<b>Net Book Value</b>	<b>₱42,156,459</b>	<b>₱2,169</b>	<b>₱1,338,207</b>	<b>₱43,496,835</b>

Fully depreciated assets are retained in the account until they are no longer in use and no further depreciation are charged against current operations. As of December 31, 2021 and 2020, the cost of fully depreciated assets still being used in operations amounted to ₱37.96 million and ₱37.31 million, respectively.

## 12. Other Noncurrent Assets

This account consists of:

	2021	2020
Deposits	₱478,211	₱478,211
Deferred input VAT - noncurrent	—	106,793
Other assets	242,427	242,426
	<b>720,638</b>	<b>827,430</b>
Less: Allowance for impairment and credit losses (Note 13)	<b>222,415</b>	<b>222,415</b>
	<b>₱498,223</b>	<b>₱605,015</b>



### 13. Allowance for Impairment and Credit Losses

Allowance for impairment and credit losses is as follows:

	2021	2020
Trade receivables (Note 7)	<b>₱4,006,626</b>	₱68,472,723
Other non-current assets (Note 12)	<b>222,415</b>	222,415
	<b>₱4,229,041</b>	₱68,695,138

In 2021 and 2020, receivables and other non-current assets amounting to ₱4.23 million and ₱68.70 million, respectively, were carried at stage 3. There were no transfers into and out of stage 3.

The rollforward analysis of allowance for credit losses for 2021 and 2020 follow:

	2021		
	Receivables	Other Non-current Assets	Total
Balance at January 1	<b>₱68,472,723</b>	<b>₱222,415</b>	<b>₱68,695,138</b>
Write-off	<b>(64,466,097)</b>	—	<b>(64,466,097)</b>
Balance at December 31	<b>₱4,006,626</b>	<b>₱222,415</b>	<b>₱4,229,041</b>

	2020		
	Receivables	Other Non-current Assets	Total
Balance at January 1	₱112,472,723	₱222,415	₱112,695,138
Write-off	(44,000,000)	—	(44,000,000)
Balance at December 31	₱68,472,723	₱222,415	₱68,695,138

### 14. Accrued Expenses and Other Current Liabilities

This account consists of:

	2021	2020	2019
Financial:			
Accounts payable	<b>₱1,198,771</b>	₱1,195,491	₱56,802,155
Accrued expenses	<b>4,535,885</b>	1,026,816	1,162,117
Others	<b>1,970,276</b>	1,981,743	1,654,124
	<b>7,704,932</b>	4,204,050	59,618,396
Nonfinancial:			
Output value-added tax	<b>₱—</b>	₱3,659,135	₱5,381,551
Deferred output value-added tax	<b>2,695,488</b>	2,695,488	3,039,302
Sundry credits	<b>934,478</b>	934,478	934,478
Withholding taxes	<b>407,388</b>	223,635	172,466
Others	<b>—</b>	4,403	4,005
	<b>4,037,354</b>	7,517,139	9,531,802
	<b>₱11,742,286</b>	₱11,721,189	₱69,150,198



Accounts payable consists of payables to a third party and for the purchase of debt securities. This is usually payable within one (1) to two (2) trading days following the settlement convention.

Accrued expenses pertain to accrual of other employee benefits and professional fees.

Financial other current liabilities pertain to the Parent Company's payable with regard to reimbursable expenses.

Nonfinancial other current liabilities mainly represent statutory payables such as Social Security System (SSS) premiums and other liabilities to the government.

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## 15. Retirement Liability

The Parent Company has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. The latest actuarial valuation report is as of December 31, 2021.

Retirement expense included under 'General and administrative expenses' recognized in the profit or loss in the statements of comprehensive income follow:

	2021	2020	2019
Service cost	<b>₱293,308</b>	₱250,186	₱334,075
Net interest cost	<b>101,928</b>	255,783	218,000
	<b>₱395,236</b>	₱505,969	₱552,075

The net retirement liability recognized in the statements of financial position follows:

	2021	2020
At January 1	<b>₱4,077,130</b>	₱5,167,324
Expense recognized in statements of income:		
Current service cost	<b>293,308</b>	250,186
Net interest cost	<b>101,928</b>	255,783
	<b>395,236</b>	505,969
Remeasurements in OCI		
Actuarial changes arising from:		
Changes in financial assumptions	<b>335,472</b>	(588,660)
Deviations of experience from assumptions	—	2,184,823
	<b>(335,472)</b>	1,596,163
At December 31	<b>₱4,136,894</b>	₱4,077,130





The movement in remeasurement gains (losses) on retirement follow:

	2021	2020
At January 1	<b>(₱21,628)</b>	(₱1,138,942)
Actuarial changes arising from:		
Changes in financial assumptions	<b>335,472</b>	(588,660)
Deviations of experience from assumptions	—	2,184,823
Total remeasurement gains (losses) during the year	<b>335,472</b>	1,596,163
Income tax effect (Note 20)	<b>(83,868)</b>	(478,849)
Total remeasurement gains, net of tax	<b>251,604</b>	1,117,314
At December 31	<b>₱229,976</b>	(₱21,628)

The principal actuarial assumptions used in determining the retirement liability are shown below:

	2021	2020
Average remaining working life	<b>39 years</b>	<b>39 years</b>
Discount rate	<b>3.77%</b>	<b>2.50%</b>
Future salary increase	<b>3.50%</b>	<b>3.50%</b>

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	December 31, 2021	
	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(₱155,695)
	-1.00%	163,381
Future salary increase	+1.00%	162,212
	-1.00%	(157,578)

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

	2021	2020
More than 1 year to 5 years	<b>₱5,754,531</b>	₱5,922,172
More than 5 years to 10 years	—	—
	<b>₱5,754,531</b>	₱5,922,172

The average duration of the defined benefit obligation at the end of the reporting period is estimated to be 5 years.



## 16. Capital Stock

The details of this account are shown below:

	2021		2020	
	Shares	Amount	Shares	Amount
Authorized shares (at par value of ₱1 per share)	5,000,000,000	5,000,000,000	5,000,000,000	₱5,000,000,000
Issued and Outstanding				
Balance at beginning of year	4,335,181,766	4,335,181,766	4,335,181,766	₱4,335,181,766
Treasury stock	(135,599,500)	(190,460,934)	(135,599,500)	(190,460,934)
Outstanding shares	4,199,582,266	4,144,720,832	4,199,582,266	₱4,144,720,832

The Parent Company has outstanding treasury shares of million shares amounting to ₱million as of December 31, 2021 and 2020, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

The track record of the Parent Company's registration of securities in compliance with the Securities Regulation Code Rule 68 Annex 68-D 1(I) follows:

a. Authorized Shares

Date of SEC approval	Type of shares	Authorized number of shares
October 27, 2015	Common	5,000,000,000
January 12, 2009	Common	2,250,000,000
October 20, 1992	Common	1,900,000,000

b. Stock Dividends

Date of SEC approval	Percentage
December 18, 2015	100%
January 12, 2009	25%

c. Number of Shareholders

Year-end	Number of shareholders
December 31, 2021	607
December 31, 2020	611
December 31, 2019	613

Retained Earnings

After reconciling items, the retained earnings that is available for dividend declaration amounted to ₱3.07 billion as of and for the year ended December 31, 2021. Under the Corporation Code of the Philippines (the Code), a stock corporation is prohibited from retaining surplus profits in excess of 100.00% of its paid-in capital stock, except when qualified by any reasons mentioned in the Code.



### Capital Management

The primary objectives of the Parent Company's capital management are to safeguard the Parent Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The management considers capital stock and retained earnings as core capital of the Parent Company.

The Parent Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes during the years ended December 31, 2021 and 2020. To date, the Parent Company is not subject to any externally imposed capital requirements.

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## 17. General and Administrative Expenses

This account consists of:

	2021	2020	2019
Salaries, wages and employee benefits	<b>₱5,890,263</b>	₱4,276,781	₱5,235,481
Depreciation and amortization (Notes 11 and 12)	<b>4,368,106</b>	4,462,263	5,383,275
Commission	<b>3,206,496</b>	441,490	41,122
Directors' fee	<b>2,908,547</b>	2,666,667	2,748,889
Taxes and licenses	<b>2,794,502</b>	1,686,099	1,315,863
Professional fees	<b>1,345,000</b>	1,791,073	2,253,506
Transportation and communication	<b>1,226,504</b>	1,286,986	1,263,787
Entertainment, amusement and recreation (Note 20)	<b>410,906</b>	536,923	299,164
Retirement expense (Note 15)	<b>395,236</b>	505,969	552,075
Rent and utilities	<b>151,055</b>	60,750	70,381
Repairs and maintenance	<b>56,756</b>	34,951	78,429
Others	<b>1,090,807</b>	1,613,610	1,524,465
	<b>₱23,844,178</b>	₱19,363,562	₱20,766,437

Others include bank charges, office supplies, membership fees, training and seminar, periodicals and magazines, other insurance and other expenses.

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## 18. Interest Income

This account consists of interest income from:

	2021	2020	2019
Financial assets at FVTPL (Note 8)	<b>₱181,118,979</b>	₱263,199,889	₱252,884,577
Cash and cash equivalents (Note 6)	<b>7,267,287</b>	12,452,174	58,288,658
Investments at amortized cost	<b>—</b>	—	510,563
	<b>₱188,386,266</b>	₱275,652,063	₱311,683,798



## 19. Income from Business Partner

In January 2021 VEI, as parent company of VFC, and Western Union, amended the Representation Agreement with Western Union expiring December 2026. The amendment essentially lifts exclusivity for inbound or receive transactions effective January 2021 in exchange for a lower share of commissions on said transactions and a \$1.00 million signing bonus for VEI as the Parent Company of VFC. The Agreement provides for WU to pay the signing bonus to VEI who in turn will ensure VFC complies with its obligations under the Agreement. VEI has strong oversight over VFC's management and operations and provides back-office support to VFC.

In 2021, the Parent Company received the signing bonus from Western Union.

## 20. Income Taxes

Provision for (benefit from) income tax consists of:

	2021	2020	2019
Current:			
Final	<b>₱1,029,411</b>	₱2,468,709	₱11,445,551
MCIT	<b>746,476</b>	994,978	1,303,405
Impact of CREATE Act in CY2020	<b>(248,744)</b>	—	—
	<b>1,527,143</b>	3,463,687	12,748,956
Deferred:			
Deferred income tax	<b>16,273,209</b>	13,200,000	(24,777,780)
Impact of CREATE Act in CY2020	<b>1,849,822</b>	—	—
	<b>18,123,031</b>	13,200,000	(24,777,780)
	<b>₱19,650,174</b>	₱16,663,687	(₱12,028,824)

Current tax regulations provide that the RCIT rate shall be 25.00% and interest allowed as a deductible expense shall be reduced by an amount of 20.00% of interest income subjected to final tax.

Current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulation, EAR expenses allowed as a deductible expense is limited to the actual EAR expenses paid or incurred but not to exceed 1.00% of net revenue. EAR amounted to ₱0.41 million, ₱0.54 million and ₱0.30 million in 2021, 2020 and 2019, respectively.

The regulations also provide for MCIT of 1.00% on modified gross income and allow NOLCO. The MCIT and NOLCO may be applied against the Parent Company's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

On September 30, 2020, the Bureau of Internal Revenue (BIR) has issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494, otherwise known as "Bayanihan to Recover as One Act", allowing qualified businesses or enterprises which incurred net operating loss for taxable years 2020 and 2021 to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss.



President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Parent Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30.00% to 25.00% for domestic and resident foreign corporations.
- Minimum corporate income tax (MCIT) rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated MCIT rate of the Parent Company for CY2020 is 1.50%. This resulted in a lower provision for current income tax of ₱0.25 million for the year ended December 31, 2020. The reduced amounts will be reflected in the Parent Company's 2020 annual income tax return. However, for financial reporting purposes, the changes are recognized in the 2021 financial statements.

This also resulted to a write-down of the deferred tax assets of the Parent Company recognized as of December 31, 2020 by ₱1.85 million in the 2021 financial statements.

Components of the net deferred tax assets and liabilities of the Parent Company are as follows:

	2021	2020
Deferred tax assets on:		
Allowance for impairment and credit losses	₱—	₱11,577,780
Deferred tax liability on:		
Unrealized foreign exchange gain	(6,643,919)	—
Retirement liability obligation	(463,908)	(478,849)
Net deferred tax assets	(₱7,107,827)	₱11,098,931

The details of deductible temporary differences and carryforward benefits of NOLCO and MCIT for which no deferred tax asset had been recognized in the statements of financial position as management believes that there will be no sufficient future taxable income against which these can be applied, are as follows:

	2021	2020
Allowance for impairment and credit losses	₱4,229,041	₱30,102,538
Unrealized foreign exchange loss	—	25,798,237
Accrued retirement costs	4,136,894	4,077,129
NOLCO	9,691,821	7,386,057
MCIT	4,005,787	3,538,431
	₱22,063,543	₱70,902,392



Details of the Parent Company's NOLCO follow:

Inception Year	Amount	Utilized/Expired	Balance	Expiry Year
2021	₱2,305,764	₱—	₱2,305,764	2026
2020	7,386,057	—	7,386,057	2025
	<b>₱9,691,821</b>	<b>₱—</b>	<b>₱9,691,821</b>	

As of December 31, 2021, the MCIT that can be claimed as tax credit, with their corresponding expiry dates, are as follows:

Year Incurred	Amount	Expired	Balance	Expiry Year
2021	₱497,732	₱—	₱497,732	2024
2020	994,978	—	994,978	2023
2019	1,303,405	—	1,303,405	2022
2018	1,209,672	1,209,672	—	2021
	<b>₱4,005,787</b>	<b>₱1,209,672</b>	<b>₱2,796,115</b>	

The reconciliation of provision for income tax computed at the statutory income tax rate to the provision for (benefit from) income tax as shown in the statements of comprehensive income is as follows:

	2021	2020	2019
Statutory income tax	<b>₱76,286,978</b>	₱99,516,048	₱163,329,863
Impact of CREATE	<b>1,601,078</b>	—	—
Non-taxable income	<b>(19,893,908)</b>	(18,704,863)	(93,447,719)
Tax-paid income	<b>(39,139,705)</b>	(73,909,099)	(73,563,426)
Tax-exempt income	<b>(248,419)</b>	(1,515,715)	(1,744,579)
Nondeductible expenses	<b>434,806</b>	8,066,521	1,057,057
Change in unrecognized deferred tax assets	<b>3,065,025</b>	2,215,817	(8,963,425)
Excess of MCIT over RCIT	<b>746,476</b>	994,978	1,303,405
Effective income tax	<b>₱19,650,174</b>	₱16,663,687	(₱12,028,824)

## 21. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Parent Company; and (b) individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the Parent Company and close members of the family of any such individual.



In the normal course of business, the Parent Company has transactions with other companies considered as related parties. These transactions are based on terms similar to those offered to non-related parties.

2021			
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Directors and Other Key Management Personnel (Other Related Parties)</b>			
Directors' fees	<b>₱2,908,548</b>	<b>₱–</b>	Per diem and annual fees of Directors
2020			
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Directors and Other Key Management Personnel (Other Related Parties)</b>			
Directors' fees	<b>₱2,666,667</b>	<b>₱–</b>	Per diem and annual fees of Directors
<b>Vantage Financial Corporation (Subsidiary)</b>			
Rent receivable	<b>3,686,454</b>	<b>–</b>	Due next month, non-interest bearing and unsecured

*Terms and conditions of transactions with related parties*

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. An assessment is undertaken each financial year through a review of financial position of the related party and the market in which the related party operates. In 2021 and 2020, no provision for credit losses were provided for with related parties transactions.

Remunerations of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Parent Company, directly or indirectly. The Parent Company considers the members of the Executive Committee to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures*.

Salaries and short-term benefits to the Parent Company's key management personnel amounted to ₱3.25 million in 2021 and 2020. Post-employment benefits amounted to ₱0.40 million and ₱0.51 million in 2021 and 2020, respectively. (Note 15).

## 22. Leases

The Parent Company entered into lease a lease agreement with its subsidiary, Vantage Financial Corporation covering office spaces. The lease provides a fixed monthly rent with lease term of five (5) years.

As lessor, future minimum rental receivables under renewable operating leases as of December 31, 2021 and 2020 are as follows:

	2021	2020
Within one year	<b>₱2,865,120</b>	₱2,865,120
After one year but not more than five years	<b>5,730,240</b>	5,730,240
	<b>₱8,595,360</b>	₱8,595,360



In 2021 and 2020, the Parent Company recognized rental income from these leases amounting to nil and ₱0.48 million, respectively. On November 26, 2020, the Board of Directors of the Parent Company approved the extension of grant of rent concessions to Vantage Financial Corporation from in the form of rent forgiveness from January to December 2021 in response to the COVID-19 pandemic.

## 23. Segment Reporting

The Parent has one operating segment. The table below analyzes the Parent Company's revenue streams per investment type:

	2021	2020	2019
Financial asset at FVTPL	<b>₱237,600,001</b>	₱333,465,285	₱515,526,926
Cash and cash equivalents	<b>7,267,286</b>	12,452,174	58,288,658
Investments at amortized cost	—	—	510,563
	<b>₱244,867,287</b>	₱345,917,459	₱574,326,147

As the Parent Company has one operating segment, the assets and liabilities as reported in the statements of financial position are also the segment assets and liabilities.

The Parent Company's asset producing revenue are all located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

No investment income (loss) was derived from a single customer that constitutes 10.00% or more of the Parent Company's investment income (loss) in 2021, 2020 and 2019.

## 24. Earnings per Share

Earnings per share is calculated by dividing the net income (loss) for the year by the weighted average number of common shares outstanding during the year (adjusted for any stock dividends).

The following table reflects the net income and share data used in the earnings per share computations:

	2021	2020	2019
Net income	<b>₱285,497,738</b>	₱315,056,472	₱556,461,702
Outstanding number of common shares (Note 16)	<b>4,199,582,266</b>	4,199,582,266	4,199,582,266
	<b>₱0.0679</b>	₱0.0750	₱0.1325

There were no potential dilutive common shares for the years ended December 31, 2021, 2020 and 2019.

## 25. Approval of Release of Financial Statements

The accompanying comparative financial statements of the Parent Company were authorized and approved for issuance by the Board of Directors on May 31, 2022.





## 26. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

### Supplementary Information Required Under RR 15-2010

The Parent Company also reported and/or paid the following types of taxes for the year:

#### Value Added Tax (VAT)

The Parent Company is a VAT-registered company with output VAT declaration of ₱7.66 million for the year based on the total actual cash receipt on all fees earned amounting to ₱63.82 million.

Movements in input VAT in 2021 are as follows:

	Amount
Beginning of the year	₱1,351,125
Current year's domestic purchases of services	556,795
Claims for tax credit/refund and other adjustments	(1,035,599)
Ending balance	₱2,386,131

#### Taxes and Licenses

In 2021, the Parent Company reported and/or paid the following taxes and licenses fees:

	Amount
Stock transfer tax	₱1,343,988
Municipal permits	677,977
Annual listing Maintenance	463,359
Documentary stamp tax	213,929
Registration/License fee	8,075
Community Tax	6,200
Other taxes	80,974
	₱2,794,502

#### Withholding Taxes

As of December 31, 2021, total remittances and balance of withholding taxes follow:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	₱961,244	₱325,813
Expanded withholding taxes	688,014	81,576
Final income tax withheld	592,048	—
Ending balance	₱2,241,305	₱407,388

#### Tax Assessments and Cases

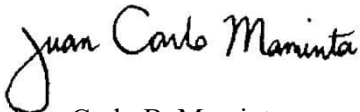
In 2021, the Parent Company has no deficiency tax assessment, whether protested or not, nor tax cases under preliminary investigation, litigation and or prosecution in courts or bodies outside the Bureau of Internal Revenue.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Vantage Equities, Inc.  
15th Floor, Philippine Stock Exchange Tower,  
28th St. Corner 5th Ave., Bonifacio Global City  
Taguig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Vantage Equities, Inc. (the Parent Company) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 31, 2022. Our audits were made for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for the purpose of complying with Revised Securities Regulation Code rule 68, and are not part of the basic parent company financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic parent company financial statements and, in our opinion, fairly states in all material respects, the information required to be set forth therein in relation to the basic parent company financial statements taken as a whole.



Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260

Tax Identification No. 210-320-399

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 115260-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-132-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854326, January 3, 2022, Makati City

May 31, 2022





Janice Arengo &lt;janice.arengo@e-businessphil.ph&gt;

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1 message

**eafs@bir.gov.ph** <eafs@bir.gov.ph>

Tue, May 31, 2022 at 9:08 PM

To: JANICE.ARENGO@e-businessphil.ph

Cc: RAMILITO.CABATBAT@e-businessphil.com

Hi VANTAGE EQUITIES, INC. ,

**Valid files**

- EAFS002010620RPTTY122021.pdf
- EAFS002010620ITRTY122021.pdf
- EAFS002010620AFSTY122021.pdf

**Invalid file**

- <None>

Transaction Code: **AFS-0-A5E975CD0CCJK9HGFMSVYN2XN07ABCH5EE**Submission Date/Time: **May 31, 2022 09:08 PM**Company TIN: **002-010-620**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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


The management of **Vantage Equities, Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2021. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return. 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, 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of **Vantage Equities, Inc.**, complete and correct in all material respects. Management likewise affirms that:


- a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of 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) the **Vantage Equities, 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.

  
VALENTINO SY (May 15, 2022 06:54 GMT+8)

**VALENTINO C. SY**  
Chairman  
CTC No.:  
TIN: 122-335-536

  
EDMUNDO MARCO P. BUNYI JR. (May 14, 2022 19:30 GMT+8)

**EDMUNDO MARCO P. BUNYI JR.**  
Vice Chairman/CEO  
CTC No.:  
TIN: 107-184-956

  
JOSEPH L. ONG (May 14, 2022 19:48 GMT+8)

**JOSEPH L. ONG**  
Treasurer  
CTC No.:  
TIN: 108-789-427

Signed this 31 day of May, 2022.

**SUBSCRIBED AND SWORN** to me before this \_\_\_\_\_ at \_\_\_\_\_  
exhibiting to me their Community Tax Certificates.

**MAY 16 2022**

at **MAKATI CITY** Philippines

Doc. No. 178  
Page No. 37  
Book No. 284  
Series of 2022

  
**ATTY. GEORGE DAVID D. SITON**  
NOTARY PUBLIC FOR MAKATI CITY

APPT. ROL NO. 151 - UNTIL DEC. 31, 2023  
ROL NO. 65007 / JUDGE GEORGE DAVID D. SITON / 136 / 2-15-2022  
REP. OF BAR ASSOCIATION OF PHILIPPINES / MAY 15, 2017  
P/R NO. 650006 - MAY 03, 2017 - MAKATI CITY  
EXECUTIVE BLDG. CENTER MAKATI AVE., COR. JUPITER ST., MAKATI CITY

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Vantage Equities, Inc.  
15th Floor, Philippine Stock Exchange Tower,  
28th St. Corner 5th Ave., Bonifacio Global City  
Taguig City, Metro Manila

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the parent company financial statements of Vantage Equities, Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Parent 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.

#### Other Information

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

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



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

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, 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 Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parent 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Parent 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 Parent 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 Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

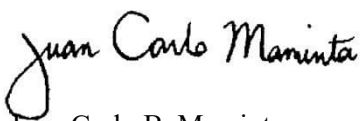
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Our audits were 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 in Note 26 to the parent company financial statements 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. Such information is the responsibility of the management of Vantage Equities, 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.

The engagement partner on the audit resulting in this independent auditor's report is Juan Carlo B. Maminta.

SYCIP GORRES VELAYO & CO.



Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260

Tax Identification No. 210-320-399

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 115260-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-132-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854326, January 3, 2022, Makati City

May 31, 2022



**VANTAGE EQUITIES, INC.****PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 6)	<b>₱1,288,595,538</b>	₱1,255,503,645
Receivables (Note 7)	<b>36,387,445</b>	45,824,293
Financial assets at fair value through profit or loss (Note 8)	<b>7,031,645,574</b>	6,737,207,298
Prepaid expenses and other current assets	<b>2,646,927</b>	2,953,568
Total Current Assets	<b>8,359,275,484</b>	8,041,488,804
<b>Noncurrent Assets</b>		
Investments in subsidiaries (Note 10)	<b>432,761,238</b>	432,761,238
Property and equipment (Note 11)	<b>39,128,729</b>	43,496,835
Deferred tax assets (Note 20)	–	11,098,931
Other noncurrent assets (Note 12)	<b>498,223</b>	605,015
Total Noncurrent Assets	<b>472,388,190</b>	487,962,019
	<b>₱8,831,663,674</b>	₱8,529,450,823
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accrued expenses and other current liabilities (Note 14)	<b>₱11,742,286</b>	₱11,721,189
Derivative liabilities (Note 8)	<b>9,176,000</b>	–
Income tax payable	<b>632,347</b>	533,526
Total Current Liabilities	<b>21,550,633</b>	12,254,715
<b>Noncurrent Liability</b>		
Retirement liability (Note 15)	<b>4,136,894</b>	4,077,130
Deferred tax liabilities (Note 20)	<b>7,107,827</b>	–
Total Noncurrent Liabilities	<b>11,244,721</b>	4,077,130
Total Liabilities	<b>32,795,354</b>	16,331,845
<b>Equity</b>		
Capital stock (Note 16)	<b>4,335,181,766</b>	4,335,181,766
Treasury stock (Note 16)	<b>(190,460,934)</b>	(190,460,934)
Retained earnings	<b>4,653,917,512</b>	4,368,419,774
Remeasurement losses on retirement plan (Note 15)	<b>229,976</b>	(21,628)
Total Equity	<b>8,798,868,320</b>	8,513,118,978
	<b>₱8,831,663,674</b>	₱8,529,450,823

*See accompanying Notes to Parent Company Financial Statements.*





**VANTAGE EQUITIES, INC.****PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2021	2020	2019
<b>TRADING AND INVESTMENT SECURITIES</b>			
<b>GAINS - NET</b> (Note 8)	<b>₱48,551,092</b>	<b>₱67,049,437</b>	<b>₱262,231,709</b>
<b>INTEREST INCOME</b> (Note 18)	<b>188,386,266</b>	<b>275,652,063</b>	<b>311,683,798</b>
<b>INCOME FROM BUSINESS PARTNER</b> (Note 19)	<b>42,903,215</b>	<b>—</b>	<b>—</b>
<b>REALIZED FOREIGN EXCHANGE</b> <b>GAIN</b> (Note 9)	<b>15,459,396</b>	<b>30,492,708</b>	<b>44,735,444</b>
<b>UNREALIZED FOREIGN EXCHANGE GAINS</b> <b>(LOSSES)</b> (Note 9)	<b>26,575,676</b>	<b>(25,798,237)</b>	<b>(46,999,198)</b>
<b>DIVIDEND INCOME</b> (Note 8)	<b>7,929,930</b>	<b>3,215,959</b>	<b>410,640</b>
<b>GENERAL AND ADMINISTRATIVE</b> <b>EXPENSES</b> (Note 17)	<b>(23,844,178)</b>	<b>(19,363,562)</b>	<b>(20,766,437)</b>
<b>OTHER GAINS (LOSSES) - NET</b>	<b>(813,485)</b>	<b>471,791</b>	<b>(6,863,077)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>305,147,912</b>	<b>331,720,159</b>	<b>544,432,879</b>
<b>PROVISION FOR INCOME TAX (BENEFIT)</b> (Note 20)	<b>19,650,174</b>	<b>16,663,687</b>	<b>(12,028,824)</b>
<b>NET INCOME</b>	<b>285,497,738</b>	<b>315,056,472</b>	<b>556,461,703</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b> <i>Item that will not recycle to profit or loss in     subsequent periods:</i>			
Remeasurement gains (losses) on retirement plan (Note 15)	<b>251,604</b>	<b>1,117,314</b>	<b>(1,649,256)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱285,749,342</b>	<b>₱316,173,786</b>	<b>₱554,812,447</b>
<b>EARNINGS PER SHARE</b> (Note 24)	<b>₱0.0679</b>	<b>₱0.0750</b>	<b>₱0.1325</b>

See accompanying Notes to Parent Company Financial Statements.



**VANTAGE EQUITIES, INC.****PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock (Note 16)	Treasury Stock (Note 16)	Retained Earnings	Remeasurement Gains (Losses) on Retirement Plan (Note 15)	Total
<b>Balance at January 1, 2021</b>	<b>₱4,335,181,766</b>	<b>(₱190,460,934)</b>	<b>₱4,368,419,774</b>	<b>(₱21,628)</b>	<b>₱8,513,118,978</b>
Total comprehensive income for the year	—	—	285,497,738	251,604	285,749,342
<b>Balance at December 31, 2021</b>	<b>₱4,335,181,766</b>	<b>(₱190,460,934)</b>	<b>₱4,653,917,512</b>	<b>₱229,976</b>	<b>₱8,798,868,320</b>
Balance at January 1, 2020	₱4,335,181,766	(₱190,460,934)	₱4,053,363,302	(₱1,138,942)	₱8,196,945,192
Total comprehensive loss for the year	—	—	315,056,472	1,117,314	316,173,786
Balance at December 31, 2020	₱4,335,181,766	(₱190,460,934)	₱4,368,419,774	(₱21,628)	₱8,513,118,978
Balance at January 1, 2019	₱4,335,181,766	(₱190,460,934)	₱3,496,901,600	₱510,314	₱7,642,132,746
Total comprehensive income for the year	—	—	556,461,702	(1,649,256)	554,812,446
Balance at December 31, 2019	₱4,335,181,766	(₱190,460,934)	₱4,053,363,302	(₱1,138,942)	₱8,196,945,192

*See accompanying Notes to Parent Company Financial Statements.*



**VANTAGE EQUITIES, INC.****PARENT COMPANY STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱305,147,912</b>	₱331,720,159	₱544,432,878
Adjustments for:			
Interest income (Note 18)	<b>(188,386,266)</b>	(275,652,063)	(311,683,798)
Unrealized foreign exchange gain (loss) (Note 9)	<b>(26,575,676)</b>	25,798,237	46,999,198
Dividend income (Note 8)	<b>(7,929,930)</b>	(3,215,959)	(410,640)
Trading and investment securities losses (gains) - net (Note 8)	<b>2,523,076</b>	(3,056,702)	(206,970,608)
Depreciation and amortization (Notes 11)	<b>4,368,106</b>	4,462,263	5,383,275
Retirement costs (Note 15)	<b>395,236</b>	505,969	552,075
Operating income before working capital changes	<b>89,542,458</b>	80,561,904	78,302,380
Decrease (increase) in:			
Receivables	<b>15,770,587</b>	45,768,019	178,604,575
Financial assets at fair value through profit or loss	<b>(287,265,852)</b>	102,825,493	(3,465,935,839)
Prepaid expenses and other current assets	<b>413,290</b>	1,772,488	(5,601)
Other noncurrent assets	<b>—</b>	—	—
Increase (decrease) in accrued expenses and other current liabilities	<b>9,197,099</b>	(57,751,007)	56,239,962
Net cash generated from (used in) operations	<b>(172,342,418)</b>	173,176,897	(3,152,794,523)
Interest received	<b>182,052,527</b>	268,210,525	336,516,524
Income tax paid	<b>(1,428,322)</b>	(3,857,426)	(11,821,691)
Net cash provided by (used in) operating activities	<b>8,281,787</b>	437,529,996	(2,828,099,690)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property and equipment (Note 11)	—	—	88,255
Proceeds from maturity of investments at amortized cost	—	—	67,638,762
Acquisitions of:			
Investments at amortized cost	—	—	(45,955,163)
Investment in a subsidiary (Note 10)	—	—	(2,650,000)
Property and equipment (Note 11)	—	(95,999)	(813,287)
Dividends received (Note 8)	<b>7,929,930</b>	3,215,959	410,640
Net cash provided by investing activities	<b>7,929,930</b>	3,119,960	18,719,207
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from notes payable	<b>350,000,000</b>	—	—
Payment of notes payable	<b>(350,000,000)</b>	—	—
Net cash provided by (used in) financing activities	—	—	—
<b>EFFECT OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>	<b>16,880,176</b>	(25,865,737)	(57,247,346)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>33,091,893</b>	414,784,219	(2,866,627,829)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,255,503,645</b>	840,719,426	3,707,347,255
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>₱1,288,595,538</b>	₱1,255,503,645	₱840,719,426

See accompanying Notes to Parent Company Financial Statements.



# VANTAGE EQUITIES, INC.

## NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

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### 1. Corporate Information

Vantage Equities, Inc. (the Parent Company) was incorporated in the Philippines and was registered with the Philippine Securities and Exchange Commission (SEC) on October 20, 1992. The primary business of the Parent Company is to invest in, acquire by purchase, exchange, assignment or otherwise of the capital stock, bonds, debentures, promissory notes and similar financial instruments. The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE).

The Parent Company's principal address is 15th Floor Philippine Stock Exchange Tower, 28th St. Corner 5th Ave., Bonifacio Global City, Taguig City, Metro Manila, Philippines.

### 2. Summary of Significant Accounting Policies

#### Basis of Preparation

The accompanying parent company financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) which are measured at fair value. The parent company financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency, and all values are rounded to the nearest peso except when otherwise indicated.

#### Presentation of Financial Statements

The parent company financial statements provide comparative information in respect of the previous period.

#### Statement of Compliance

The accompanying parent company financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). These may be obtained at the Parent Company's registered address as indicated in Note 1 to the parent company financial statements, at the SEC and at the PSE.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021. The Parent 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 consolidated financial statements of the Parent Company.

- **Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021***

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;



- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Parent Company shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

### Summary of Significant Accounting Policies

#### Current versus Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company statement of financial position based on current or noncurrent classification.

An asset is current if:

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

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or



- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

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

#### Foreign Currency Transactions

For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities of the Parent Company are translated in Philippine peso based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rates as at the date of transaction. All differences are taken to the parent company statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the prevailing closing exchange rate as of the date of initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined

#### *Unrealized foreign exchange gain (loss)*

This account pertains to the unrealized foreign exchange gain earned by the Parent Company from the maturity of their US\$ denominated short-term deposits and the revaluation made for their non-deliverable forward contracts (NDFs). Any foreign exchange gain earned is lodged as unrealized since, upon maturity of the deposits, the entire proceed, including interest earned, is retained in the Parent Bank's US\$ bank account. Unrealized foreign exchange gain is recognized for the valuation of foreign currency denominated short-term deposits and revaluation of the NDF at month-end.

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

#### Fair Value Measurement

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.



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

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

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

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

#### Financial Instruments - Initial Recognition and Subsequent Measurement

##### *Date of recognition*

The Parent Company recognizes a financial asset or a financial liability in the parent company statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial instruments that require delivery of assets and liabilities within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

##### *Initial recognition of financial instruments*

Financial instruments are initially recognized at fair value of the consideration given. The initial measurement of financial instruments includes transaction costs, except for financial instruments at financial assets at FVTPL.

##### *'Day 1' difference*

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss in the parent company statement of income unless it qualifies for recognition as some other type of asset. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss in the parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the 'Day 1' difference amount.

In 2021, 2020 and 2019, there were no 'Day 1' differences recognized in profit or loss in the statement of comprehensive income.

#### Classification and subsequent measurement of financial instruments

##### *Financial assets*

For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under PAS 32, *Financial Instruments*):



*Presentation*), except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are ‘debt instruments’.

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Parent Company’s business model for managing financial assets. The Parent Company classifies its financial assets into the following categories: financial assets at FVTPL, financial assets at fair value through other comprehensive income (FVOCI) with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets measured at amortized cost.

#### *Contractual cash flows characteristics*

The Parent Company assesses whether the cash flows from the financial asset represent “solely payment of principal and interest” or “SPPI” on the principal amount outstanding. Instruments with cash flows that do not represent as such are classified at FVTPL.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

In making this assessment, the Parent Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

#### *Business model*

The Parent Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Parent Company’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers, if any, of the business are compensated.

The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Parent Company’s original expectations, the Parent Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As of December 31, 2021 and December 31, 2020, the Parent Company has no financial assets at FVOCI.





#### *Financial assets at FVTPL*

Debt financial assets that do not meet the amortized cost criteria, or that meet the criteria but the Parent Company has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss. Equity investments are classified as at FVTPL, unless the FVTPL designates an investment that is not held for trading as at FVOCI at initial recognition.

The Parent Company's financial assets at FVTPL include equity securities held for trading purposes and equity investments not designated as at FVOCI.

A financial asset is held for trading if:

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

Financial assets at FVTPL are carried at fair value and gains and losses on these instruments are recognized as 'Trading and investment securities gains (losses) - net' in the parent company statement of comprehensive income. Interest earned on these investments is reported in the parent company statement of income under 'Interest income' while dividend income is reported in the parent company statement of income under 'Dividend income' when the right of payment has been established.

As of December 31, 2021 and December 31, 2020, the Parent Company's financial assets at FVTPL consists of investments in corporate bonds, government securities, equity securities, mutual funds and derivate assets.

#### *Derivatives classified as FVTPL*

Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets at FVTPL when the fair value is positive and as financial liabilities at FVTPL when the fair value is negative. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the parent company statement of income under 'Unrealized foreign exchange gain (loss)'. The Parent Company has currency forwards (NDF) which are considered as stand-alone derivatives as of December 31, 2021 and December 31, 2020.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of PFRS 9 (e.g., financial liabilities and non-financial host contracts) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

The Parent Company assesses the existence of an embedded derivative on the date it first becomes a party to the contract, and performs re-assessment only where there is a change to the contract that significantly modifies the contractual cash flows.

#### *Financial assets at amortized cost*

Debt financial asset is measured at amortized cost if both of the following conditions are met:

- (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and



- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as 'Interest income' in the statement of income. The Parent Company's financial assets at amortized cost consist of 'Cash and cash equivalents', 'Receivables' and 'Investments at amortized cost'.

#### *Reclassifications of financial assets*

The Parent Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Parent Company and any previously recognized gains, losses or interest shall not be restated.

#### *Financial liabilities*

Financial liabilities are classified as financial liabilities at FVTPL and other financial liabilities.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

As of December 31, 2021 and December 31, 2020, the Parent Company has no financial liabilities at FVTPL.

#### *Other financial liabilities*

This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL at the inception of the liability. Other financial liabilities are recognized initially at fair value and are subsequently 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 directly attributable transaction costs.

This category includes 'Accrued expenses and other liabilities'.

#### Derecognition of Financial Assets and Financial Liabilities

##### *Financial assets*

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

- the rights to receive cash flows from the asset have expired; or
- the Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Parent Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred the control over the asset.

Where the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.



#### *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

#### Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties. This is not generally the case with master netting agreements where the related assets and liabilities are presented gross in the parent company statement of financial position.

#### Derecognition of Financial Assets and Liabilities

##### *Financial assets*

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

- the rights to receive cash flows from the asset have expired;
- the Parent Company retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Parent Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership and retained control over the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over the asset.

Where the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a “pass-through arrangement”, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

#### Impairment of Financial Assets

The Parent Company record the allowance for expected credit losses for all loans and receivables and other debt financial assets not held at FVTPL all referred to as ‘financial instruments’. Equity instruments are not subject to impairment under PFRS 9.



ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

#### *Staging assessment*

A three-stage approach for impairment of financial assets is used, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The criteria for determining whether an account should be assessed under Stage 1 are as follows: (i) current or past due up to 30 days; (ii) unclassified. The Parent Company recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all financial instruments which have experienced a SICR as of reporting date compared to initial recognition. The Parent Company recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Parent Company's criteria for Stage 3 accounts are generally aligned with the definition of "default" which is explained in the next paragraph. The Parent Company recognizes a lifetime ECL for Stage 3 financial instruments.

#### *Definition of "default" and "restored"*

The Parent Company classifies loans, investments, receivables, or any financial asset as in default when it is credit impaired, becomes past due on its contractual payments for more than 90 days, considered non-performing, under litigation or is classified as doubtful or loss. As part of a qualitative assessment of whether a customer is in default, the Parent Company considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Parent Company carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

#### *Credit risk at initial recognition*

The Parent Company uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.



*Significant increase in credit risk*

The assessment of whether there has been a significant increase in credit risk is based on an increase in the probability of a default occurring since initial recognition. The SICR criteria vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. For cash in bank, the credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Parent Company's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. If contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Parent Company shall revert to recognizing a 12-month ECL.

*ECL parameters and methodologies*

ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stages 2 and 3. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Parent Company segments its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It makes use of defaulted accounts that have either been identified as cured, restructured, or liquidated.

The Parent Company segmented its LGD based on homogenous risk characteristics and calculated the corresponding segment-level averages.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

*Forward-looking information*

The Parent Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.



The key forward-looking economic variables used in each of the economic scenarios for the ECL calculations are unemployment rate, household expenditure, PSE all shares index, interest rate benchmark for 3 months and 20 years.

#### *Write-offs*

Financial assets are written off either partially or in their entirety only when the Parent Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Write-offs are charged against previously established allowance for credit losses.

#### Investments in Subsidiaries

Investments in subsidiaries are carried in the statement of financial position at cost, less any impairment.

Using the cost method of accounting, the Parent Company recognizes income only to the extent that it receives distributions from the accumulated net income of the investee arising subsequent to the date of acquisition. Distributions received in excess of such profits are considered a recovery of investment and are recorded as a reduction of the cost of the investment.

The reporting date of the Parent Company and its subsidiaries are identical and the subsidiaries' accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances.

#### Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any costs directly attributable to bringing the property and equipment to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against income in the year in which such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

When each major repairs and maintenance is performed, its cost is recognized in the carrying amount of the item of property and equipment as a replacement if the recognition criteria are satisfied. Such costs are capitalized and amortized over the next major repairs and maintenance activity.

Depreciation are computed using the straight-line basis over the estimated useful life of the property and equipment as follows:

	Years
Office condominium	20 years
Office improvements	10 years
Furniture, fixtures and equipment	3-10 years
Transportation equipment	5 years
Leasehold improvements	5 years or term of the lease, whichever period is shorter



The useful lives, residual values and depreciation method are reviewed periodically to ensure that the periods, residual values and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation or amortization are charged against profit or loss in the parent company statement of comprehensive income.

When property and equipment are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization and any impairment in value are eliminated from the accounts and any resulting gain or loss is credited to or charged against profit or loss in the parent company statement of comprehensive income.

#### Impairment of Non-financial Assets

The Parent Company assesses at each reporting date whether there is an indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the Parent Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been previously recognized. Such reversal is recognized in the profit or loss in the parent company statement of comprehensive income. After such reversal, the depreciation or amortization is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

#### Revenue Recognition

The Parent Company follows a five-step model to account for revenue arising from the contracts with customers. The five-step model is as follows:

- a. Identify the contract(s) with customer
- b. Identify the performance obligations in the contract
- c. Determine the transaction price
- d. Allocate the transaction price to the performance obligation
- e. Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.



The Parent Company exercises judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Parent Company is acting as principal in all revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized outside the scope of PFRS 15:

*Trading and investment securities gains - net*

Trading and investment securities gains - net represents gains from trading activities and changes in fair values of financial instruments at FVTPL. Revenue is recognized on trade date upon receipt of confirmation of sale of investments from counterparties.

*Dividend income*

Dividend income is recognized when the Parent Company's right to receive payment is established.

*Interest income*

Interest income is recognized in profit or loss for all instruments measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Parent Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

*Income from business partner*

Income from business partner is recognized at the time the services are rendered.

Expense Recognition

Expenses are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

*General and administrative expenses*

General and administrative expenses, which include the cost of administering the business are not directly associated with the generation of revenue, are expensed as incurred.

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;





- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

*Parent Company as lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss in the parent company statement of comprehensive income on a straight-line basis over the lease term.

*Parent Company as a lessor*

Leases where the Parent Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Retirement Costs

The Parent Company has an unfunded, non-contributory defined benefit retirement plan covering substantially all of its regular employees.

The net defined 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 (if any), 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.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

Defined benefit costs comprise of the following:

- a. service cost;
- b. net interest on the net defined benefit liability or asset; and
- c. remeasurements of net defined benefit liability or asset.

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



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

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

### Income Taxes

#### *Current tax*

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

The Parent Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

#### *Deferred tax*

Deferred tax is provided, using the liability method, on all temporary differences and carryforward benefits of minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO) at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from the excess of MCIT over regular corporate income tax (RCIT) and unused NOLCO, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred tax assets, however, are not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Movements in deferred tax assets and liabilities arising from changes in tax rate are charged or credited to income for the year.

Deferred tax relating to items recognized directly in other comprehensive income are also recognized in other comprehensive income.



#### Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as a payable in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

#### Equity

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Capital paid-in excess of par value' account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Capital paid-in excess of par value' account. If the 'Capital paid-in excess of par value' is not sufficient, the excess is charged against the 'Retained earnings'.

When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the parent company statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments.

'Retained earnings' represents accumulated earnings of the Parent Company less dividends declared.

#### Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the Board of Directors (BOD) and shareholders of the Parent Company while stock dividends are deducted from retained earnings upon distribution. Dividends for the year that are approved after reporting date are dealt with as subsequent events.

#### Basic/Diluted Earnings per Share

Basic earnings per share (EPS) is determined by dividing net income (loss) by the weighted average number of shares outstanding during the year with retroactive adjustments for any stock split and stock dividends declared.

Diluted EPS is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive potential common shares. As of December 31, 2019, 2018 and 2017, the Parent Company does not have dilutive potential common shares.

#### Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.



Where the Parent Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain that the expense relating to any provision is presented in the profit or loss in the parent company statement of comprehensive income, net of any reimbursement.

#### Contingent Liabilities and Contingent Assets

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

#### Events After the Reporting Date

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

#### Segment Reporting

The Parent Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 23. The Parent Company's assets producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

#### Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Parent Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Parent Company's consolidated financial statements.

##### *Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

##### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

##### *Effective beginning on or after January 1, 2024*

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



*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

*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*

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### 3. Significant Accounting Estimates

The preparation of the parent company financial statements in accordance with PFRS requires the management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent assets and liabilities, if any. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the parent company financial statements as they become reasonably determinable.

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

#### Judgment

##### *a. Recognition of deferred tax assets*

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is possible that taxable income will be available against which the differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets to be recognized, based upon likely timing and level of future taxable income.

The deductible temporary differences for which deferred tax assets and liabilities were recognized in the statements of financial position as of December 31, 2021 and 2020 are disclosed in Note 20.

#### 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 material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### *a. Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recognized or disclosed in the financial statements cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and identification of comparable investments and applicable credit spread to arrive at adjusted quoted market prices.

The carrying values and corresponding fair values of financial instruments as well as the manner in which fair values were determined are discussed in more detail in Note 5.

Derivative assets and liabilities recognized in the statement of financial position as of December 31, 2021 and 2020 are disclosed in Note 8.



*b. Credit losses on financial assets*

The Parent Company reviews its debt financial assets subject to ECL annually with updating provisions as necessary. The measurement of credit losses requires judgment, in particular, the estimation of amount and timing of future cash flows and collateral values when determining the credit losses and the assessment of SICR. Elements of the model used to calculate ECL that are considered accounting estimates and judgments, include among others:

- Segmentation of financial assets to determine appropriate ECL model and approach
- Criteria for assessing whether there has been SICR in the debt financial assets and so allowances be measured on a lifetime ECL basis and the qualitative assessment
- Segmentation of financial assets when ECL is calculated on a collective basis
- Development of ECL models, including formula and various inputs
- Selection of forward-looking macroeconomic variables and scenarios

The gross carrying amounts of financial assets subject to ECL as of December 31, 2021 and December 31, 2020 are disclosed in Note 4, while the related ECL allowances for credit losses are disclosed in Note 7.

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#### **4. Financial Risk Management Objectives and Policies**

The Parent Company's principal financial instruments consist of cash and cash equivalents, receivables, financial assets at FVTPL, investments at amortized cost, accrued expenses and other liabilities. The Parent Company also has various other financial assets and liabilities such as deposits.

The main risks arising from the Parent Company's financial instruments are credit risk, liquidity risk and market risks. The BOD reviews and approves the policies for managing each risk and these are summarized below.

*Credit risk*

Credit risk is the risk that the Parent Company will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Parent Company manages and controls credit risk by trading only with recognized, creditworthy third parties. It is the Parent Company's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis so that the Parent Company's exposure to credit losses is not significant. Since the Parent Company trades only with recognized third parties, there is no requirement for collateral.

*Maximum exposure to credit risk*

As of December 31, 2021 and 2020, the Parent Company's maximum exposure to credit risk is equal to the carrying values of its financial assets since it does not hold any collateral or other credit enhancements that will mitigate credit risk exposure.

The fair values of financial assets at FVTPL represent the credit risk exposure as of the reporting date but not the maximum risk exposure that could arise in the future as a result of changes in fair value of the said instruments.

The Parent Company's trade and other receivables are assessed for impairment based on its lifetime ECL. The allowance for credit losses amounting ₱4.01 million and ₱68.47 million as of December 31, 2021 and 2020 pertain to fully-impaired trade and other receivables.



*Credit quality per class of financial assets*

The tables below show the credit quality of the Parent Company's financial assets based on its stage classification as of December 31, 2021 and 2020. The amounts presented are gross of impairment allowances.

	2021			
	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired				
Grade A				
Cash and cash equivalents*	₱1,288,590,538	₱–	₱–	₱1,288,590,538
Interest receivable	–	30,530,238	–	30,530,238
Financial assets at fair value through profit or loss	7,031,645,574	–	–	7,031,645,574
Grade B				–
Trade receivable	–	6,065,628	–	6,065,628
Due from broker	–	2,215,264	–	2,215,264
Other receivables	–	1,343,629	–	1,343,629
Deposits (included in “Other noncurrent assets”)	478,211	–	–	478,211
Grade C	–	–	–	–
Impaired				
Trade receivable	–	–	4,006,626	4,006,626
	₱8,320,714,323	₱40,154,759	₱4,006,626	₱8,364,875,708

\*Excludes cash on hand

	2020			
	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired				
Grade A				
Cash and cash equivalents*	₱1,255,498,645	₱—	₱—	₱1,255,498,645
Interest receivable	36,863,977	—	—	36,863,977
Financial assets at fair value through profit or loss	6,737,207,298			6,737,207,298
Grade B				—
Trade receivable	—	—	—	—
Due from broker	—	7,889,230	—	7,889,230
Other receivables	—	1,122,245	—	1,122,245
Deposits (included in “Other noncurrent assets”)	478,211	—	—	478,211
Grade C	—	—	—	—
Impaired				
Trade receivable	—	—	68,472,723	68,472,723
	₱8,030,048,131	₱9,011,475	₱68,472,723	₱8,107,532,329

The table below shows the credit quality of the Parent Company's neither past due nor impaired financial assets based on historical experience with the corresponding third parties.

	2021			Total
	Grade A	Grade B	Grade C	
Cash and cash equivalents*	₱1,288,590,538	₱—	₱—	₱1,288,590,538
Receivables:				
Trade receivables	—	—	—	—
Due from broker	—	2,215,264	—	2,215,264
Interest receivable	30,530,238	—	—	30,530,238
Receivable from sale of investment	—	—	—	—
Others	—	—	—	—
FVTPL investments:				
Corporate bonds	2,812,947,926	—	—	2,812,947,926
Government bonds	2,192,059,097	—	—	2,192,059,097
Mutual funds	1,023,975,067	—	—	1,023,975,067
Equity securities	1,002,663,484	—	—	1,002,663,484
Derivative assets	—	—	—	—
Deposits (included in "Other noncurrent assets")	—	478,211	—	478,211
	<b>₱8,350,766,350</b>	<b>₱2,693,475</b>	<b>₱—</b>	<b>₱8,353,459,825</b>

\*Excludes cash on hand



	2020			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents*	₱1,255,498,645	₱–	₱–	₱1,255,498,645
Receivables:				
Trade receivables	–	–	–	–
Due from broker	–	7,889,230	–	7,889,230
Interest receivable	36,863,977	–	–	36,863,977
Receivable from sale of investment	–	–	–	–
Others	–	1,122,245	–	1,122,245
FVTPL investments:				
Corporate bonds	3,495,088,751	–	–	3,495,088,751
Government bonds	2,214,589,097	–	–	2,214,589,097
Mutual funds	932,927,840	–	–	932,927,840
Equity securities	94,082,110	–	–	94,082,110
Derivative assets	519,500	–	–	519,500
Deposits (included in “Other noncurrent assets”)	–	478,211	–	478,211
	₱8,029,569,920	₱9,489,686	₱–	₱8,039,059,606

\*Excludes cash on hand

The Parent Company rates its financial assets based on internal and external credit rating system. The credit quality of treasury exposures is generally monitored through the external ratings of eligible external credit assessment rating institutions.

Credit Quality	External Rating				
Investment Grade (Grade A)	Aaa	Aa	A	Baa	Ba
Non-Investment Grade (Grade B)	Ba	B	Caa	Ca	C
Impaired (Grade C)	D				

Grade A financial assets pertain to those investments with counterparties of good credit standing or receivables from clients or customers that consistently pay on or before the maturity date.

Grade B and C include those receivables being collected on due dates with varying collection efforts required, ranging from minimum to moderate that may require close monitoring.

Cash and cash equivalents are classified as Grade A because it is deposited with reputable banks.

Financial assets at FVTPL are classified as Grade A since these mostly pertain to investments in listed companies and government-issued bonds.

#### *Liquidity risk*

Liquidity risk is the risk that the Parent Company will be unable to meet its payment obligations when they fall due under normal and stressful circumstances. To limit this risk, the Parent Company closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when they fall due. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations.

#### *Financial assets*

Except for other financial assets, the analysis into maturity groupings is based on the expected dates on which the assets will be realized. For other financial assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date.

#### *Financial liabilities*

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Parent Company can be required to pay.





The table below shows the financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled.

	2021					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	More than 5 years	
<b>Financial Assets</b>						
Cash and cash equivalents	₱954,455,306	₱334,244,300	₱—	₱—	₱—	₱1,288,699,606
Receivables:						
Trade receivables	6,065,628	—	—	—	—	6,065,628
Due from broker	—	2,215,264	—	—	—	2,215,264
Interest receivables	—	30,530,238	—	—	—	30,530,238
Other receivables	—	1,582,941	—	—	—	1,582,941
FVTPL investment:						
Quoted:						
Mutual funds	1,023,975,067	—	—	—	—	1,023,975,067
Equity securities	1,002,663,484	—	—	—	—	1,002,663,484
Government bonds*	—	21,771,449	2,258,180,235	—	—	2,279,951,685
Corporate bonds*	—	23,738,176	2,866,979,404	—	—	2,890,717,580
Deposits (included in 'Other noncurrent assets')	—	—	478,211	—	—	478,211
	₱2,987,159,485	₱414,082,369	₱5,125,637,850	₱—	₱—	₱8,526,879,704
<b>Financial Liabilities</b>						
Accrued expenses and other liabilities:						
Accrued expenses	₱—	₱4,535,886	₱—	₱—	₱—	₱4,535,886
Accounts payable	—	1,198,771	—	—	—	1,198,771
Derivative liabilities	—	9,176,000	—	—	—	9,176,000
Others	—	1,970,276	—	—	—	1,970,276
	₱—	₱16,880,933	₱—	₱—	₱—	₱16,880,933

\*Includes accrued interest receivable, and future interest

	2020					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	More than 5 years	
<b>Financial Assets</b>						
Cash and cash equivalents	₱450,234,865	₱805,698,929	₱—	₱—	₱—	₱1,255,933,794
Receivables:						
Trade receivables	29,589,652	—	—	—	—	29,589,652
Due from broker	—	7,889,230	—	—	—	7,889,230
Receivable from related party	—	—	—	—	—	—
Interest receivables	—	36,863,977	—	—	—	36,863,977
Receivable from sale of investment	38,592,600	—	—	—	—	38,592,600
Other receivables	—	1,361,557	—	—	—	1,361,557
FVTPL investment:						
Quoted:						
Mutual funds	₱932,927,840	₱—	₱—	₱—	₱—	₱932,927,840
Equity securities	94,082,110	—	—	—	—	94,082,110
Government bonds*	—	100,285,611	3,348,948,296	—	—	3,449,233,907
Corporate bonds*	—	442,284,416	2,868,818,561	—	—	3,311,102,977
Derivative assets	—	519,500	—	—	—	519,500
Deposits (included in 'Other noncurrent assets')	—	—	478,211	—	—	478,211
	₱1,545,427,067	₱1,394,903,220	₱6,218,245,068	₱—	₱—	₱9,158,575,355
<b>Financial Liabilities</b>						
Accrued expenses and other liabilities:						
Accrued expenses	₱—	₱1,026,816	₱—	₱—	₱—	₱1,026,816
Accounts payable	—	1,195,491	—	—	—	1,195,491
Derivative liabilities	—	—	—	—	—	—
Others	—	1,981,743	—	—	—	1,981,743
	₱—	4,204,050	₱—	₱—	₱—	4,204,050

\*Includes accrued interest receivable, and future interest



### Market risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in market prices (price risk), foreign exchange rates (currency risk) and market interest rates (interest rate risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Parent Company is exposed to the risk that the value of its financial assets will be adversely affected by the fluctuations in the price level or volatility of one or more of the said assets. The two main components of the risks recognized by the Parent Company are systematic risk and unsystematic risk.

Systematic risk is the variability in price caused by factors that affect all securities across all markets (e.g. significant economic or political events). Unsystematic risk, on the other hand, is the variability in price caused by factors which are specific to the particular issuer (corporation) of the debt or equity security. Through proper portfolio diversification, this risk can be minimized as losses on one particular debt security may be offset by gains in another.

To further mitigate these risks, the Parent Company ensures that the investment portfolio is adequately diversified taking into consideration the size of the portfolio.

#### a. Foreign currency risk

The Parent Company has transactional currency exposures. The Parent Company's financial instruments which are denominated in foreign currency include cash and cash equivalents, receivables, and financial assets at FVTPL. The Parent Company maintains several United States dollar (US\$) accounts to manage its foreign currency denominated transactions.

The Parent Company's financial assets and liabilities denominated in US\$ are as follows:

	2021		2020	
Cash and cash equivalents	\$1,646,092	₱83,949,037	\$10,745,651	₱516,038,399
Financial assets at FVTPL - debt	10,022,834	511,154,511	10,454,297	502,046,708
Accrued interest receivable	151,649	7,733,936	120,774	5,799,950
Accounts receivable - others	46,416	2,367,160	368	17,687
	11,866,990	605,204,644	21,321,090	1,023,902,744
Currency forwards	(13,000,000)	(662,987,000)	(21,000,000)	(1,008,483,000)
Net exposure	(\$1,133,010)	(₱57,782,356)	\$321,090	₱15,419,744

In translating the foreign currency denominated assets and liabilities into peso amounts, the exchange rate used was ₱50.999 to US\$1 and ₱48.023 to US\$1 as of December 31, 2021 and 2020.

The following table presents the impact on the Parent Company's income before income tax due to change in the fair value of its monetary assets and liabilities, brought out by a reasonably possible change in the US dollar to Peso exchange rate, with all other variable held constant. There is no other impact on equity other than those affecting earnings.

	2021		2020	
	Change in Foreign Exchange Rate	Effect on Income before tax	Change in Foreign Exchange Rate	Effect on Income before tax
Increase	+0.90%	₱747,201	+0.90%	(₱177,350)
Decrease	-0.90%	(747,201)	-0.90%	177,350



*Equity price risk*

Equity price risk is the risk that the fair value of quoted investments will fluctuate as a result of changes in the value of individual stock investment.

The table below demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Parent Company's equity. The impact on the Parent Company's equity already excludes the impact on transactions affecting the income before income tax. The possible change in equity prices was determined using historical closing prices of the benchmark 30-company Philippine stock index (PSEi).

	2021		2020	
	% Variance on Equity Price	% Variance on Equity Price	% Variance on Equity Price	Effect on Equity
Increase	12.637%	₱94,516,002	13.256%	₱117,449,601
Decrease	-12.637%	(94,516,002)	-13.256%	(117,449,601)

The table below demonstrates how the change in the investment portfolio of the Parent Company's mutual funds affects income before income tax with a reasonably possible change in the net asset value for the years ended December 31, 2021 and 2020 with all other variables held constant.

There is no other impact on the Parent Company mutual fund's equity account other than those already affecting the profit or loss in the statements of comprehensive income.

	2021		2020	
	% Variance on net asset value	Effect on Equity	% Variance on net asset value	Effect on Equity
Increase	12.637%	₱110,269,138	13.256%	₱106,658,794
Decrease	-12.637%	(110,269,138)	-13.256%	(106,658,794)

*b. Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Parent Company's exposure to market risk for changes in interest rates relates primarily to the Parent Company's debt securities booked at FVTPL and investments at amortized cost.

The Parent Company's market risk policy requires it to manage interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets.

The following table demonstrates the sensitivity of the Parent Company's FVTPL debt securities to a reasonably possible change in interest rates for the year ended December 31, 2021 and 2020.

	2021	2020
<i>Basis points</i>	Effect on Pre-Tax Equity	Effect on Pre-Tax Equity
+100	(₱88,256,186)	(₱115,712,449)
-100	94,784,508	114,098,852

As of December 31, 2021 and 2020, the Parent Company's interest-bearing financial assets and liabilities have fixed interest rates. As such, the Parent Company's exposure to interest rate risks is minimal.



## 5. Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

### *Cash and cash equivalents, receivables and accrued expenses and other current liabilities*

The carrying amounts of these financial assets and liabilities approximate fair values due to the relatively short-term maturity of these financial instruments.

### *Financial assets and liabilities at FVTPL*

Fair values are generally based on quoted market prices. For the Parent Company's equity investments, fair values are determined based on quoted closing prices or bid price in cases when the former is not available in the PSE for 2021 and 2020. For the Parent Company's fixed income investments, fair values are determined based on BVAL reference rates for 2021 and 2020, respectively. If market prices are not readily available or if the securities are not traded in an active market, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. For unquoted equity securities for which no reliable basis for fair value measurement is available, these are carried at cost net of impairment, if any. For the Parent Company's mutual funds, fair values are estimated using published net asset value (NAV).

### *Derivative instruments (included under financial assets at FVTPL)*

Fair values are calculated by reference to the prevailing interest differential and spot exchange rate as of reporting date, taking into account the remaining term to maturity of the derivative instruments.

The fair value hierarchy as of December 31, 2021 and 2020 follows:

	2021				
	Carrying Amount	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Financial assets at FVTPL:					
Corporate bonds	₱2,812,947,926	₱2,812,947,926	₱—	₱—	₱2,812,947,926
Government bonds	2,192,059,097	2,192,059,097	—	—	2,192,059,097
Mutual funds	1,023,975,067	—	1,023,975,067	—	1,023,975,067
Equity securities	1,002,663,484	1,002,663,484	—	—	1,002,663,484
	<b>₱7,031,645,574</b>	<b>₱6,007,670,507</b>	<b>₱1,023,975,067</b>	<b>₱—</b>	<b>₱7,031,645,574</b>
<b>Financial liability</b>					
Derivative liability	₱9,176,000	₱—	₱9,176,000	₱—	₱9,176,000



2020					
	Carrying Amount	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>					
Financial assets at FVTPL:					
Corporate bonds	₱3,495,088,751	₱3,495,088,751	₱—	₱—	₱3,495,088,751
Government bonds	2,214,589,097	2,214,589,097	—	—	2,214,589,097
Mutual funds	932,927,840	—	932,927,840	—	932,927,840
Equity securities	94,082,110	94,082,110	—	—	94,082,110
Derivative assets	519,500	—	519,500	—	519,500
	<b>₱6,737,207,298</b>	<b>₱5,803,759,958</b>	<b>933,447,340</b>	<b>—</b>	<b>₱6,737,207,298</b>
<i>Financial liability</i>					
Derivative liability	₱—	₱—	₱—	₱—	₱—

Fair value measurement of financial assets and liabilities under Level 2 were based on interest rates and yield curves, implied volatilities and foreign exchange spread.

As of December 31, 2021 and 2020, there are no transfers into and out of Level 1, Level 2 and Level 3 fair value hierarchy.

## 6. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	<b>₱5,000</b>	₱5,000
Cash in banks	<b>954,455,306</b>	450,229,863
Cash equivalents	<b>334,135,232</b>	805,268,782
	<b>₱1,288,595,538</b>	<b>₱1,255,503,645</b>

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company and earn interest at the prevailing short-term deposit rates.

The table below shows the range of annual interest rates for cash equivalents.

	2021	2020	2019
Philippine peso	<b>0.25%-0.75%</b>	0.25% - 3.50%	1.00% - 6.98%
US dollar	<b>0.13%-0.63%</b>	0.13% - 1.25%	1.10% - 2.75%

In 2021, 2020 and 2019, interest income from cash and cash equivalents amounted to ₱7.27million, ₱12.45 million and ₱58.29 million, respectively (see Note 18).



## 7. Receivables

This account consists of:

	2021	2020
Accrued interest receivable	<b>₱30,530,238</b>	₱36,863,977
Trade receivables	<b>6,065,628</b>	29,589,652
Due from broker	<b>2,215,264</b>	7,889,230
Other receivables	<b>1,582,941</b>	1,361,557
Receivable from sale of investment	—	38,592,600
	<b>40,394,071</b>	114,297,016
Less: Allowance for impairment and credit losses (Note 13)	<b>(4,006,626)</b>	(68,472,723)
	<b>₱36,387,445</b>	₱45,824,293

Trade receivables are non-interest bearing and are normally collectible within two to four months after billing is made. Trade receivables amounting to ₱29.00 million were assigned by a former subsidiary of the Parent Company and is fully provided by allowance. In 2021, the Board of Directors approved the write-off of the assigned trade receivables amounting to ₱25.87 million.

Receivable from sale of investment pertains to the sale of the Parent Company's investment in Lucky Star. Since Management believes that there is significant uncertainty with respect to the recovery of its investment in Lucky Star as a result of the Supreme Court decision to shut down Jai-alai operations, the Parent Company sold its investment in Lucky Star for ₱96.59 million (a company incorporated to operate off-front on betting stations in the Philippines). The related receivable from the sale, which is collectible over ten years at certain pre-agreed installment terms until 2012, has been fully provided with allowance for impairment and credit losses. Written off amount as of December 31, 2020 is ₱58.00 million. In 2021, the Board of Directors approved the write-off of the remaining receivables from Lucky Star amounting to ₱38.59 million.

In 2021 and 2020, receivables amounting to ₱4.01 million and ₱68.47 million were carried at stage 3 and there were no transfers into and out of stage 3.

## 8. Investment Securities

### Financial Assets at Fair Value through Profit or Loss

This account consists of the following:

	2021	2020
Corporate bonds:	<b>₱2,812,947,926</b>	₱3,495,088,751
Government bonds	<b>2,192,059,097</b>	2,214,589,097
Mutual funds	<b>1,023,975,067</b>	932,927,840
Equities	<b>1,002,663,484</b>	94,082,110
Derivative assets	—	519,500
	<b>₱7,031,645,574</b>	₱6,737,207,298



### Corporate Bonds

Corporate bonds include peso-denominated securities which earn interest ranging from 2.00% to 5.10% and 2.50% to 6.00% in December 31, 2021 and 2020, respectively. It also includes dollar-denominated securities with interest rates ranging from 2.13% to 7.38% and 3.28% to 7.38% in December 31, 2021 and 2020, respectively.

### Government Bonds

Government bonds include peso-denominated securities which earn interest ranging from 1.90% to 5.50% in 2021 and 2020, respectively. It also includes dollar-denominated bonds with interest rates ranging from ranging from 3.75% to 4.10% in 2021 and 2020.

### Mutual Funds

Mutual funds represent investment in shares and units of:

	2021	2020
Philequity Fund, Inc. (PEFI)	<b>₱598,305,178</b>	₱583,379,175
Philequity Dividend Yield Fund, Inc. (PDYF)	<b>164,567,207</b>	144,091,899
Philequity Balanced Fund, Inc. (PBF)	<b>31,067,500</b>	31,067,500
Philequity Foreign Currency Fixed Income Fund, Inc. (PFCFF)	<b>30,895,000</b>	30,895,000
Philequity PSE Index Fund, Inc. (PPSE)	<b>133,268,066</b>	132,521,266
Philequity Alpha One Fund, Inc. (PAOF)	<b>65,872,116</b>	10,973,000
	<b>₱1,023,975,067</b>	₱932,927,840

Movement in the Parent Company's mutual fund investment is shown below:

	2021	2020
Beginning	<b>₱932,927,840</b>	₱881,880,535
Subscription	<b>50,000,000</b>	121,188,077
Revaluation	<b>41,047,227</b>	(70,140,772)
	<b>₱1,023,975,067</b>	₱932,927,840

Investment in shares of PEFI, PDYF, PBF, PCFFF, PPSE, and PAOF are valued at net asset value per share (NAVPS). NAVPS is computed by dividing net assets (total assets less total liabilities) by the total number of redeemable shares or units issued and outstanding as of reporting date.

### Equity Securities

Quoted equity securities pertain to investments in stocks listed in the PSE.

Dividend income earned from FVTPL equity securities amounted to ₱7.93 million, ₱3.22 million and ₱0.41 million in 2021, 2020 and 2019, respectively.

### Derivative Assets

As of December 31, 2021 and 2020, this account includes currency forward contracts entered into by the Parent Company to economically hedge the foreign exchange risk on certain US\$-denominated assets. The Parent Company's outstanding currency forward contracts have an aggregate notional amount of US\$13.0 million and US\$21.00 million as of December 31, 2021 and 2020, respectively.



As of December 31, 2021 and 2020, the weighted average forward contract rate is ₱50.52 to US\$1 and ₱48.12 to US\$1, respectively. The Parent Company is in a sell US dollar position as of December 31, 2021 and 2020.

The movements in the Parent Company's derivative instruments are as follows:

	2021	2020	2019
Balance at beginning of year:			
Derivative assets	<b>₱519,500</b>	₱909,000	₱11,535,148
Derivative liabilities	—	(322,000)	(700,000)
	<b>519,500</b>	587,000	10,835,148
Fair value changes	<b>5,410,693</b>	36,599,345	56,068,327
Settled transactions	<b>4,284,807</b>	(36,531,845)	(45,820,179)
	<b>9,695,500</b>	67,500	10,248,148
Balance at end of year:			
Derivative assets	—	519,500	909,000
Derivative liabilities	<b>(9,176,000)</b>	—	(322,000)
	<b>(₱9,176,000)</b>	₱519,500	₱587,000

The net fair value changes on the Parent Company's currency forward contracts amounting to ₱5.41 million and ₱36.60 million in 2021 and 2020, respectively, are recognized in 'Unrealized foreign exchange gain' in profit or loss in the parent company statement of comprehensive income.

#### Interest Income on Financial Assets at FVTPL

In 2021, 2020 and 2019, interest income, from financial assets at FVTPL amounted to ₱181.12 million, ₱263.20 million and ₱252.88 million, respectively (Note 18).

Trading and investment securities gains (losses) from financial assets at FVTPL consists of:

	2021	2020	2019
Realized gain (loss) from sale of:			
Bonds	<b>₱35,864,312</b>	₱64,683,179	₱58,701,608
Equity securities	<b>15,209,856</b>	(690,444)	(3,440,507)
	<b>₱51,074,168</b>	₱63,992,735	55,261,101
Changes in fair value of:			
Bonds	<b>(133,643,417)</b>	65,416,338	179,970,605
Equity securities	<b>90,073,113</b>	7,781,136	774,015
Mutual funds	<b>41,047,228</b>	(70,140,772)	26,225,988
	<b>(2,523,076)</b>	3,056,702	206,970,608
	<b>₱48,551,092</b>	₱67,049,437	₱262,231,709

## **9. Foreign Exchange Gain (Loss)**

This account consists of gains and losses from the translation of the Parent Company's US\$ denominated cash and cash equivalents and financial assets at FVTPL.





Breakdown of the foreign exchange income is presented below:

	2021	2020	2019
<b>Realized Foreign Exchange Gain (Loss)</b>			
Derivative assets (Note 8)	(P4,284,807)	P36,531,845	P45,820,179
Currency trading	19,744,203	(6,039,137)	(1,084,735)
	<b>P15,459,396</b>	<b>P30,492,708</b>	<b>P44,735,444</b>
<b>Unrealized Foreign Exchange Gain (Loss)</b>			
Cash and cash equivalents	P16,880,176	(P25,865,737)	(P57,247,346)
Derivative assets (Note 8)	9,695,500	67,500	10,248,148
	<b>P26,575,676</b>	<b>(P25,798,237)</b>	<b>(P46,999,198)</b>

Realized foreign exchange gain (loss) pertains to the amount realized upon the settlement of the Parent Company's derivative assets and realized gain from the buying and selling currencies.

Unrealized foreign exchange gain (loss) pertains to the translated gains from settlement of short-term deposits and the translated revaluation of derivative assets at FVTPL at year-end.

## 10. Investments in Subsidiaries

As of December 31, 2021 and 2020, the Parent Company has investments in the following subsidiaries, which are accounted for under the cost method of accounting:

	2021		2020	
	% of Ownership	Acquisition Cost	% of Ownership	Acquisition Cost
Philequity MSCI Index Fund, Inc (PMIF)	68.57	₱250,650,000	68.57	₱250,650,000
Vantage Financial Corporation (VFC)	100.00	132,925,065	100.00	132,925,065
Philequity Management, Inc. (PEMI)	51.00	32,407,700	51.00	32,407,700
iCurrencies, Inc. (iCurrencies)	100.00	14,778,473	100.00	14,778,473
Philequity Global Fund, Inc. (PGFI)	100.00	1,000,000	100.00	1,000,000
Philequity Alpha One Fund, Inc. (PAOF)	100.00	1,000,000	100.00	1,000,000
		₱432,761,238		₱432,761,238

The Parent Company's subsidiaries are all incorporated in the Philippines.

### *Investment in Philequity MSCI Index Fund, Inc. (PMIF)*

As of December 31, 2021 and 2020, the Parent Company owns 250,618,397 common shares (with a par value of P1.00 per share) or 68.57% interest in PMIF.

PMIF was incorporated in the Philippines, and was registered with the SEC on December 15, 2017 under the Philippine ICA as an open-end mutual fund company. PMIF is engaged to subscribe for, invest and re-invest in, sell, transfer or otherwise dispose of securities of all kinds, including all types of stocks, bonds, debentures, notes, mortgages, or other obligations, and/or similar financial instruments. Also, it will carry on the business of an Open-End Investment Company in all the elements and details thereof as prescribed by law.

In January 2019, PMIF launched its capital shares to the public.



*Investment in VFC*

As of December 31, 2021, the Parent Company owns 800,000,000 common shares (with a par value of ₱1.00 per share) or 100% interest in VFC.

*Investment in PEMI*

As of December 31, 2021, the Parent Company owns 1,820,000 common shares (with a par value of ₱100.00 per share) or 51% interest in PEMI.

*Investment in iCurrencies*

As of December 31, 2020, the Parent Company owns 12,500,000 common shares (with a par value of ₱1.00 per share) or 100% interest in iCurrencies.

*Investment in PGFI*

Philequity Global Fund, Inc. was incorporated in the Philippines, and was registered with the Securities and Exchange Commission (SEC) on June 24, 2019. The primary activities of the Fund are to subscribe for, invest and re-invest in, sell, transfer or otherwise dispose of securities of all kinds, to acquire, hold, invest and reinvest in, sell, transfer or otherwise dispose of real properties of all kinds; and generally to carry on the business of an open-end investment company in all the elements and details thereof as prescribed by law.

On January 20, 2021, the SEC approved the Fund's registration as an open-end mutual fund company.

*Investment in PAOF*

Philequity Alpha One Fund, Inc. was incorporated in the Philippines, and was registered with the Securities and Exchange Commission (SEC) on February 13, 2019. The primary activities of the Fund are to subscribe for, invest and re-invest in, sell, transfer or otherwise dispose of securities of all kinds, to acquire, hold, invest and reinvest in, sell, transfer or otherwise dispose of real properties of all kinds; and generally to carry on the business of an open-end investment company in all the elements and details thereof as prescribed by law. On August 30, 2019, the SEC approved the Fund's application to register the Offer Units under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799).

On December 9, 2019, PAOF launched its units to the public.

*Investment in PBF*

As of December 31, 2021, the Parent Company owns 25,000,000 common shares (with a par value of ₱0.01 per share) or 100% interest in PBF. Investment in PBF is recorded as a mutual fund investment.

The fund has obtained tax clearance from the BIR, however, clearance for liquidation is still pending with the SEC as of December 31, 2021.

In 2021 and 2020, the Parent Company has not provided any allowance for impairment for its investment in PBF. The Parent Company believes that its investment is fully recoverable.

*Investment in PFCFF*

As of December 31, 2021 the Parent Company owns 25,000,000 common shares (with a par value of ₱0.01 per share) or 100% interest in PFCFF. Investment in PFCFF is recorded as a mutual fund investment.



The fund has obtained tax clearance from the BIR, however, clearance for liquidation is still pending with the SEC as of December 31, 2021.

In 2021 and 2020, the Parent Company has not provided any allowance for impairment for its investment in PFCFF. The Parent Company believes that its investment is fully recoverable.

## 11. Property and Equipment

The components of and movements in this account follow:

	2021			Total
	Office Condominium and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	
<b>Cost</b>				
Balance at beginning of year	₱52,696,797	₱27,901,228	₱14,281,523	₱94,879,548
Additions	—	—	—	—
Balance at end of year	52,696,797	27,901,228	14,281,523	94,879,548
<b>Accumulated Depreciation</b>				
Balance at beginning of year	10,540,338	27,899,059	12,943,316	51,382,713
Depreciation (Note 17)	3,517,068	—	851,038	4,368,106
Balance at end of year	14,057,406	27,899,059	13,794,354	55,750,819
<b>Net Book Value</b>	<b>₱38,639,391</b>	<b>₱2,169</b>	<b>₱487,169</b>	<b>₱39,128,729</b>

	2020			Total
	Office Condominium and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	
<b>Cost</b>				
Balance at beginning of year	₱52,696,797	₱27,805,229	₱14,281,523	₱94,783,549
Additions	—	95,999	—	95,999
Balance at end of year	52,696,797	27,901,228	14,281,523	94,879,548
<b>Accumulated Depreciation</b>				
Balance at beginning of year	7,027,300	27,773,640	12,119,510	46,920,450
Depreciation (Note 17)	3,513,038	125,419	823,806	4,462,263
Balance at end of year	10,540,338	27,899,059	12,943,316	51,382,713
<b>Net Book Value</b>	<b>₱42,156,459</b>	<b>₱2,169</b>	<b>₱1,338,207</b>	<b>₱43,496,835</b>

Fully depreciated assets are retained in the account until they are no longer in use and no further depreciation are charged against current operations. As of December 31, 2021 and 2020, the cost of fully depreciated assets still being used in operations amounted to ₱37.96 million and ₱37.31 million, respectively.

## 12. Other Noncurrent Assets

This account consists of:

	2021	2020
Deposits	₱478,211	₱478,211
Deferred input VAT - noncurrent	—	106,793
Other assets	242,427	242,426
	<b>720,638</b>	<b>827,430</b>
Less: Allowance for impairment and credit losses (Note 13)	<b>222,415</b>	<b>222,415</b>
	<b>₱498,223</b>	<b>₱605,015</b>



### 13. Allowance for Impairment and Credit Losses

Allowance for impairment and credit losses is as follows:

	2021	2020
Trade receivables (Note 7)	<b>₱4,006,626</b>	₱68,472,723
Other non-current assets (Note 12)	<b>222,415</b>	222,415
	<b>₱4,229,041</b>	₱68,695,138

In 2021 and 2020, receivables and other non-current assets amounting to ₱4.23 million and ₱68.70 million, respectively, were carried at stage 3. There were no transfers into and out of stage 3.

The rollforward analysis of allowance for credit losses for 2021 and 2020 follow:

	2021		
	Receivables	Other Non-current Assets	Total
Balance at January 1	<b>₱68,472,723</b>	<b>₱222,415</b>	<b>₱68,695,138</b>
Write-off	<b>(64,466,097)</b>	—	<b>(64,466,097)</b>
Balance at December 31	<b>₱4,006,626</b>	<b>₱222,415</b>	<b>₱4,229,041</b>

	2020		
	Receivables	Other Non-current Assets	Total
Balance at January 1	₱112,472,723	₱222,415	₱112,695,138
Write-off	(44,000,000)	—	(44,000,000)
Balance at December 31	₱68,472,723	₱222,415	₱68,695,138

### 14. Accrued Expenses and Other Current Liabilities

This account consists of:

	2021	2020	2019
Financial:			
Accounts payable	<b>₱1,198,771</b>	₱1,195,491	₱56,802,155
Accrued expenses	<b>4,535,885</b>	1,026,816	1,162,117
Others	<b>1,970,276</b>	1,981,743	1,654,124
	<b>7,704,932</b>	4,204,050	59,618,396
Nonfinancial:			
Output value-added tax	<b>₱—</b>	₱3,659,135	₱5,381,551
Deferred output value-added tax	<b>2,695,488</b>	2,695,488	3,039,302
Sundry credits	<b>934,478</b>	934,478	934,478
Withholding taxes	<b>407,388</b>	223,635	172,466
Others	<b>—</b>	4,403	4,005
	<b>4,037,354</b>	7,517,139	9,531,802
	<b>₱11,742,286</b>	₱11,721,189	₱69,150,198



Accounts payable consists of payables to a third party and for the purchase of debt securities. This is usually payable within one (1) to two (2) trading days following the settlement convention.

Accrued expenses pertain to accrual of other employee benefits and professional fees.

Financial other current liabilities pertain to the Parent Company's payable with regard to reimbursable expenses.

Nonfinancial other current liabilities mainly represent statutory payables such as Social Security System (SSS) premiums and other liabilities to the government.

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## 15. Retirement Liability

The Parent Company has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. The latest actuarial valuation report is as of December 31, 2021.

Retirement expense included under 'General and administrative expenses' recognized in the profit or loss in the statements of comprehensive income follow:

	2021	2020	2019
Service cost	<b>₱293,308</b>	₱250,186	₱334,075
Net interest cost	<b>101,928</b>	255,783	218,000
	<b>₱395,236</b>	₱505,969	₱552,075

The net retirement liability recognized in the statements of financial position follows:

	2021	2020
At January 1	<b>₱4,077,130</b>	₱5,167,324
Expense recognized in statements of income:		
Current service cost	<b>293,308</b>	250,186
Net interest cost	<b>101,928</b>	255,783
	<b>395,236</b>	505,969
Remeasurements in OCI		
Actuarial changes arising from:		
Changes in financial assumptions	<b>335,472</b>	(588,660)
Deviations of experience from assumptions	—	2,184,823
	<b>(335,472)</b>	1,596,163
At December 31	<b>₱4,136,894</b>	₱4,077,130



The movement in remeasurement gains (losses) on retirement follow:

	2021	2020
At January 1	<b>(₱21,628)</b>	(₱1,138,942)
Actuarial changes arising from:		
Changes in financial assumptions	<b>335,472</b>	(588,660)
Deviations of experience from assumptions	—	2,184,823
Total remeasurement gains (losses) during the year	<b>335,472</b>	1,596,163
Income tax effect (Note 20)	<b>(83,868)</b>	(478,849)
Total remeasurement gains, net of tax	<b>251,604</b>	1,117,314
At December 31	<b>₱229,976</b>	(₱21,628)

The principal actuarial assumptions used in determining the retirement liability are shown below:

	2021	2020
Average remaining working life	<b>39 years</b>	<b>39 years</b>
Discount rate	<b>3.77%</b>	<b>2.50%</b>
Future salary increase	<b>3.50%</b>	<b>3.50%</b>

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	December 31, 2021	
	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(₱155,695)
	-1.00%	163,381
Future salary increase	+1.00%	162,212
	-1.00%	(157,578)

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

	2021	2020
More than 1 year to 5 years	<b>₱5,754,531</b>	₱5,922,172
More than 5 years to 10 years	—	—
	<b>₱5,754,531</b>	₱5,922,172

The average duration of the defined benefit obligation at the end of the reporting period is estimated to be 5 years.



## 16. Capital Stock

The details of this account are shown below:

	2021		2020	
	Shares	Amount	Shares	Amount
Authorized shares (at par value of ₱1 per share)	5,000,000,000	5,000,000,000	5,000,000,000	₱5,000,000,000
Issued and Outstanding				
Balance at beginning of year	4,335,181,766	4,335,181,766	4,335,181,766	₱4,335,181,766
Treasury stock	(135,599,500)	(190,460,934)	(135,599,500)	(190,460,934)
Outstanding shares	4,199,582,266	4,144,720,832	4,199,582,266	₱4,144,720,832

The Parent Company has outstanding treasury shares of million shares amounting to ₱million as of December 31, 2021 and 2020, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

The track record of the Parent Company's registration of securities in compliance with the Securities Regulation Code Rule 68 Annex 68-D 1(I) follows:

a. Authorized Shares

Date of SEC approval	Type of shares	Authorized number of shares
October 27, 2015	Common	5,000,000,000
January 12, 2009	Common	2,250,000,000
October 20, 1992	Common	1,900,000,000

b. Stock Dividends

Date of SEC approval	Percentage
December 18, 2015	100%
January 12, 2009	25%

c. Number of Shareholders

Year-end	Number of shareholders
December 31, 2021	607
December 31, 2020	611
December 31, 2019	613

Retained Earnings

After reconciling items, the retained earnings that is available for dividend declaration amounted to ₱3.07 billion as of and for the year ended December 31, 2021. Under the Corporation Code of the Philippines (the Code), a stock corporation is prohibited from retaining surplus profits in excess of 100.00% of its paid-in capital stock, except when qualified by any reasons mentioned in the Code.



### Capital Management

The primary objectives of the Parent Company's capital management are to safeguard the Parent Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The management considers capital stock and retained earnings as core capital of the Parent Company.

The Parent Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes during the years ended December 31, 2021 and 2020. To date, the Parent Company is not subject to any externally imposed capital requirements.

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## 17. General and Administrative Expenses

This account consists of:

	2021	2020	2019
Salaries, wages and employee benefits	<b>₱5,890,263</b>	₱4,276,781	₱5,235,481
Depreciation and amortization (Notes 11 and 12)	<b>4,368,106</b>	4,462,263	5,383,275
Commission	<b>3,206,496</b>	441,490	41,122
Directors' fee	<b>2,908,547</b>	2,666,667	2,748,889
Taxes and licenses	<b>2,794,502</b>	1,686,099	1,315,863
Professional fees	<b>1,345,000</b>	1,791,073	2,253,506
Transportation and communication	<b>1,226,504</b>	1,286,986	1,263,787
Entertainment, amusement and recreation (Note 20)	<b>410,906</b>	536,923	299,164
Retirement expense (Note 15)	<b>395,236</b>	505,969	552,075
Rent and utilities	<b>151,055</b>	60,750	70,381
Repairs and maintenance	<b>56,756</b>	34,951	78,429
Others	<b>1,090,807</b>	1,613,610	1,524,465
	<b>₱23,844,178</b>	₱19,363,562	₱20,766,437

Others include bank charges, office supplies, membership fees, training and seminar, periodicals and magazines, other insurance and other expenses.

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## 18. Interest Income

This account consists of interest income from:

	2021	2020	2019
Financial assets at FVTPL (Note 8)	<b>₱181,118,979</b>	₱263,199,889	₱252,884,577
Cash and cash equivalents (Note 6)	<b>7,267,287</b>	12,452,174	58,288,658
Investments at amortized cost	<b>—</b>	—	510,563
	<b>₱188,386,266</b>	₱275,652,063	₱311,683,798





## 19. Income from Business Partner

In January 2021 VEI, as parent company of VFC, and Western Union, amended the Representation Agreement with Western Union expiring December 2026. The amendment essentially lifts exclusivity for inbound or receive transactions effective January 2021 in exchange for a lower share of commissions on said transactions and a \$1.00 million signing bonus for VEI as the Parent Company of VFC. The Agreement provides for WU to pay the signing bonus to VEI who in turn will ensure VFC complies with its obligations under the Agreement. VEI has strong oversight over VFC's management and operations and provides back-office support to VFC.

In 2021, the Parent Company received the signing bonus from Western Union.

## 20. Income Taxes

Provision for (benefit from) income tax consists of:

	2021	2020	2019
Current:			
Final	<b>₱1,029,411</b>	₱2,468,709	₱11,445,551
MCIT	<b>746,476</b>	994,978	1,303,405
Impact of CREATE Act in CY2020	<b>(248,744)</b>	—	—
	<b>1,527,143</b>	3,463,687	12,748,956
Deferred:			
Deferred income tax	<b>16,273,209</b>	13,200,000	(24,777,780)
Impact of CREATE Act in CY2020	<b>1,849,822</b>	—	—
	<b>18,123,031</b>	13,200,000	(24,777,780)
	<b>₱19,650,174</b>	₱16,663,687	(₱12,028,824)

Current tax regulations provide that the RCIT rate shall be 25.00% and interest allowed as a deductible expense shall be reduced by an amount of 20.00% of interest income subjected to final tax.

Current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulation, EAR expenses allowed as a deductible expense is limited to the actual EAR expenses paid or incurred but not to exceed 1.00% of net revenue. EAR amounted to ₱0.41 million, ₱0.54 million and ₱0.30 million in 2021, 2020 and 2019, respectively.

The regulations also provide for MCIT of 1.00% on modified gross income and allow NOLCO. The MCIT and NOLCO may be applied against the Parent Company's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

On September 30, 2020, the Bureau of Internal Revenue (BIR) has issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494, otherwise known as "Bayanihan to Recover as One Act", allowing qualified businesses or enterprises which incurred net operating loss for taxable years 2020 and 2021 to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss.



President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Parent Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30.00% to 25.00% for domestic and resident foreign corporations.
- Minimum corporate income tax (MCIT) rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated MCIT rate of the Parent Company for CY2020 is 1.50%. This resulted in a lower provision for current income tax of ₱0.25 million for the year ended December 31, 2020. The reduced amounts will be reflected in the Parent Company's 2020 annual income tax return. However, for financial reporting purposes, the changes are recognized in the 2021 financial statements.

This also resulted to a write-down of the deferred tax assets of the Parent Company recognized as of December 31, 2020 by ₱1.85 million in the 2021 financial statements.

Components of the net deferred tax assets and liabilities of the Parent Company are as follows:

	2021	2020
Deferred tax assets on:		
Allowance for impairment and credit losses	₱—	₱11,577,780
Deferred tax liability on:		
Unrealized foreign exchange gain	(6,643,919)	—
Retirement liability obligation	(463,908)	(478,849)
Net deferred tax assets	(₱7,107,827)	₱11,098,931

The details of deductible temporary differences and carryforward benefits of NOLCO and MCIT for which no deferred tax asset had been recognized in the statements of financial position as management believes that there will be no sufficient future taxable income against which these can be applied, are as follows:

	2021	2020
Allowance for impairment and credit losses	₱4,229,041	₱30,102,538
Unrealized foreign exchange loss	—	25,798,237
Accrued retirement costs	4,136,894	4,077,129
NOLCO	9,691,821	7,386,057
MCIT	4,005,787	3,538,431
	₱22,063,543	₱70,902,392



Details of the Parent Company's NOLCO follow:

Inception Year	Amount	Utilized/Expired	Balance	Expiry Year
2021	₱2,305,764	₱—	₱2,305,764	2026
2020	7,386,057	—	7,386,057	2025
	<b>₱9,691,821</b>	<b>₱—</b>	<b>₱9,691,821</b>	

As of December 31, 2021, the MCIT that can be claimed as tax credit, with their corresponding expiry dates, are as follows:

Year Incurred	Amount	Expired	Balance	Expiry Year
2021	₱497,732	₱—	₱497,732	2024
2020	994,978	—	994,978	2023
2019	1,303,405	—	1,303,405	2022
2018	1,209,672	1,209,672	—	2021
	<b>₱4,005,787</b>	<b>₱1,209,672</b>	<b>₱2,796,115</b>	

The reconciliation of provision for income tax computed at the statutory income tax rate to the provision for (benefit from) income tax as shown in the statements of comprehensive income is as follows:

	2021	2020	2019
Statutory income tax	<b>₱76,286,978</b>	₱99,516,048	₱163,329,863
Impact of CREATE	<b>1,601,078</b>	—	—
Non-taxable income	<b>(19,893,908)</b>	(18,704,863)	(93,447,719)
Tax-paid income	<b>(39,139,705)</b>	(73,909,099)	(73,563,426)
Tax-exempt income	<b>(248,419)</b>	(1,515,715)	(1,744,579)
Nondeductible expenses	<b>434,806</b>	8,066,521	1,057,057
Change in unrecognized deferred tax assets	<b>3,065,025</b>	2,215,817	(8,963,425)
Excess of MCIT over RCIT	<b>746,476</b>	994,978	1,303,405
Effective income tax	<b>₱19,650,174</b>	₱16,663,687	(₱12,028,824)

## 21. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Parent Company; and (b) individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the Parent Company and close members of the family of any such individual.



In the normal course of business, the Parent Company has transactions with other companies considered as related parties. These transactions are based on terms similar to those offered to non-related parties.

	2021		Nature, Terms and Conditions
	Amount/ Volume	Outstanding Balance	
<b>Directors and Other Key Management Personnel (Other Related Parties)</b>			
Directors' fees	<b>₱2,908,548</b>	<b>₱–</b>	Per diem and annual fees of Directors
	2020		Nature, Terms and Conditions
	Amount/ Volume	Outstanding Balance	
<b>Directors and Other Key Management Personnel (Other Related Parties)</b>			
Directors' fees	<b>₱2,666,667</b>	<b>₱–</b>	Per diem and annual fees of Directors
<b>Vantage Financial Corporation (Subsidiary)</b>			
Rent receivable	<b>3,686,454</b>	<b>–</b>	Due next month, non-interest bearing and unsecured

*Terms and conditions of transactions with related parties*

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. An assessment is undertaken each financial year through a review of financial position of the related party and the market in which the related party operates. In 2021 and 2020, no provision for credit losses were provided for with related parties transactions.

Remunerations of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Parent Company, directly or indirectly. The Parent Company considers the members of the Executive Committee to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures*.

Salaries and short-term benefits to the Parent Company's key management personnel amounted to ₱3.25 million in 2021 and 2020. Post-employment benefits amounted to ₱0.40 million and ₱0.51 million in 2021 and 2020, respectively. (Note 15).

## 22. Leases

The Parent Company entered into lease a lease agreement with its subsidiary, Vantage Financial Corporation covering office spaces. The lease provides a fixed monthly rent with lease term of five (5) years.

As lessor, future minimum rental receivables under renewable operating leases as of December 31, 2021 and 2020 are as follows:

	2021	2020
Within one year	<b>₱2,865,120</b>	₱2,865,120
After one year but not more than five years	<b>5,730,240</b>	5,730,240
	<b>₱8,595,360</b>	₱8,595,360



In 2021 and 2020, the Parent Company recognized rental income from these leases amounting to nil and ₱0.48 million, respectively. On November 26, 2020, the Board of Directors of the Parent Company approved the extension of grant of rent concessions to Vantage Financial Corporation from in the form of rent forgiveness from January to December 2021 in response to the COVID-19 pandemic.

## 23. Segment Reporting

The Parent has one operating segment. The table below analyzes the Parent Company's revenue streams per investment type:

	2021	2020	2019
Financial asset at FVTPL	<b>₱237,600,001</b>	₱333,465,285	₱515,526,926
Cash and cash equivalents	<b>7,267,286</b>	12,452,174	58,288,658
Investments at amortized cost	—	—	510,563
	<b>₱244,867,287</b>	<b>₱345,917,459</b>	<b>₱574,326,147</b>

As the Parent Company has one operating segment, the assets and liabilities as reported in the statements of financial position are also the segment assets and liabilities.

The Parent Company's asset producing revenue are all located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

No investment income (loss) was derived from a single customer that constitutes 10.00% or more of the Parent Company's investment income (loss) in 2021, 2020 and 2019.

## 24. Earnings per Share

Earnings per share is calculated by dividing the net income (loss) for the year by the weighted average number of common shares outstanding during the year (adjusted for any stock dividends).

The following table reflects the net income and share data used in the earnings per share computations:

	2021	2020	2019
Net income	<b>₱285,497,738</b>	₱315,056,472	₱556,461,702
Outstanding number of common shares (Note 16)	<b>4,199,582,266</b>	4,199,582,266	4,199,582,266
	<b>₱0.0679</b>	<b>₱0.0750</b>	<b>₱0.1325</b>

There were no potential dilutive common shares for the years ended December 31, 2021, 2020 and 2019.

## 25. Approval of Release of Financial Statements

The accompanying comparative financial statements of the Parent Company were authorized and approved for issuance by the Board of Directors on May 31, 2022.



## 26. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

### Supplementary Information Required Under RR 15-2010

The Parent Company also reported and/or paid the following types of taxes for the year:

#### Value Added Tax (VAT)

The Parent Company is a VAT-registered company with output VAT declaration of ₱7.66 million for the year based on the total actual cash receipt on all fees earned amounting to ₱63.82 million.

Movements in input VAT in 2021 are as follows:

	Amount
Beginning of the year	₱1,351,125
Current year's domestic purchases of services	556,795
Claims for tax credit/refund and other adjustments	(1,035,599)
Ending balance	₱2,386,131

#### Taxes and Licenses

In 2021, the Parent Company reported and/or paid the following taxes and licenses fees:

	Amount
Stock transfer tax	₱1,343,988
Municipal permits	677,977
Annual listing Maintenance	463,359
Documentary stamp tax	213,929
Registration/License fee	8,075
Community Tax	6,200
Other taxes	80,974
	₱2,794,502

#### Withholding Taxes

As of December 31, 2021, total remittances and balance of withholding taxes follow:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	₱961,244	₱325,813
Expanded withholding taxes	688,014	81,576
Final income tax withheld	592,048	—
Ending balance	₱2,241,305	₱407,388

#### Tax Assessments and Cases

In 2021, the Parent Company has no deficiency tax assessment, whether protested or not, nor tax cases under preliminary investigation, litigation and or prosecution in courts or bodies outside the Bureau of Internal Revenue.





# **2021 SUSTAINABILITY REPORT**

# MESSAGE FROM THE CEO

Dear Stakeholders,

2021 finds your company, along with the rest of the country, operating in a most challenging environment. The debilitating impact of COVID-19 has persisted for another year, but this time the year ends with cautious optimism that worse might be over.

Your company remains committed to sustainability, and contributing to battling COVID-19 was a priority. Hence, we joined a private sector consortium that procured COVID-19 vaccines to inoculate our employees and their families as well as to augment LGUs vaccine supplies. Needless to say, we remained vigilant in

implementing strict safety protocols.

To ease the toll on our employees as they continued to serve our customers, we continued with flexible work-from-home arrangements where possible. We also took on the challenge of operating productively in this new work





environment. So much so that we aim to keep hybrid work arrangements even as we exit the pandemic, and hence contribute to less congestion and a lower carbon footprint.

This also means more personal time and satisfaction for our employees, which we aim to harness into better business results.

**Edmundo Marco P. Bunyi Jr.**  
President and CEO

## **ABOUT VANTAGE EQUITIES, INC.**

Vantage Equities, Inc. (VEI.) was incorporated in the Philippines and was registered with Philippine Securities and Exchange Commission (SEC) on October 20, 1992. Currently, located in 5<sup>th</sup> Ave. St. Cor. 28<sup>th</sup> St., PSE Tower, BGC, Taguig City. The primary business of the Company is to invest in, acquire by purchase, exchange, assignment or otherwise of the capital stock, bonds, debentures, promissory notes and similar financial instruments. The Company's shares are publicly traded in the Philippine Stock Exchange (PSE).

# OUR VISION

*To emerge as the premier investment holding company. We draw our strong team experience and the network of our principal investors to generate superior returns to our stakeholders thereby contributing to the sustainable development of our economies.*

# OUR MISSION

*To contribute to the sustainable development of our economies by building market-leading businesses through our focused approach and continuous enhancement of our shareholder's value.*

# OUR VALUES

INTEGRITY, EXCELLENCE, TEAMWORK AND BELIEF  
IN PEOPLE.

## **GOVERNANCE OVERVIEW**

Vantage Equities, Inc. and its Board of Directors, Officers and Employees are committed to sound, prudent and effective overall management, effective risk management, provision of efficient management information systems, providing access to reliable financial and operational information, cost-efficient and profitable business operations and compliance with laws, rules, regulations and contracts.



## **GOVERNANCE STRUCTURE**

**Valentino C. Sy**

CHAIRMAN OF THE BOARD

## **BOARD OF DIRECTORS**

Valentino C. Sy

Edmundo P. Bunyi Jr.

Joseph L. Ong

Gregorio T. Yu

Wilson L. Sy

Roberto Z. Lorayes

Willy N. Ocier

Ignacio B. Gimenez

Bert C. Hontiveros

Timothy A. Sy

Kevin A. Sy

Darlene A. Sy

Andy O. Co

Jonathan P. Ong

## **BOARD COMMITTEES**

### **Corporate Governance Committee**

Chairman	Bert C. Hontiveros
Member	Edmundo P. Bunyi Jr.
Member	Gregorio T. Yu
Member	Kevin A. Sy
Member	Andy O. Co

### **Audit and Risk Committee**

Chairman	Gregorio T. Yu
Member	Edmundo P. Bunyi Jr
Member	Bert C. Hontiveros
Member	Kevin A. Sy
Member	Andy O. Co

## **CORPORATE GOVERNANCE COMMITTEE**

Is tasked to assist the Board in performing its responsibilities on corporate governance compliance. The Committee monitors corporate governance trends and makes recommendations to the Board of Directors. The Committee may source potential Board candidates through professional search firms and recommend candidates to fill vacancies. The Committee ensures that all candidates nominated shall possess the ideals and values that area aligned to the Company's vision and mission statements. It shall provide communications with the Board and with the shareholders and regulators as appropriate.

## **THE AUDIT RISK COMMITTEE**

Due to Vantage Equities Inc.'s size, risk profile and less complex operations, the Board shall incorporate the functions of the Board Risk Oversight Committee (BROC) that is responsible for the oversight of a company's Enterprise Risk Management System to ensure its functionality and effectiveness to the Audit Committee. The functions of the Related Part Transaction (RPT) Committee, which shall be tasked with reviewing all material related party transactions of the Corporation, are also incorporated to the Audit Committee.

## **APPROACH TO RISK MANAGEMENT IN OPERATIONAL PLANNING**

Vantage Equities, Inc. identifies and manages its risks to support the Company's vision, mission, goals and objectives as set out in the strategic plans. The Company recognizes that risks cannot be eliminated, rather it will ensure that existing and emerging risks are identified and managed within acceptable risk tolerances. The VEI Board of Directors is committed to establishing an organization that ensures risk management as an integral part of all activities and a core capability.

## **COVERAGE AND BOUNDARIES**

This document represents the inaugural edition of Sustainability Reporting for Vantage Equities, Inc. The coverage of the report is the calendar year 2021, where necessary to provide historical or additional background about a program, project, activity or development that may have begun prior to 2021, other years may

be cited within that context. Henceforth, the VEI Sustainability Report is to be prepared and disseminated on an annual basis, using the calendar year as reporting period.

## **SUSTAINABILITY FRAMEWORK**

We at Vantage Equities Inc. have been committed to nation-building through business excellence for several years. Embracing our business model, we place a premium on value creation and appreciation, strategic partnerships and synergistic growth in our business practices. While we continue to recognize the advantages of our model, we are compelled to explore a more appropriate approach specific to our sustainability operations. Looking beyond value creation and appreciation from the perspective of economic value, we also acknowledge that our business also significantly affects our society and the environment.

## **OUR MATERIALITY MATRIX**

This report has been prepared in accordance with the GRI Standards: Core Option As a financial institution with a core business of managing investments, VEI's operations have direct impact on a broad range of sectors and geographical locations. In line with the boundaries set for this inaugural reporting effort, the process of determining material sustainability issues and weighing and ranking them according to significance was carried out primarily in Vantage Equities, Inc. operations. A preliminary identification of significant sustainability issues affecting the Company and the industry was made through research consisting of peer analysis, as well as stakeholder interviews and analysis.

Vision	Objectives	Focus	Performance	Result
<i>To emerge as the premier investment holding company in the communities we serve.</i>	To create and deliver high quality of product or services to our customers	Inclusive Economic Performance	Job Creation Innovative Products and Services	Sustained Growth  Positive Impact on Society and Environment
	To lessen the consumption of resources that has impact on environment	Environmental Responsible	Efficient utilization of energy, water and materials	
	To Look after the welfare of the Employees	Positive Social Impact	Positive Management System Customer Service Program	





*\*Sustainability Framework*

## Materiality Matrix for Sustainable Issues






*\*Materiality Matrix*

## MATERIALITY AND ITS BOUNDARIES

Material Topic		Topic Boundary
	<b>Economic Performance</b> How VEI delivers sustainable returns to its shareholders and attains consistent market growth.	Within VEI and with Customers
	<b>Market Presence</b> How VEI forge partnerships with world-class organizations	Within VEI, Customers and Business Partners
	<b>Compliance</b> How VEI adheres to government requirements and meets global industry standards	Within VEI and Communities
	<b>Corporate Governance and Risk Management</b> How VEI anchors its policies and practices on good governance , observes local and global practices and	Within VEI and Regulators



	mitigates its risks through periodic assessments and analysis	
	<b>Environmentally Responsible Business Operations</b> How VEI practices efficient utilization of its resources such as water and energy, mitigates impact on the environment by measuring and monitoring its emissions and preserves the natural biodiversity where it operates	Within VEI and Host Communities
	<b>Human Resource Development Welfare</b> How VEI develops and retains its employees, provides training and skills development, defines career path and succession planning for its employees and provides a secure and conducive working environment	Within VEI
	<b>Customer Care and Service</b> How VEI addresses the concerns of its customers and protects their privacy and customer rights and engages its customers in VEI's sustainability and CSR initiatives	Within VEI, Regulators and Customers

## REPORTING PROCESS

Steps Taken	1. Build Corporate Capacity	2. Materiality Assessment	3. Data Gathering	4. Management Review and Validation of Material
	GRI Standards training and workshops	Reviewed our vision, operating process and management approaches. Identified critical factors and impact that directly affect our value chain and performance	Collection of stories and databased on identified material topics	Validation exercise and approval process of material topics and disclosed data and information
GRI Reporting Principles Applied	Stakeholders Inclusiveness and Sustainability context	Materiality, sustainability Context, Stakeholder Inclusiveness and Completeness	Stakeholder Inclusiveness and Completeness	Stakeholder Inclusiveness and Completeness

## STAKEHOLDER OVERVIEW AND ENGAGEMENT

We also engaged our stakeholders through online surveys and informal dialogues to understand what they consider to be material aspects of our businesses and how these issues impact them.

Stakeholder	Description	Channels of Engagement
Investors, Shareholders	Financial backers and sources of vital funding who allow VEI to achieve intended results, substantial returns and shared value	Annual Stockholders' Meetings, Websites
Customers, Clients	Patrons of VEI's products and services	Surveys, Newsletters
Employees	Pillars of VEI who embody, carry out and fulfill our corporate vision, mission and objectives	Internal Communications, Performance Reviews, Trainings
Communities	Partners in community development and local economic growth	Community Involvement
Business Partners, Suppliers	Suppliers and service providers who partner with VEI	Business Meetings, Contracts, Policies
Regulators, Socio-Civic Organizations, Media	Collaborators in the pursuit of social progress and environmental sustainability	Compliance, Meetings Media Briefs



## OUR COMMITMENT TO OUR STAKEHOLDERS

Stakeholder	Relevant Issues	Our Commitment
Investors, Shareholders	Economic Performance Corporate Governance and Risk Management Environmentally Responsible Business Operations	Building a strategic and diverse portfolio that deliver steady economic returns
Customers, Clients	Customer Care and Service Environmentally Responsible Business Operations	Implementation of customer-centric operations and innovations that enhance experiences and overall satisfaction
Employees	Human Resource Development and Welfare Economic Performance Compliance Environmentally Responsible Business Operations	Empowerment of our employees across all levels and fulfillment of their career aspirations, as well as providing quality healthcare to maintain prime physical and mental disposition

Communities	Local Community Development Economic Performance Market Presence	Creation of strategic and purposeful social investments and self-help opportunities
Business Partners, Suppliers	Compliance Economic Performance Customer Care and Service	Maintenance of good governance, transparency and accountability practices in everything we do
Regulators, Socio-Civic Organizations, Media	Compliance Indirect Economic Performance Environmentally Responsible Business Operations Human Resource Development and Welfare	Working efficiently, harmoniously and in an aboveboard manner towards the achievement of shared goals and mutual benefits

# ECONOMIC

*We are committed to deliver sustained economic growth for our stakeholders through implementation of our business strategies, the promotion of environment sustainability, and the creation of goodwill with our employees and communities. We aim to be catalysts of economic inclusion in the communities we operate in.*



## **CONTRIBUTION TO THE NATION**

We continue pursuing our business because we know that we not only gain for ourselves, but also for our society. We are aware that our operations stimulate smaller economic activities that can eventually yield to productivity and profitability at the local level. As an investment company, our indirect economic impacts primarily occur through our component companies.

Component Companies	Total Number of Employees
E-Business Services, Inc. (eBiz)	425
Philequity Management, Inc. (PEMI)	12

We ensure that investment decisions made are consistent with our core values of integrity, excellence, teamwork and belief in people. We guarantee due diligence for new investments by considering our overall contribution and position. We undertake regular monitoring of already existing investments to determine their alignments to Vantage Equities Inc., corporate mission, vision and core values.

## **SERVING OVERSEAS FILIPINO WORKERS**

As they strive to provide a better life for their families, the over 4-million strong Overseas Filipino Worker (OFW) community has become the backbone of the Philippine economy – sending back their hard-earned income abroad as remittance. Vantage Financial Corporation, formerly known as e-Business Services Inc. (eBiz), is a subsidiary company of Vantage Equities Inc., cemented its commitment to helping OFWs acquire their basic needs through our Western Union services, OFWs are encouraged

to remit and save regularly to someday get the dreams that they always wanted.

## **INVESTOR EDUCATION**

When it comes to making good investment decisions, knowledge is key. Philequity Management, Inc. (PEMI), a subsidiary of VEI provides everyone various articles and tools designed to help you become better informed as an investor. We provide the materials that will help you as an investor understand what a mutual fund is and how it work as well as the benefits and risks of investing. Here in VEI we've started launching programs in regards to financial inclusion to help improve the financial literacy of underserved Filipinos. Under this program are two focus areas: financial education and investment-building for small time investors for as low as one thousand pesos.

## **PROMOTING GOOD GOVERNANCE**

We do not tolerate corruption in the workplace as it may damage VEI's reputation which may eventually result in the low morale of our employees. It may have financial, legal and regulatory consequences. Our code of ethics also enjoins that all directors, officers and employees shall ensure the conduct of fair business transactions and guarantee that personal interest does not affect the exercise of their duties. Likewise, shall not use their position to profit or acquire benefits or advantage for themselves or related interests. We aim to continue our zero corruption-related violations. We also intend to have a refresher on policies for our employees, as well as a periodic review and adjustment of our Code of Discipline.

## ECONOMIC VALUE TABLE

Direct Economic Value Generated and Distributed (Php)	
<b>Direct Economic Value Generated</b>	<b>976,398,674</b>
<b>Direct Economic Value Distributed</b>	
Operating Costs	<b>370,408,350</b>
Employee Wages and Benefits	<b>149,070,009</b>
Other Operating Costs	<b>107,524,751</b>
Taxes given to Government	<b>63,778,213</b>
<b>Economic Value Retained</b>	<b>690,781,323</b>

## DEFINED BENEFIT PLAN FOR EMPLOYEES

The Parent Company and PEMI have unfunded, noncontributory defined benefit pension plans covering substantially all of their qualified employees. e-Business has a funded, noncontributory defined benefit pension plan. The funds of the plan of e-Business are being administered and managed by the Trust and Investment Services Group of a commercial bank. *VEI's pension liabilities as of year-end amounted to ₱ 8.1 million.*



# ENVIRONMENT

*At Vantage Equities, Inc., we recognize the links between a healthy planet and a healthy economy, on which our company depends on. By improving our environmental, social and governance factors into our investment decisions, we are creating a more sustainable organization while supporting the transition to a lower-carbon economy.*



## **ENVIRONMENTAL IMPACTS**

We recognize the impacts that a changing climate and climate-related risks can have on our operations, Clients and communities, and the importance of supporting the shift to a lower-carbon economy. Given the nature of our business as a wealth and asset management provider with locations around the country, we view the most significant aspects of our environmental footprint to be those related to energy consumption and the resulting greenhouse gas (GHG) emissions, which affects the climate. In the face of a changing climate and increasingly resource-constrained world, we recognize that the financial services industry has an important role to play in the transition to a low carbon economy. As buildings are a major contributor to GHG emissions, we strive to ensure our facilities are environmentally sound.

## **SUSTAINABILITY IN OUR WORKPLACES AND BEYOND**

A major shift in our way of thinking and acting is leading us to change the way we work. We are creating a workplace that will better meet our needs today and in the future – and one that we believe will also reduce our environmental impact now

- Office environments are more eco-friendly and healthy, featuring improved air quality, enhanced thermal comfort, greater daylight exposure and low environmental-impact materials
- Greater choice and flexibility so our employees can select the space that will help them be their most productive on a

given day-whether in a traditional workspace. Collaboration setting or from home.

- More efficient use of space, which reduces the environmental impact of operating our office, since less space sits empty; and
- Greater collaboration, communication and innovation.

## **RESPONSIBLE USE OF PAPER**

We support sustainable forest management and seek opportunities to reduce waste management and unnecessary use of resources. We ask employees to think before they print, and equip them with technology solutions that support choice and flexibility in where and how they work.

## **SUSTAINABLE INVESTING**

We believe sustainable investing can improve long-term return on our assets, helping us achieve superior results while also benefiting the communities where we live and do business. Incorporating on environmental, social and governance (ESG) lens in investment decision-making also helps us manage risks in our investment portfolios and identify opportunities related to ESG trends. We are committed to building long-term, sustainable value, firmly rooted in investment practices, for our clients and VEI.'s own investments.

**Vantage Equities Inc., operates (1) one asset management business which manages roughly, 34 billion pesos.**

- Philequity Management Inc. (PEMI), an investment management company established in 1994. We are committed to helping you achieve your long-term financial

objectives by offering an array of mutual funds suited to your unique needs.

- The company's funds has been recognized year after year by the Philippine Investment Funds Association (PIFA) for its excellent returns. In particular the flagship Philequity Fund, Inc. has garnered multiple awards from local and foreign agencies for its consistent track record of outstanding returns.
- Other Funds, Philequity Alpha One Fund, Philequity PSE Index Fund, Inc., Philequity Dividend Yield Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity MSCI Philippines MSCI Index Fund and Philequity Dollar Income Fund, Inc. have likewise earned several awards in their respective categories.

The business develops investment strategies to achieve the specific goals of our clients and VEI.'s General Account, striving to ensure that:

- Our investments generate strong financial returns over the long term,
- Our Investment practices consider ESG factors and other non-financial risks and;
- Our actions as an organization will have a positive impact on the well-being of the communities in which we work and live, benefiting local schools, hospitals, public transit and other services.

# SOCIAL

*As a company with many connections to communities nationwide, we believe we play a role in their development and well-being. Our goal is to build sustainable, healthier communities where we all live and work, helping to improve the lives of individuals and families*



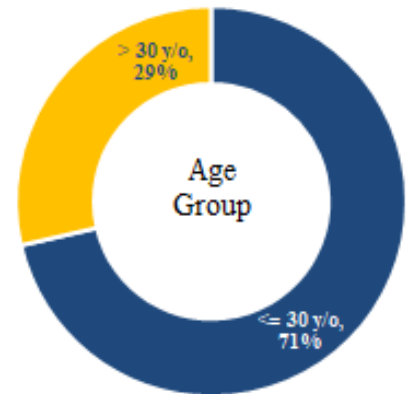
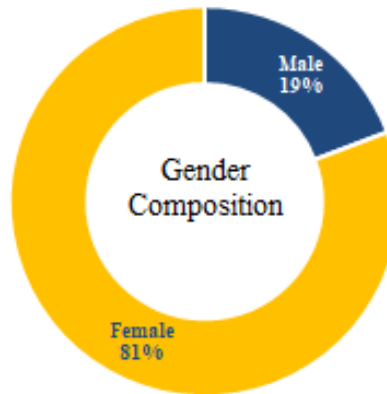
## 2021 EMPLOYEE PROFILE

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### Total Headcount

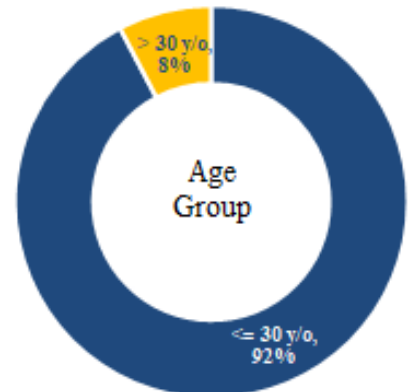
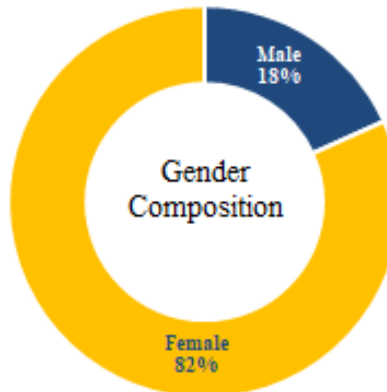
2021: **437** (▼ 8%)

2020: **474**



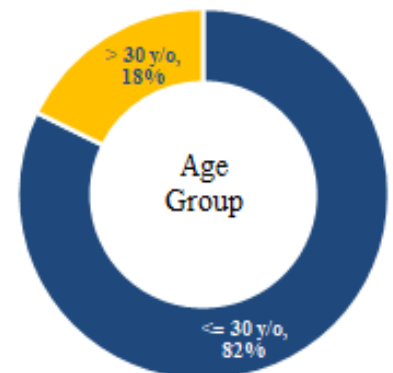
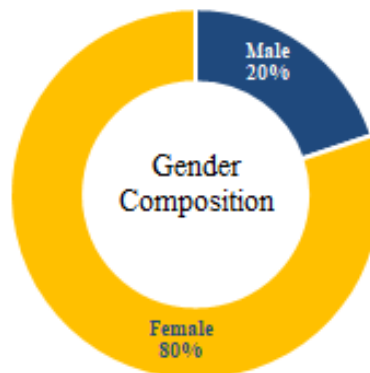
New Hires: **104**

Hiring Rate: **24%**



Employee Turnover: **141**

Turnover Rate: **32%**



# **PARTNERING WITH EMPLOYEES**

## **EMPLOYMENT**

We maintain healthy relationships with our employees through hiring of highly qualified candidates, provision of acceptable compensation packages, ensuring a healthy working environment and meeting employee satisfaction through surveys. We commit to hire, retain and develop talents. One of the goals and targets of our Human Resources Department is to achieve attrition and vacancy rates that are below the industry average. The Human Resources Head primarily manages the human resources administration and development processes. We also have payroll system that facilitates compensation and other benefits. The hiring and compensation processes are subject to regular internal audits in accordance with the Internal Audit Department's plan. Our Human Resources Department reviews and proposes changes and improvements to the compensation and benefits package every year subject to the approval of the Management Committee. The Department conducts continuous reviews on annual basis and proposes changes as necessary. Improvements identified relate to the documentation of leaves and acquisition of a timekeeping system to be able to incorporate the necessary adjustments in the management approach.

With the current situation, we have continued to strive in meeting the needs of our employees even within the comfort of their homes. Our employees are our most valuable resource, and we have committed to protect their welfare especially against the detrimental effects of COVID-19 by providing accessible vaccines while allowing a flexible work set-up amidst the pandemic.



## **LABOR OR MANAGEMENT RELATIONS**

VEI is committed to ensure sufficient information dissemination through active employee engagement. Which is done through one-on-one meetings or groups discussions. We aim to maintain healthy relationships with employees through full disclosure of plans that may affect employees' well-being. We also commit to provide employees with a reasonable notice period prior to operational changes

## **TRAININGS AND EDUCATION**

Training presents a prime opportunity to expand the knowledge base of all employees, which will be beneficial not only to them, but to the company as well. We provide individual developmental plans (IDP) for our employees based on their competency assessments. The IDP includes career and succession planning. We encourage our employees to improve their knowledge base through training programs relevant to their fields of expertise. For 2021, the company has offered a series of training workshops and



seminars to enrich employees' skills and development, especially as new hybrid work environments have necessitated reorientation and adaptation to the new normal in light of COVID. These programs include (but are not limited to): New Employees' Orientation, Financial Education Program and International Money Transfer – Outbound Training. On average, an employee may reach as much as 30-40 hours of training and enrichment throughout the year, with access to many more available materials for self or group study. Employees are also given access to other key members of the organization, to foster diversity of learning and camaraderie, such as “*Kamustahans* with the President and CEO.”



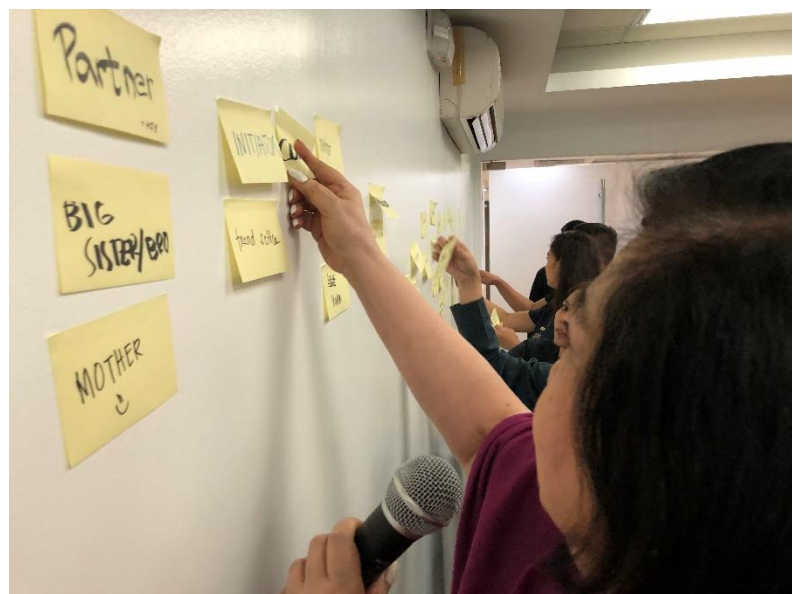
## DIVERSITY AND EQUALITY

VEI value diversity across all ranks and aim to provide equal opportunity for all relevant stakeholders. We ensure that equal opportunity is provided to employees and no preference is given on the basis of gender, ethnicity or race. Our company commits

to provide our employees and applicants equal opportunity on the bases of competencies and not on the basis of any discriminatory factors especially when it comes to diverse governing bodies and employees, and salaries and remuneration of women to men. So far, there are no complaints from employees and applicants arising from issues related to diversity and equal opportunity.

## **NON-DISCRIMINATION**

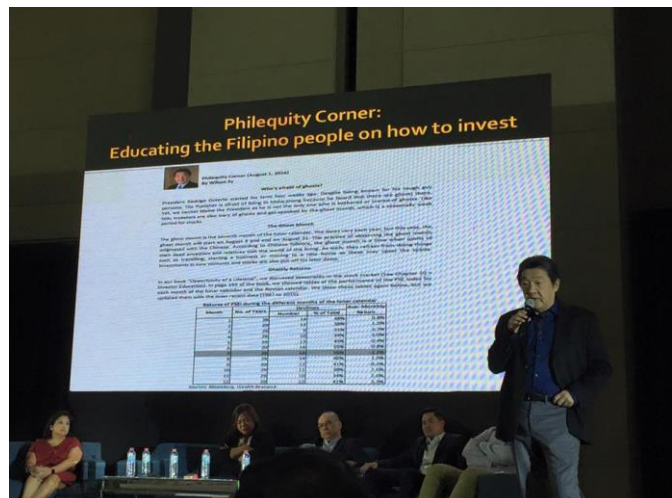
VEI aims to provide a safe and healthy working environment by ensuring that controls are in place to prevent and address incidents of discrimination through the provision of mechanisms to raise awareness on and to report incidents of discrimination. We aim to provide our employees and management a working environment free of discrimination. So far, we have zero incident of discrimination and corrective actions taken. Our company also implements a whistleblowing policy for any complaints against its employees, officers or directors.



# **PARTNERING WITH CUSTOMERS**

## **MARKETING AND LABELLING**

VEI ensures stakeholders' access to accurate and adequate information about our company and its transactions. Through timely and accurate disclosures of material information, we aim to mitigate the negative effects of inadequate marketing. VEI is committed to respect the stockholders' right to information based on prescribed rules and regulations. Our company also aims to provide stockholders accurate and timely information during the Annual Stockholder's Meeting to achieve non-violation of disclosure rules.



## **CUSTOMER PRIVACY**

VEI process the personal data of our data subjects, including our stockholders in accordance to the Data Privacy Act of 2012. Our company manages the impacts on data privacy through implementation of security measures for organizational, physical and technical aspects. Part of our company goals and targets are related to privacy are zero breach and full compliance with the

DPA and related laws and issuances as well as the requirements of the National Privacy Commission (NPC). The departments responsible for this are the Audit and Compliance Department and ICTG group, the company specifically aims for organizational security measures and physical security measures such as outlining of storage type and location of documents with personal data, rules on sharing of personal data with third parties, and technical security measures in the form of personal data back-up in electronic format, monitoring of security breaches and regular testing of security measures.

## **PARTNERING WITH THE**

## **GOVERNMENT**

## **ENVIRONMENTAL AND SOCIOECONOMIC COMPLIANCE**

Acting in an environmentally and socially responsible way is our duty to our stakeholders. VEI believes that doing so can positively affects its bottom line and long-term success as a conglomerate. With these, environmentally and social responsibility have been included as a covenant in our contracts. Our Compliance Department ensures that we adhere to laws and regulations while the Human Resources Department processes environmental-related government requirements such as sanitation certificates.

We strive to prevent and avoid violations of Philippine environmental laws and regulations and continues its compliance with all laws and regulations in the environmental, social and economic areas. We aim to formulate policies on environmental compliance including inclusion of the matter as a consideration in

transactions as well as investment in sustainable companies. We set a zero-violation threshold on all applicable rules and regulations as our target and goal. We also have whistle blowing policy as part of our grievance mechanism.

# APPENDICES

## GRI CONTENT INDEX

GRI Standards		References
GRI 102: General Disclosures 2016		
102-1	Name of the organization	Page ii
102-2	Activities, brands, products and services	Page ii
102-3	Location of headquarters	Page ii
102-4	Location of operations	Philippines
102-5	Ownership and legal form	Page ii
103-6	Markets served	
102-7	Scale of the organization	Page 8
102-8	Information on employees and other workers	Page 8
102-9	Supply chain	<i>None to disclose</i>
102-10	Significant changes to the organization and its suppliers	<i>None to disclose</i>
102-11	Precautionary Principle or approach	Page 2
102-12	External Initiatives	-
102-13	Membership of associations	<i>Philippine Stock Exchange</i>
Strategy		
102-14	Statement from senior decision-maker	Page i
Ethics and Integrity		
102-16	Values, principles, standards and norms of behavior	Page iii
Governance		
102-18	Governance structure	Page 1
Stakeholder Engagement		
102-40	List of stakeholders groups	Page 6-7
102-41	Collective bargaining agreements	<i>None to disclose</i>
102-42	Identifying and selecting stakeholders	Page 6-7
102-43	Approach to stakeholder engagement	Page 6-7
102-44	Key topics concerns raised	Page 4-5
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Page 9
102-46	Defining report content and topic Boundaries	Page 4-5
102-47	List of material topics	Page 4-5

102-48	Restatements of Information	This is the first GRI sustainability report of VEI
102-49	Changes in reporting	
102-50	Reporting Period	Annual
102-51	Date of most recent period	This is the first GRI sustainability report of VEI
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	-
102-54	Claims of reporting in accordance with the GRI Standards	Accordance with the GRI Standards: Core Option
102-55	GRI Content Index	Appendices
102-56	External assurance	This report has not been externally assured

#### Economic

##### GRI 103: Management Approach 2016

103-1	Explanation of material topics and boundaries	Page 8-9
103-2	The management approach and its components	
103-3	Evaluation of the management approach	

##### GRI 201: Economic Performance 2016

GRI 201-1	Direct economic value generated and distributed	Page 9
GRI 201-3	Defined benefit plan obligation and retirement plans for employees	
GRI 201-4	Financial assistance received from the government	VEI did not receive any financial assistance from the government

#### Indirect Economic Impacts

##### GRI 103: Management Approach 2016

103-1	Explanation of material topics and boundaries	Page 8
103-2	The management approach and its components	
103-3	Evaluation of the management approach	

##### GRI 201: Economic Performance 2016

GRI 201-1	Significant indirect economic impacts	Page 8
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Environment		
GRI 103: Management Approach 2016		
103-1	Explanation of material topics and boundaries	Page 10 -11
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
GRI 307: Environmental Compliance 2016		
	Reduction of energy consumption	-
Sustainable Investing		
GRI 103: Management Approach 2016		
103-1	Explanation of material topics and boundaries	Page 11
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
Social : Employment		
GRI 103: Management Approach 2016		
103-1	Explanation of material topics and boundaries	Page 12 - 17
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
GRI 401: Employment 2016		
GRI 401-1	New Employee hires and employee turnover	Page 12
GRI 401-2	Benefits provided to full-time employees	Page 13
Labor or Management Relations		
GRI 103: Management Approach 2016		
103-1	Explanation of material topics and boundaries	Page 14
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
GRI 402: Labor/Management Relations 2016		
GRI 401-1	Minimum prior notice period regarding operational changes	30 days
Training and Education		
GRI 103: Management Approach 2016		
103-1	Explanation of material topics and boundaries	Page 14
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
GRI 404: Training and Education 2016		



GRI 404-1	Ave. hours of training per year per employee	Page 14
Diversity and Equal Opportunity		
GRI 103: Management Approach 2016		
103-1	Explanation of material topics and boundaries	Page 15
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
GRI 405: Diversity and Equal Opportunity 2016		
GRI 405-1	Diversity of governance bodies and employees	Page 12
GRI 405-2	Ratio of basic salary and remuneration of women to men	0.97:1.00
Non-Discrimination		
GRI 103: Management Approach 2016		
103-1	Explanation of material topics and boundaries	Page 15
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
GRI 406: Non-Discrimination		
GRI 406-1	Incidents of discrimination and corrective actions taken	No reports in 2019
Marketing and Labelling		
GRI 103: Management Approach 2016		
103-1	Explanation of material topics and boundaries	Page 16
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
GRI 417: Marketing and Labelling 2016		
	Incidents of non-compliance concerning marketing communications	<i>None to disclose</i>
Customer Privacy		
GRI 103: Management Approach 2016		
103-1	Explanation of material topics and boundaries	Page 17
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
GRI 418: Customer Privacy 2016		
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	<i>None to disclose</i>
Economic and Socioeconomic Compliance		
GRI 103: Management Approach 2016		

103-1	Explanation of material topics and boundaries	Page 17
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
GRI 419: Socioeconomic Compliance 2016		
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	No fines or non-monetary sanctions for non-compliance