**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20**
**OF THE SECURITIES REGULATION CODE**



1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [√] Definitive Information Statement

2. Name of Registrant as specified in its charter: **Vantage Equities, Inc.**

3. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**

4. SEC Identification Number: **AS092-07059**

5. BIR Tax Identification Code:**002-010-620**

6. Address of principal office: **15th Floor, Philippine Stock Exchange, 5th Ave. Corner 28th Street, Bonifacio Global City, Taguig City, Metro Manila**

   Postal Code: **1634**

7. Registrant's telephone number, including area code: **(632) 8250-8750**

8. Date, time and place of the meeting of security holders:

   Date: **29 September 2023**
   Time: **3:00 PM**
   Place: **to be conducted virtually via http://vantage.com.ph/2023ASM**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **08 September 2023**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

| Title of Each Class | Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding **As of June 30, 2023** |
|---|---|
| **Common Stock** | **4,199,582,266** |

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

    Yes __√__ No _____

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    **Philippine Stock Exchange, Inc. – Common Shares**

VANTAGE EQUITIES, INC.

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

# CGFD_Vantage Equities Inc_20_ISA (DIS)2023_08September2023

**ICTD Submission** <ictdsubmission+canned.response@sec.gov.ph> Fri, Sep 8, 2023 at 10:17 AM
To: compliance@vantage.ph

Thank you for reaching out to ictdsubmission@sec.gov.ph!

Your submission is subject for Verification and Review of the Quality of the Attached Document only for Secondary Reports. The Official Copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order through the SEC Express at https://secexpress.ph/. For further clarifications, please call (02) 8737-8888.

---------------------------------------------- NOTICE TO COMPANIES ---------------------------------------------

Please be informed of the reports that shall be filed only through ictdsubmission@sec.gov.ph.

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at ictdsubmission@sec.gov.ph such as the following SECONDARY REPORTS:

1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15.BP-FCLC 20.S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through https://efast.sec.gov.ph/user/login.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors (Appointment)
6. MRPT

Please be informed that the submission of the abovementioned eleven (11) reports through the ictdsubmission@sec.gov.ph shall no longer be accepted. For further information, please access this link Notice for guidance on the filing of reports:

Likewise, the following reports shall be filed through the Electronic Filing and Submission Tool (eFAST) at https://efast.sec.gov.ph/user/login :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS – Consolidated

For the submission and processing of compliance in the filing of

VANTAGE EQUITIES, INC.

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

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## Vantage, Equities, Inc.

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**FRANCO B. DELFIN** <fbdelfin@sec.gov.ph> Fri, Sep 8, 2023 at 9:06 AM
To: Vantage Equities Inc <compliance@vantage.ph>

Gentlemen:

Please check Definitive Information Statement, instead Preliminary Information Statement, after that, we have no further comments in the Company Definitive Information Statement ("DIS"). Please submit the proof of compliance of distribution of DIS/Notice.

Finally, it is emphasized that this is without prejudice to the prerogative of this Department and other SEC's Department to act later against the subject entity, if warranted, to ensure full compliance with the provisions of the Securities Regulation Code, its implementing rules and regulations, and other pertinent laws, rules and regulations, as may be necessary and applicable under the circumstances

Please acknowledge receipt.

Regards,

# COVER SHEET

SEC Registration Number

| A | S | O | 9 | 2 | - | 0 | 0 | 7 | 0 | 5 | 9 |
|---|---|---|---|---|---|---|---|---|---|---|---|

Company Name

VANTAGE EQUITIES, INC. AND SUBSIDIARIES

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

15th Floor, Philippine Stock Exchange Tower, 28th St. corner 5th Ave., Bonifacio Global City, Taguig City, Metro Manila

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| 20IS | | |

## COMPANY INFORMATION

| Company's Email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| compliance@vantage.ph | 250-8700 | 09175954785 |

| No. of Stockholders | Annual Meeting Month/Day | Fiscal Year Month/Day |
|---|---|---|
| 603 | 10/28 | 12/31 |

## CONTACT PERSON INFORMATION

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Ms. Ma. Angelica Cabanit | angelica.cabanit@philequity.net | 8250-8741 | 0917-590-7176 |

Contact Person's Address

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

**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.

# NOTICE OF ANNUAL SHAREHOLDERS' MEETING

**TO: ALL STOCKHOLDERS**

Notice is hereby given that the annual meeting of the stockholders of **Vantage Equities, Inc.** will be held on **Friday, 29 September 2023**, at **3:00 p.m.** via virtual meeting.

**AGENDA**

1. Call to Order
2. Rules and Procedures for the Stockholder's Meeting
3. Certification of Notice of Meeting and Quorum
4. Approval of the Minutes of the Previous Meeting of Stockholders
5. Approval of 2022 Operations and Results
6. Ratification of all Acts of the Board of Directors and Officers for the year 2022
7. Election of Directors
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

Stockholders of record as of 31 August 2023 will be entitled to notice and to vote at this meeting.

Given the current circumstances and in order to ensure the safety and welfare of our stockholders, the Corporation will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication and voting in absentia or voting through the Chairman of the meeting as proxy.

In order that your stock may be represented at the meeting, please complete, sign and date the Voting Ticket and return it via mail or email on or before 19 September 2023 to the Office of the Corporate Secretary through the following:

Via Mail: 15th Floor, PSE Tower, 5th Ave. corner 28th St. BGC, Taguig City
Via Email: asm@vantage.ph

Validation of the voting ticket will be on 20 September 2023.

Stockholders of record who intend to participate in the meeting through remote communication shall notify the Corporate Secretary by sending an email to asm@vantage.ph before 19 September 2023. Stockholders may exercise the right to vote through remote communication or in absentia, subject to validation.

Stockholders of record who intend to appoint a proxy shall submit their duly executed and signed proxies no later than 19 September 2023. All proxies should be received by the Corporation via mail or email at least ten (10) days before the meeting, or on or before 19 September 2023. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

Successfully registered stockholders can cast their votes and will be provided access to the meeting. All documents and information submitted shall be subject to verification and validation by the Office of the Corporate Secretary.

For complete information on the annual meeting, please visit http://vantage.com.ph/2023ASM.

City of Taguig, Metro Manila, 23 August 2023.

**JONATHAN P. ONG**
Corporate Secretary

**EXPLANATION OF AGENDA ITEMS FOR ANNUAL STOCKHOLDERS' MEETING**

1. **Call to Order**

   Mr. Valentino Sy, Chairman of Vantage Equities, Inc. will call the meeting to order.

2. **Rules and Procedures for the Stockholder's Meeting**

   The Corporate Secretary will enumerate the rules and procedures for the meeting.

3. **Certification of Notice of Meeting and Quorum**

   The Corporate Secretary will certify the date when written notice of the meeting was sent to all stockholders of record as of August 31, 2023.

   The Corporate Secretary will further certify whether a quorum is present for the valid transaction of the Annual Stockholders' Meeting. The holders of record of a majority of the stock issued and outstanding and entitled to vote, represented by proxy or participating through remote communication or voting in absentia, shall constitute a quorum for the transaction of business

4. **Approval of the Minutes of the Previous Meeting of Stockholders**

   Copies of the Minutes of the October 28, 2022 Annual Stockholders' Meeting will be made available during the 2022 Annual Stockholders' Meeting. It is likewise currently posted on the Corporation's website (www.vantage.com.ph) and can be viewed at any time. Stockholders will be asked to approve the Minutes of the 2022Annual Stockholders' Meeting.

5. **Approval of 2022 Operations and Results**

   A report on the highlights of the financial performance of the Corporation for the year ended December 31, 2022 will be presented to the Stockholders. A summary of the Corporation's performance for the year is also provided in the "Management Discussion and Analysis or Plan of Operations" section on page 27 hereof.

   The Corporation's Audited Financial Statements, for which the external auditors have issued an unqualified opinion, have likewise been reviewed by the Audit Committee and the Board of Directors. A summary of the 2022 AFS shall also be presented to the Stockholders.

   Stockholders, after identifying themselves, will be given an opportunity to raise questions regarding the operations and report of the Corporation.

6. **Ratification of all Acts of the Board of Directors and Officers**

   All actions, proceedings and contracts entered into, as well as resolutions made and adopted by the Board of Directors and of Management from the date of the Stockholders' Meeting held on October 28, 2022 to the date of this meeting shall be presented for confirmation, approval, and ratification. The items covered with respect to the ratification of the acts of the Board of Directors and Officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business.

7. **Election of Directors**

   The incumbent members of the Board of Directors, as reviewed, qualified and recommended by the Corporate Governance Committee, have been nominated for election. The nominees' proven expertise and qualifications, based on current regulatory standards and the Corporation's own norms, will help sustain the Company's solid performance that will result to its stockholders' benefit. The profiles of the Directors are further detailed in the Corporation's Information Statement. If elected, they shall serve as such from 29 September 2023 until their successors shall have been duly elected and qualified.

8. **Appointment of External Auditors**

   The Audit Committee has pre-screened and recommended, and the Board has endorsed for consideration of the stockholders, the reappointment of SyCip GorresVelayo & Company as the Corporation's External Auditor for 2023. SyCip Gorres Velayo & Company is one of the leading auditing firms in the country and is duly accredited by the Securities and Exchange Commission. The Stockholders will also be requested to delegate to the Board the authority to approve the appropriate external audit fee for 2023.

**9. <u>Other Matters</u>**

The Chairman will open the floor for comments and questions by the stockholders, and take up items included on the agenda received from stockholders in accordance with existing laws, rules and regulations of the Securities and Exchange Commission.

**10. <u>Adjournment</u>**

Upon determination that there are no other mattes to be considered, the Chairman upon motion made and duly seconded by a stockholder shall declare the meeting adjourned.

**GUIDELINES FOR PARTICIPATING VIA REMOTE COMMUNICATION AND VOTING IN ABSENTIA**

The 2023 Annual Stockholders' Meeting (ASM) of Vantage Equities, Inc. (VEI or the Company) is scheduled on 29September 2023 (Friday) at 3:00 p.m. with the end of trading hours of the Philippine Stock Exchange on 31August 2023 (Record Date) as the record date for the determination of stockholders entitled to the notice of, to attend, and to vote at such meeting and any adjournment thereof.

Given the current circumstances and in order to ensure the safety and welfare of our stockholders, VEI shall allow attendance, participation and voting by stockholders via remote communication or in absentia pursuant to Sections 23 and 57 of the Revised Corporation Code of the Philippines and SEC Memorandum Circular No. 6-2020.

**Step 1. Pre- ASM Registration/Validation/Voting Procedures**
Stockholder must notify the Office of the Corporate Secretary of their intention to participate in the ASM via remote communication or to exercise their right to vote in absentia by sending the documentary requirements with transmittal letter addressed to the Office of the Corporate Secretary, 15th Floor PSE Tower, 5th Avenue corner 28th Street, BGC, Taguig City 1634 via courier/personal delivery **or** scanned copies of these documents by email to asm@vantage.ph with return-receipt.

The following complete/accurate documentary requirements with transmittal letter MUST BE SENT TO AND RECEIVED by the Office of the Corporate Secretary no later than 19 September 2023:

- **For Certificated Individual Stockholders**
  1. A clear copy of the stockholder's valid government-issued ID (such as passport, driver's license, or unified multipurpose ID) showing photo, signature and personal details, preferably with residential address
  2. Stock certificate number/s
  3. A valid and active e-mail address and contact number of the stockholder
  4. If appointing a proxy, duly accomplished and signed proxy indicating the votes on the agenda items. Proxy form can be downloaded from VEI's website http://vantage.com.ph/2023ASM

  **If sending via email, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.**

- **For Certificated Multiple Stockholders or Joint Owners**
  1. A clear copy of the ALL stockholders' valid government-issued IDs (such as passport, driver's license, or unified multipurpose ID) showing photo, signature and personal details, preferably with residential address
  2. Stock certificate number/s
  3. A valid and active email-address and contact number of the authorized representative
  4. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need not be notarized)
  5. If appointing a proxy, duly accomplished and signed proxy indicating the votes on the agenda items. Proxy form can be downloaded from VEI's website http://vantage.com.ph/2023ASM

  **If sending via email, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.**

- **For Certificated Corporate/Partnership Stockholders**
  1. Secretary's Certification of Board resolution attesting to the authority of representative to participate by remote communication for, and on behalf of the Corporation/Partnership
  2. Stock certificate number/s
  3. A clear copy of the valid government-issued ID (such as passport, driver's license, or unified multipurpose ID) of stockholder's authorized representative showing photo, signature and personal details, preferably with residential address
  4. A valid and active email-address and contact number of the authorized representative
  5. If appointing a proxy, duly accomplished and signed proxy indicating the votes on the agenda items. Proxy form can be downloaded from VEI's website http://vantage.com.ph/2023ASM

  **If sending via email, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.**

- **For Stockholders with Shares under PCD Participant/Broker Account**
  1. Certification from broker as to the number of shares owned by the stockholder
  2. A clear copy of the stockholder's valid government-issued ID (such as passport, driver's license, or unified multipurpose ID) showing photo, signature and personal details, preferably with residential address
  3. A valid and active email-address and contact number of stockholder or proxy

4. If appointing a proxy, duly accomplished and signed proxy indicating the votes on the agenda items. Proxy form can be downloaded from VEI's website http://vantage.com.ph/2023ASM

**If sending via email, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.**

Stockholders will receive an e-mail reply from VEI's Office of the Corporate Secretary within three (3) business days from receipt. The Office of the Corporate Secretary's email reply will either confirm successful registration with link/meeting details to VEI's 2023 ASM or require submission of deficient documents. If you have not received any email reply within three (3) business days from receipt, please call (632) 8250-8750.

| Important Reminder: Please refrain from sending duplicate and inconsistent information/documents as this can result in failed registration. All documents/information shall be subject to verification and validation by the Company. |
| --- |

**Step 2: Voting in Absentia Procedure**
Stockholders who have successfully registered shall be notified via email from the Office of the Corporate Secretary of their log-in credentials for the ASM. Registered stockholders can then cast their votes for specific items in the agenda by accomplishing the print-out of VEI's Voting Ticket. The Voting Ticket can be accessed and downloaded from VEI's website http://vantage.com.ph/2023ASM.

1. Upon accessing and downloading the Voting Ticket, the stockholder can vote on each agenda item on the Voting Ticket print-out.
   a. A stockholder has the option to vote "Approve", "Disapprove", or "Abstain" on each agenda item for approval.
   b. For the election of directors, the stockholder has the option to vote for all nominees, withhold vote for any of the nominees, or vote for certain nominees only.

   *Note: A stockholder may vote such number of his/her shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected (13 Directors) multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder.*

2. Once the stockholder has finalized his vote, he can proceed to submit his ballot by sending in JPG or PDF format to asm@vantage.ph no later than 19 September 2023.

   **If sending via email, should be clear scanned copies in JPG or PDF format, with each file size no larger than 2MB.**

**Step 3: ASM Livestream**
The ASM will be broadcasted live and stockholders who have successfully registered can participate via remote communication. Details of the meeting will be sent to stockholders in the emails provided by VEI.

Video recordings of the ASM will be adequately maintained by the Company and will be made available to participating stockholders upon request. Stockholders may access the recorded webcast of the ASM by sending an email request addressed to asm@vantage.ph.

**Open Forum**
During the virtual meeting, the Company will have an Open Forum, during which, the meeting's moderator will read and where representatives of the Company shall endeavor to answer as many of the questions and comments received from stockholders as time will allow.

Stockholders may send their questions in advance by sending an email to asm@vantage.ph bearing the subject "ASM 2023 Open Forum" to not later than 3:00 p.m. of 29 September 2023. A section for stockholder comments/questions or a "chatbox" shall also be provided in the livestreaming platform.

Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by VEI through the stockholders' email addresses.

For other ASM-related queries or any clarifications, stockholders may contact VEI at asm@vantage.ph.

VANTAGE EQUITIES, INC.

# VOTING TICKET

## 2023 ANNUAL SHAREHOLDERS' MEETING OF VANTAGE EQUITIES INC.

**PROPOSAL 1**

For election of Directors:

1. Multiply the number of your shares as of August 31, 2023 by thirteen (13)
2. The result from number one (1) is the number of votes you may distribute among the thirteen (13) nominees.

For example, if you have 100 shares, you may distribute 1,300 votes among the nominees in whichever way you choose. Kindly write the number of votes you wish to confer upon each nominee on the blank space provided beside their names. If you wish to withhold the authority to vote for any nominee, kindly strikeout their nominee's name by lining through it.

| Election of Directors | Number of Votes | Election of Directors | Number of Votes |
|---|---|---|---|
| Edmundo Marco P. Bunyi, Jr. | | Valentino C. Sy | |
| Ignacio B. Gimenez | | Wilson L. Sy | |
| Roberto Z. Lorayes | | Gregorio T. Yu | |
| Willy N. Ocier | | Andy O. Co (Independent Director) | |
| Joseph L. Ong | | Bert C. Hontiveros (Independent Director) | |
| Darlene A. Sy | | Antonio C.Moncupa Jr.(Independent Director) | |
| Timothy A. Sy | | | |

For the proposals below, kindly place an "x" mark on the space provided whether you approve, disapprove or abstain from voting.

| | | Approve | Disapprove | Abstain |
|---|---|---|---|---|
| **PROPOSAL 2** | Approval of the minutes of the previous Annual Stockholders' Meeting held on October 28, 2022 | | | |
| **PROPOSAL 3** | Approval of the 2022 Annual Reports and Audited Financial Statements | | | |
| **PROPOSAL 4** | Ratification of all Acts of the Board of Directors and Officers for the year 2022 | | | |
| **PROPOSAL 5** | Re-appointment of Sycip Gorres Velayo & Co. as the independent auditor for the year ending December 31, 2023 | | | |

Note: Each holder of common stock is entitled to one (1) vote per share

**Signature of Shareholder/s** ______________________

**Printed Name of Shareholder/s** ______________________

**Place** ______________________

**Date** ______________________

**Number of Shares Held** ______________________

PLEASE MAIL / EMAIL THIS VOTING TICKET ON OR BEFORE SEPTEMBER 19, 2023

MAIL: 15th Floor, Vantage Equities, Inc., PSE Tower, 5th Ave. corner 28th St. BGC, Taguig City
EMAIL: asm@vantage.ph

**Validation of the voting ticket will be on September 20, 2023**

# PROXY FORM

PLEASE MAIL / EMAIL THIS PROXY FORM ON OR BEFORE SEPTEMBER 19, 2023
MAIL: 15th Floor, Vantage Equities, Inc., PSE Tower, 5th Ave. corner 28th St. BGC, Taguig City
EMAIL: asm@vantage.ph

I/We, hereby nominate, constitute and appoint the Chairman of the Meeting as my/our continuing proxy, with right of substitution and revocation, to represent and vote all shares registered in my/our name or owned by me/us and/or such shares as I/we am/are authorized to represent and vote in my/our capacity as administrator/s, executor/s or attorney/s-in-fact at the annual stockholders' meeting on 29 September 2023, or any and all subsequent regular and special meetings of the stockholders of **Vantage Equities, Inc.** at all adjournments and postponements thereof, as fully to all intents and purposes of acting on the following matters:

**PROPOSAL 1**

For election of Directors:

1. Multiply the number of your shares as of August 31, 2023by thirteen (13)
2. The result from number one (1) is the number of votes you may distribute among the thirteen (13) nominees.

For example, if you have 100 shares, you may distribute 1300 votes among the nominees in whichever way you choose. Kindly write the number of votes you wish to confer upon each nominee on the blank space provided beside their names. If you wish to withhold the authority to vote for any nominee, kindly strikeout their nominee's name by lining through it.

___ a) Vote equally for all nominees or distribute or cumulate my shares to nominee/s listed below:

| Election of Directors | Number of Votes | Election of Directors | Number of Votes |
|---|---|---|---|
| Edmundo Marco P. Bunyi, Jr. | ________ | Valentino C. Sy | ________ |
| Ignacio B. Gimenez | ________ | Wilson L. Sy | ________ |
| Roberto Z. Lorayes | ________ | Gregorio T. Yu | ________ |
| Willy N. Ocier | ________ | Andy O. Co (Independent Director) | ________ |
| Joseph L. Ong | ________ | Bert C. Hontiveros (Independent Director) | ________ |
| Darlene A. Sy | ________ | Antonio C. Moncupa, Jr. (Independent Director) | ________ |
| Timothy A. Sy | ________ | | |

___ b) Withhold authority to vote for all nominees listed above

For the proposals below, kindly place an "x" mark on the space provided whether you approve, disapprove or abstain from voting.

| | | Approve | Disapprove | Abstain |
|---|---|---|---|---|
| **PROPOSAL 2** | Approval of the minutes of the previous Annual Stockholders' Meeting on October 28, 2022 | ________ | ________ | ________ |
| **PROPOSAL 3** | Approval of the 2022 Annual Reports and Audited Financial Statements | ________ | ________ | ________ |
| **PROPOSAL 4** | Ratification of all Acts of the Board of Directors and Officers for the year 2022 | ________ | ________ | ________ |
| **PROPOSAL 5** | Re-appointment of Sycip Gorres Velayo & Co. as the independent auditor for the year ending December 31, 2023 | ________ | ________ | ________ |

Note: Each holder of common stock is entitled to one (1) vote per share

This proxy revokes all proxies which may have been previously executed by the undersigned. This proxy shall be effective until withdrawn by me through notice in writing, or superseded by subsequent proxy, delivered to the Secretary at least ten (10) days before any scheduled meeting, but shall not apply in instances where I personally attend the meeting, nor be effective beyond five (5) years from date hereof.

Executed on ______________________ at ______________________.
Date Place (City, Country)

**Signature of Shareholder/s** ______________________
**Printed Name of Shareholder/s** ______________________
**Shareholder's Contact Number** ______________________
**Account Number** ______________________
**Account Name** ______________________

This solicitation is made by the Company through the Chairman. No director has informed the Company/Chairman in writing or otherwise of his intention to oppose any action intended to be taken up at the meeting. Solicitation of proxies will be done mainly by electronic means. The cost of solicitation will be borne by the Company.

**SECRETARY'S CERTIFICATE**

I, ____________________, Filipino, of legal age and with office address at ___________________________________, do hereby certify that:

1. I am the duly appointed Corporate Secretary of ____________________________ (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at ___________________________________;

2. Based on the records, during the lawfully convened meeting of the Board of Directors of the Corporation held on _______________________, the following resolution was passed and approved:

   "RESOLVED, That ____________________ be authorized and appointed, as he is hereby authorized and appointed, as the Corporation's Proxy (the "Proxy") to attend all meetings of the stockholders of Vantage Equities, Inc. (Vantage) whether the meeting is regular or special, or at any meeting postponed or adjourned therefrom, with full authority to vote the shares of stock of the Corporation held in Vantage and to act upon all matters and resolution that may come before or presented during meetings, or any adjournments thereof, in the name, place and stead of the Corporation.

   "RESOLVED, FURTHER, That Vantage be furnished with a certified copy of this resolution and Vantage may rely on the continuing validity of this resolution until receipt of written notice of its revocation."

3. The foregoing resolution has not been modified, amended or revoked in accordance with the records of the Corporation presently in my custody.

IN WITNESS WHEREOF, I have signed this instrument in ________________________ on ________________________ .

________________________________
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME on ______________________in ______________________. Affiant exhibited to me his/her competent evidence of identity by way of ______________________ issued on ______________________ at ______________________.

Doc No. ______
Page No. ______
Book No. ______
Series of 2023 .

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 20-ISA**

**INFORMATION STATEMENT PURSUANT TO SECTION 20**
**OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [√ **]** Definitive Information Statement

2. Name of Registrant as specified in its charter: **Vantage Equities, Inc.**

3. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**

4. SEC Identification Number: **AS092-07059**

5. BIR Tax Identification Code:**002-010-620**

6. Address of principal office: **15th Floor, Philippine Stock Exchange, 5th Ave. Corner 28th Street, Bonifacio Global City, Taguig City, Metro Manila**

   Postal Code: **1634**

7. Registrant's telephone number, including area code: **(632) 8250-8750**

8. Date, time and place of the meeting of security holders:

   Date: **29 September 2023**
   Time: **3:00 PM**
   Place: **to be conducted virtually via http://vantage.com.ph/2023ASM**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **08 September 2023**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

| Title of Each Class | Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding **As of August 31, 2023** |
|---|---|
| **Common Stock** | **4,199,582,266** |

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

    Yes __√___ No _____

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    **Philippine Stock Exchange, Inc. – Common Shares**

**PART I.**

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

## A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

a. Date: **29September 2023**
   Time: **3:00 PM**
   Place: **to be conducted virtually via http://vantage.com.ph/2023ASM**

   Complete Address of the registrant: **15th Floor, Philippine Stock Exchange, 5th Ave. Corner 28th Street, Bonifacio Global City, Taguig City, Metro Manila**

12. Approximate date on which the information statement is first to be sent or given to security holders: **08 September 2023**

**WE ARE NOT ASKING FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY**

Item 2. **Dissenters' Right of Appraisal**

The matters to be voted upon in the Annual Stockholders' Meeting of Vantage Equities, Inc. (hereinafter, the 'Company') are not among the instances enumerated in Sections 41 and 80 of the Revised Corporation Code whereby the right of appraisal, defined to be the right of any stockholder to dissent and demand payment of the fair value of his shares, may be exercised. The instances where the right of appraisal may be exercised are as follows:

a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;

b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;

c. In case the Company decides to invest its funds in another corporation or business outside of its primary purpose; and

d. In case of merger or consolidation.

Under Section 81 of the Revised Corporation Code, the appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. However, failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made, provided that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment, and that upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

Item 3. **Interest of Certain Persons in or Opposition to Matters to be acted Upon**

No person who has been a director, officer or nominee for election as Director of the Company, or an associate of such persons, have a substantial interest, direct or indirect, in any matter to be acted upon other than the election of Directors for the year 2023-2024.

No Director of the Company has informed the latter in writing that he intends to oppose any action to be taken by the Company at the meeting.

## B. CONTROL AND COMPENSATION INFORMATION

Item 4. **Voting Securities and Principal Holders Thereof**

1. As of **31 August 2023**, the Company has **4,199,582,266** outstanding common shares. Out of the 4,199,582,266 outstanding common shares, 20,385,317 common shares amounting to 0.4854% are owned by foreigners. Each common share shall be entitled to one vote with respect to all matters to be taken up during the Annual Stockholders' Meeting.

2. The record date for purposes of determining stockholders entitled to vote in the Annual Stockholders' Meeting to be held on 29September 2023 is set on 31 August 2023.

3. In the forthcoming Annual Stockholders' Meeting, stockholders shall be entitled to elect thirteen (13) members of the Board of Directors. Each stockholder may vote such number of shares for as many as thirteen (13) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by thirteen (13) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by thirteen (13).

4. Security Ownership of Certain Beneficial Owners and Management

**1) Security Ownership of Certain Record and Beneficial Owners as of August 31, 2023**

| 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 | 4,072,302,337 | 96.97% |

**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 | 5.20% |
| 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.*

*(**)The Chairman of Record/Beneficial Owner shall vote the shareholdings.*

2) **Security Ownership of Management**

The following table shows the shares owned on record by the directors and executive officers of the Company as of August 31, 2023:

| Class | Name | Citizenship | No. of Shares | Percentage |
|---|---|---|---|---|
| Common | Valentino C. Sy | Filipino | 175,000 | 0.00% |
| Common | Edmundo P. Bunyi, Jr. | Filipino | 20,000 | 0.00% |
| Common | Joseph L. Ong | Filipino | 25,000 | 0.00% |
| Common | Andy O. Co | Filipino | 10,000 | 0.00% |
| Common | Ignacio B. Gimenez | Filipino | 25,000 | 0.00% |
| Common | Bert C. Hontiveros | Filipino | 1 | 0.00% |
| Common | Roberto Z. Lorayes | Filipino | 50,000 | 0.00% |
| Common | Willy N. Ocier | Filipino | 4,616,000 | 0.11% |
| Common | Darlene Mae A. Sy | Filipino | 1 | 0.00% |
| Common | Kevin Neil A. Sy | Filipino | 1 | 0.00% |
| Common | Timothy Bryce A. Sy | Filipino | 1 | 0.00% |
| Common | Wilson L. Sy | Filipino | 2,300,000 | 0.05% |
| Common | Antonio C. Moncupa, Jr. | Filipino | 14,029,000 | 0.33% |
| Common | Jonathan P. Ong | Filipino | 0 | 0.00% |
| Common | Ma. Angelica Cabanit | Filipino | 0 | 0.00% |
| **All Directors and Officers as a group** | | | **21,250,004** | **0.49%** |
| **Total Shares** | | | **4,199,582,266** | |

3) **Voting Trust Holders of Five Percent (5%) or More**

The Company is not aware of any party which holds any voting trust or any similar agreement for five percent (5%) or more of the Company's voting securities.

4) **Changes in Control**

The Company is not aware of any arrangement that may result in a change in control of the Company. There were also no changes in control of the Company since the beginning of the last fiscal year.

Item 5. **Directors and Executive Officers**

**Material Pending Legal Proceedings**

The Company is not aware of any pending legal proceedings involving the members of its Board of Directors and its Executive Officers material to an evaluation of their ability and integrity, except as provided in the subsequent portion on Involvement in Certain Legal Proceedings.

**Directors, Executive Officers, Promoters, and Control Persons**

| Office | Periods Served | Name | Citizenship | Age |
|---|---|---|---|---|
| Chairman | 2014-Present | Valentino C. Sy | Filipino | 66 |
| President & CEO | 2014-Present | Edmundo P. Bunyi, Jr. | Filipino | 57 |
| Treasurer | 2014-Present | Joseph L. Ong | Filipino | 69 |
| Director | 2014-Present | Ignacio B. Gimenez | Filipino | 78 |
| Director | 2014-Present | Roberto Z. Lorayes | Filipino | 79 |
| Director | 2014-Present | Willy N. Ocier | Filipino | 65 |
| Director | 2017-Present | Darlene Mae A. Sy | Filipino | 35 |
| Director | 2017-Present | Timothy Bryce A. Sy | Filipino | 41 |
| Director | 1993-2000 & 2005-Present | Wilson L. Sy | Filipino | 69 |
| Independent | 2013-Sept 2023 | Gregorio T. Yu | Filipino | 55 |
| For Nomination as Director | Sept. 2023 | | | |
| Independent | 2021-Present | Andy O. Co | Filipino | 68 |
| Independent | 2017-Present | Bert C. Hontiveros | Filipino | 69 |
| For Nomination as Independent Director | 2023-Present | Antonio C. Moncupa, Jr. | Filipino | 65 |
| Compliance Officer | 2013-Present | Ma. Angelica Cabanit | Filipino | 53 |
| Corporate Secretary | 2020-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.

All present members of the Board of Directors were elected during the annual stockholders' meeting last year. The current members of the Board shall hold office until the next stockholders' meeting, or on until 29 September 2023.

The following are brief write-ups for each of the members of the Board of Directors and Executive Officers.

**Valentino C. Sy**
Mr. Sy is currently the Chairman of Vantage Equities, Inc. and Vantage Financial Corporation and Director of Philequity Management, Inc. He is a former Director of Wealth Securities (1998 to 2011). He is also the President of Equinox International Corp (1996 to present). He holds a degree in Industrial Management Engineering from the De La Salle University (1977).

**Edmundo Marco P. Bunyi, Jr.**
Mr. Bunyi is currently the President and CEO of Vantage Equities, Inc. He is also Vice Chairman and CEO of Vantage Financial Corporation (formerly e-Business Services, Inc.) and President of Philequity Management, Inc. (All since 2006). Previously, he was formerly SVP and Treasurer of International Exchange Bank (1995-2006). He holds a degree in Management Engineering from the Ateneo de Manila University (1985).

**Joseph L. Ong**
Mr. Ong is both the Treasurer and a Director of Vantage Equities, Inc., Vantage Financial Corporation and Philequity Management. Mr. Ong is also the President of Chemcenter Corporation. Previously, he was connected with Exxon Chemicals serving various functions in sales, marketing, audit, and logistics operation both here and abroad. He was also a former director of Petroenergy Resources Corporation from 2007 to 2009. Mr. Ong holds a degree in Chemical Engineering, magna cum laude, from De La Salle University.

**Ignacio B. Gimenez**
Mr. Gimenez is a Director of Vantage Equities Inc., and Vantage Financial Corporation. Concurrently, he is also the Chairman and President of the following mutual funds: Philequity Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity PSE Index Fund, Inc. (2006 to present), Philequity Dividend Yield Fund (2012 to present), Philequity MSCI Philippines Index Fund, Inc. (2017 to present) and Philequity Alpha One Fund, Inc. (2019 to Present). At the same time, he also holds positions as Vice President and Trustee of Philippine Investment Funds Association (PIFA) and as Corporate Secretary of I.B. Gimenez Securities, Inc. 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).

**Roberto Z. Lorayes**
Mr. Lorayes is a Director of Vantage Equities, Inc. and Vantage Financial Corporation, Inc. (1994 to present). Concurrently, he is the Chairman of Philequity Management, Inc. 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, Scringeour, Vickers (1987-1989), and as 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).

**Willy N. Ocier**
Mr. Ocier is a Director of Vantage Equities, Inc., Vantage Financial Corporation and Philequity Management. At the same time, he is also the Chairman and President of Pacific Online Systems Corporation (1999 to present). Concurrently, he is the Chairman of the Boards of the following corporations: APC Group, Inc. (2005 to present), Premium Leisure Corp. (1999 to present). He earned his Economics degree from the Ateneo de Manila University (1977).

**Darlene A. Sy**
Ms. Sy is a Director of Vantage Equities, Inc. (2017 to Present) and 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.

**Timothy A. Sy**
Mr. Sy is a Director of Vantage Equities, Inc. and President of Vantage Financial Corporation (2017 to Present). 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.

**Wilson L. Sy**
Mr. Sy is a Director of Vantage Equities, Inc. and Vantage Financial Corporation. He is also a Director and Chief Investment Officer of Philequity Management, Inc. He is the Chairman of Wealth Securities, Inc. (2016-present), Vice Chairman of Asian Alliance Holdings, Corp. and serves as Director of the Philippine Stock Exchange (2016 – present) and Eastwest Banking Corporation (2016 – 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).

**Gregorio T. Yu**
Mr. Yu is an Independent Director of Vantage Equities, Inc., Vantage Financial Corporation and Philequity Management (2013 to Sept. 2023) and nominated Director of Vantage Equities, Inc., Vantage Financial Corporation and Philequity Management. At the same time, he is a director of the following companies: CATS Asian Cars Inc., American Motorcycles Inc., Unistar Credit and Finance Corporation, Philippine Bank of Communication, Glyph Studios, Inc., Prople BPO Inc., Jupiter Systems Inc., Wordtext Systems, Inc. and Wealth Securities, Inc. He is also an Independent Director of Alphaland Corporation, Glacier Megafridge, EEI Corporation, DITO CME Holdings Corporation, and APO Agua Infrastructura, Inc. Concurrently, he is also the chairman of Auto Nation Group, Inc., CATS Automobile Corp and Nexus Technology, Inc. Lastly, he is a

Board Member of The Manila Symphony Orchestra. 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.

**Andy O. Co (Independent Director)**
Mr. Co is an Independent Director of Vantage Equities, Inc., Vantage Financial Corporation and Philequity Management. Concurrently, he is also the President of Technicom Electronics Corp., the largest distributor of Plantronics and Polycom products in the Philippines since 1990. Mr. Co obtained his Bachelor of Science degree in Electrical Engineering from the University of the Philippines, Diliman in 1975.

**Bert C. Hontiveros (Independent Director)**
Mr. Hontiveros is an Independent Director of Vantage Equities, Inc., Vantage Financial Corporation and Philequity Management. 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.

**Antonio C. Moncupa, Jr. (Nominee for Independent Director)**
Mr. Moncupa is the nominee for the Independent Director of Vantage Equities, Inc., Vantage Financial Corporation and Philequity Management, Inc. After 37 years, Mr. Moncupa retired from Banking in early 2023. Right before retirement, he served as CEO of EastWest Bank, Chairman and President of the Bankers Association of the Philippines, Chairman of East West Rural Bank and East West Insurance Brokers, and director of EastWest Ageas Life Insurance, Philippine Payments Management, Inc., the Philippine Dealing System group of Companies. He was also in the board of the Polytechnic University of the Philippines and Philippine Rural Reconstruction Movement. Mr. Moncupa completed his degrees in Accounting and Economics from De La Salle University and his MBA from the University Of Chicago Booth School Of Business.

**Ma. Angelica D. Cabanit**
Ms. Cabanit is the Compliance Officer of Vantage Equities, Inc., Vantage Financial Corporation, Philequity Management and the following funds: Philequity Fund, Inc., Philequity PSE Index Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity Dollar Income Fund, Inc. (2010 to Present), Philequity Dividend Yield Fund, Inc. (2013 to Present), Philequity MSCI Philippines Index Fund, Inc. (2017 to Present) and Philequity Alpha One Fund, Inc. (2019 to Present). Ms. Cabanit is a graduate of Bachelor of Science in Commerce major in Accounting from St. Scholastica's College (1989).

**Atty. Jonathan P. Ong**
Atty. Ong is the Corporate Secretary of Vantage Equities, Inc., Vantage Financial Corporation, Philequity Management and the following funds: Philequity Fund, Inc., Philequity PSE Index Fund, Inc., Philequity Dividend Yield Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity MSCI Philippines Index Fund, Inc. and Philequity Alpha One Fund, Inc. (2020 to Present). He 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 November 2006 as the Head of its Legal Department, and was appointed as its Corporate Secretary in May 2007, positions which he held until July 19, 2019. He is 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 DisiniButed and Disini law offices, which he advises on matters involving banking and litigation, and a senior associate at the Valerio Law Offices.

**Independent Directors**

The nomination, pre-screening and election of independent directors were made in compliance with the requirements of the Code of Corporate Governance for Listed Companies and SEC Guidelines on the Nomination and Election of Independent Directors which have been adopted and made part of the Corporation's By-Laws. The Corporate Governance Committee constituted by the Company's Board of Directors, endorsed the respective nominations given in favor of Mr. Co (by Mr. Wilson Sy), Mr. Moncupa (by Mr. Edmundo Marco P. Bunyi, Jr.) and Mr. Hontiveros (by Ms. Darlene A. Sy) as Independent Directors.

The Corporate Governance Committee, composed of Mr. Yu, Mr. Hontiveros, Mr. Co, Mr. Sy and Mr. Bunyi 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 Revised 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.

**Significant Employees**

The Company has no significant employees.

**Family Relationships Among Directors**

Messrs. Valentino Sy and Wilson Sy are brothers.
Messrs. Timothy A. Sy, Kevin A. Sy, and Darlene A. Sy are siblings.
Mr. Valentino Sy is the uncle of Messrs. Timothy A. Sy, Kevin A. Sy, and Darlene A. Sy
Mr. Wilson Sy is the father of Timothy A. Sy, Kevin A. Sy, and Darlene A. Sy

**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 or control persons were involved during the past five (5) years:

1. 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;
2. 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,
3. 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 SeetJoon, 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.

As of September 13, 2022, PPI had already filed its comment to the BIR's appeal and the case is still pending in the Supreme Court.

**Directors Disclosures on Self-Dealing and Related Party 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 or relatives up to the 4th degree of consanguinity or affinity of such persons, had a direct or indirect material interest.

There are no self-dealing and related party transactions in the last two years.

**Appraisals and Performance Report for the Board**

Though there is no formal appraisal process in place, the Board has established Corporate Governance Committee to ensure all Board members are fit for the position and oversees the performance of the Board members and its committees and management.

**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 2022, 2021 and 2020, respectively. Post-employment benefits amounted to ₱3.18 million, ₱3.25 million and ₱2.51 million in 2022, 2021 and 2020, respectively. Director fees amounted to ₱6.43 million, ₱6.85 million and ₱6.43 million in 2022, 2021 and 2020, respectively.

**Disagreement with Director(s)**

None of the Directors has resigned or has declined to stand for re-election to the Board of Directors since the date of the last annual meeting of security holders because of a disagreement with the Company on any matter relating to the Company's operations, policies, or practices.

Item 6. **Compensation of Directors and Executive Officers**

Except for Messrs. Edmundo P. Bunyi, Jr., Timothy A. Sy and Darlene A. Sy, all of the Company's directors have not received any form of compensation from inception up to present other than a per diem meetings attended and annual directors' bonuses. In addition, except as provided below, there are no compensatory plans or arrangements 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.

**1.Summary Compensation Table (Annual Compensation)**

| Name and Principal Position | Year | Annual Compensation |
|---|---|---|
| **Valentino C. Sy**<br>Chairman & CEO | | |
| **Edmundo P. Bunyi, Jr.**<br>President & COO | | |
| **Joseph L. Ong**<br>Treasurer | | |
| **All officers and directors as a group** | 2023 | 4.02 million |
| | 2022 | 6.43 million |
| | 2021 | 6.85 million |
| | 2020 | 6.43 million |

Item 7. **Independent Public Accountants**

The Company's Board of Directors reviews and approves the engagement of services of the Company's external auditors, who are appointed upon the recommendation of the Audit Committee, and which appointment shall be ratified by the stockholders during the annual stockholders' meeting. The Chairman of the Company's Audit and Risk Committee is Mr. Gregorio T. Yu, an independent director. The other members of the Committee are Messrs. Edmundo P. Bunyi, Jr, Andy O. Co, Bert C. Hontiveros and Kevin A. Sy.

The principal accountants and external auditors of the Company is the accounting firm of SyCip, Gorres, Velayo& Company ("SGV & Co.") with address at SGV Building, 6760 Ayala Avenue, Makati City. The Corporation has retained the services of SGV & Co. for several years now. There have been no changes in, and any disagreements with, said accountants in the last five (5) years on any accounting and financial disclosures.

In compliance with SRC Rule 68(3)(b)(iv), as amended, the assignment of SGV's engagement partner for the Company shall not exceed five (5) consecutive years. Mr. Juan Carlo B. Maminta was assigned as SGV's engagement partner from 2018 to 2022. A new engagement partner, Ms. Janeth T. Nunez, was designated for 2023 onwards

SGV is recommended for re-appointment as the Company's external auditors for 2023.

The aggregate fees billed for each of the last two 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:

| **A. Audit and Audit-related Fees** | 2022 | 2021 |
|---|---|---|
| 1. Audit of the registrant's annual financial statements or services that are normally provided by the external auditor in connection with the statutory and regulatory filings or engagements. | 2,798,530 | 2,176,000 |
| 2. Other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements. | 279,853 | 217,600 |
| **B. Taxes/Fees** | 369,406 | 287,232 |
| **C. All other Fees** | 0 | 0 |

The Independent Auditor 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.

It is the policy of the Company that any draft audit report must first be reviewed by the Audit and Risk Committee, prior to said report being endorsed to the Board of Directors for approval.

Representatives of SGV are expected to be present at the Annual Stockholders' Meeting, with the opportunity to make a statement if they so desire and to answer appropriate questions from the stockholders.

Item 8. **Compensation Plans**

There are no matters or actions to be taken up in the meeting with respect to compensation plans.

## C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. **Authorization or Issuance of Securities Other than for Exchange**

There are no matters or actions to be taken up in the meeting with respect to the authorization or issuance of securities other than for exchange.

Item 10. **Modification or Exchange of Securities**

There are no matters or actions to be taken up in the meeting with respect to the modification or exchange of securities.

Item 11. **Financial and Other Information**

There are no matters or actions to be taken up in the meeting with respect to financial and other information

Item 12. **Mergers, Consolidations, Acquisitions and Similar Matters**
There are no matters or actions to be taken up in the meeting with respect to mergers, consolidations, acquisitions and similar matters.

Item 13. **Acquisition or Disposition of Property**
There are no matters or actions to be taken up in the meeting with respect to acquisition or disposition of property.

Item 14. **Restatement of Accounts**
There are no matters or actions to be taken up in the meeting with respect to restatement of accounts.

## D. OTHER MATTERS

Item 15. **Action with Respect to Reports**
The Company will seek the approval by the stockholders of the Minutes of the previous Stockholders' Meeting during which the following were taken up: (1) Call to Order, (2) Rules and Procedures for the Stockholder's Meeting, (3) Certification of Notice of Meeting and Quorum, (4) Approval of the Minutes of the Previous Meeting of Stockholders, (5) Approval of 2021 Operations and Results, (6) Ratification of all Acts of the Board of Directors and Officers, (7) Election of Directors, (8) Appointment of External Auditors, (9) Other Matters and (10) Adjournment

Item 16. **Matters not required to be submitted**
There are no matters or actions to be taken up in the meeting with respect to any matter which is not required to be submitted to a vote of the security holders.

Item 17. **Amendment of Charter, By laws or Other Documents**
There are no matters or actions to be taken up in the meeting with respect to amendment of Charter, Bylaws or other documents.

Item 18. **Other Proposed Action**

The following are to be proposed for approval during the Annual Stockholders' Meeting:

1. Call to Order
2. Rules and Procedures for the Stockholder's Meeting
3. Certification of Notice of Meeting and Quorum
4. Approval of the Minutes of the Previous Meeting of Stockholders
5. Approval of 2022 Operations and Results
6. Ratification of all Acts of the Board of Directors and Officers for the year 2022
7. Election of Directors
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business, such as renewal of credit/loan facilities with banks, opening of bank accounts, designation of authorized bank signatories, subscriptions to shares of stock of publicly listed corporations, transfer of motor vehicles, financing activities of the company and other requirements in connection with the Company's operation.

Management reports which summarize the acts of management for the year 2022 are included in the Company's Annual Report to be sent to the stockholders together with this Information Statement and shall be submitted for approval by the stockholders at the meeting. Accordingly, approval of the Annual Report will constitute approval and ratification of the acts of Management stated in the Annual Report during the period covered thereby.

Item 19. **Voting Procedures**

Given the current circumstances and in order to ensure the safety and welfare of our stockholders, the company shall conduct its meeting virtually.

Stockholders of record who intend to participate in the meeting through remote communication shall notify the Corporate Secretary by sending an email to asm@vantage.ph before 19September 2023. Stockholders may exercise the right to vote through remote communication or in absentia, subject to validation.

Stockholders of record who intend to appoint a proxy shall submit their duly executed and signed proxies no later than 19 September 2023. All proxies should be received by the Corporation via mail or email at least ten (10) days before the meeting, or on or before 19 September 2023. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

Successfully registered stockholders can cast their votes and will be provided access to the meeting. All documents and information submitted shall be subject to verification and validation by the Office of the Corporate Secretary.

Each stockholder shall be entitled to one (1) vote, in person or in absentia or thru proxy for each share with voting right. All elections, items on the meeting agenda and all questions, except as otherwise provided by law, shall be decided by the plurality vote of the stockholders present in person or in absentia or by proxy, a quorum (majority of the issued and outstanding capital stock having voting powers) being present. For the election of Directors, stockholders shall be entitled to elect thirteen (13) members to the Board of Directors. Each stockholder may vote such number of shares for as many as thirteen (13) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by thirteen (13) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by thirteen (13). The thirteen (13) nominees receiving the most number of votes will be elected to the Board of Directors.

Representatives from the Company's stock transfer agent and the Corporate Secretary are tasked to count votes manually.

Stockholders may pose questions prior to or during the meeting by sending an email to asm@vantage.ph.

Item 20. **Disclosures on Section 49 of the Revised RCCP and MC. No. 3 Series 2020**

1. The Company ensures to send written notice to all stockholders/members of record at least twenty-one (21) calendar days prior to the date of the Annual Stockholders Meeting.

2. With the recent postponement of Annual Stockholders' Meeting, the Company informed the SEC on June 23, 2023 about the postponement of its Annual Stockholders Meeting for June 2023 by filing the required SEC Form No. 17-C. It also posted the announcement of the postponement on PSE Edge on June 26, 2023 to ensure the widest possible dissemination thereof considering that all Stockholders of the Company can access the PSE Edge.

3. The Company ensures that the written notice to the Stockholders contain all information and deadlines relevant to the shareholders'/members' participation in the meeting and exercise of the right to vote remotely.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig on the 23rd of August 2023.

**VANTAGE EQUITIES, INC.**

By:

**JONATHAN P. ONG**
**Corporate Secretary**

# VANTAGE EQUITIES, INC.

## BUSINESS AND GENERAL INFORMATION

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. 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) 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 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.

### 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 P2.9 billion "war chest" in a 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 operating companies in the Vantage Group.

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

**Vantage Financial Corporation (formerly e-Business Services, Inc) - 100% ownership**
VFC traces its beginnings as the first Asia-Pacific direct agent of Western Union (WU), an International money transfer service provider. Aside from money transfer services, VFC also offers bills payment and airline ticketing services. Starting from just 3 service centers in 1999, VFC today operates some 140 branches in major cities and hubs throughout the country. VFC also maintains a roster of sub-agents with a network of over 200 locations nationwide.

In 2021, WU has changed its business model in the country. WU previously limited its service to representatives that exclusively carried the brand and who could maintain its industry-leading quality standards. WU no longer requires exclusivity and VFC has since partnered with other international and domestic remittance companies.

In 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.

**Philequity Management, Inc. ("PEMI") – 51% ownership**
Philequity Management, Inc. (PEMI) is an investment management company established in 1993. PEMI is the proud investment manager and principal distributor of Philequity Fund, Inc. (PEFI), its flagship fund that has the longest track-record of consistent outperformance in the country. PEMI's funds have consistently been recognized and awarded for their performance by the Philippine Investment Funds Association (PIFA) and local chapter of the CFA Society.

As a matter of course, VEI provides the initial investments in mutual funds PEMI incorporates in line with its growth strategy. The following mutual funds are considered VEI's subsidiaries since abovementioned initial investment still represents substantial ownership in subject funds:

**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) – 100% ownership**
PMIF was incorporated in the Philippines, and was registered with the SEC on December 15, 2017 as an open-ended mutual fund company with the objective of tracking the returns of the MSCI Philippines Index.

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 SEC on February 13, 2019 as an open-ended investment company with the objective of attaining alpha or excess returns over the PSEi through superior stock picking.

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

**Philequity Global Fund, Inc. (PGF) – 100% ownership**
PGF was incorporated in the Philippines, and was registered with the SEC on June 24, 2019 as an open-ended investment company with the objective of investing in global index exchange traded funds to offer local investors exposure to global financial markets. The Fund has yet to start operations.

**iCurrencies – 100% ownership**
iCurrencies, Inc. was acquired from International Exchange Bank in 2006 when Union Bank of the Philippines acquired the latter from VEI and other shareholders. iCurrencies is organized primarily to engage in the business of buying and selling of foreign currencies. It is currently not operating.

**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**

In the listed equity space, VEI is unique in its product offering of financial services, mainly Asset Management through Philequity Management and Money Remittance through its Western Union franchise, Vantage Financial Corporation (eBiz). Though not a competitor, a possible comparison would be Aboitiz Equity Ventures (AEV) which has Unionbank and Citisavings under its financial segment. It has also purchased Petnet, an agent of Western Union. AEV has a market cap of about P310-Billion as of June 30, 2023 and has three business segments in power, financial services and food. In terms of size and market capitalization, Vantage Equities pales in comparison but the main advantage of Vantage Equities is its combination of two financial services businesses and track record in its asset management segment. Philequity Management has one of the best performing mutual funds in the Philippines since 1994, Philequity Fund Inc, as awarded by PIFA. Vantage Financial Corp (formerly eBusiness Services Inc) meanwhile has around 140 branches nationwide and is one of the top players in the domestic money remittance service business. The company has expanded to offer other brands of money remittance services aside from Western Union. It has also expanded its product offerings to airline ticketing.

**Competition of Subsidiaries**

**Vantage Financial Corporation - 100% ownership**
Vantage Financial Corp has relatively strong competition among other Western Union direct agents and sub agents. Western Union has decided recently to release its agents from its exclusivity clause, which has allowed agents, along with VFC to carry other international brands such as Moneygram, Xoom and others. Other competitors in the space like Cebuana Lhuillier and M. Lhuillier have also signed up directly with Western Union to carry the product in their stores. VFC in turn has partnered with Cebuana Lhuillier and other such competitors to carry its product in its own stores. We have thus seen volumes spread out to other competitors as the number of entities that carry Western Union have expanded significantly. However, VFC has maintained its leadership share in the Western Union network. Digital remittances share has been increasing and is a competitive factor to VFCs traditional brick and mortar operations.

**Philequity Management, Inc. ("PEMI") – 51% ownership**
The Philippine mutual fund industry continues to grow with 68 funds as of December 2022 according to data tracked by the Philippine Investment Funds Association. The industry continues to benefit from increased public interest on alternative investments that offer potentially higher yields over regular savings accounts and time deposits. The industry's net assets however shrank 36% to P283 billion from P442 billion a year ago, as the business and economic environment remained challenging as supply and demand issues were exacerbated by the Russia-Ukraine war and the China lockdown. Inflation continued to rise and volatility in capital markets 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 (38%), bond funds (25%) and stock funds (24%) funds which make up 87% 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, and Sun Life Asset Management. All four 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.

**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:

1. <u>Credit Risk</u> 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.

2. <u>Liquidity Risk</u> 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.

3. <u>Market Risk</u> 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.

4. 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.

**Financial Performance**

The Company derived its revenues from various activities:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Trading and investment securities gains (losses) - net | (464,741,003) | 45,189,268 | 29,362,293 |
| Money transfer service income | 135,133,672 | 192,807,698 | 245,730,752 |
| Service income | 246,236,422 | 264,552,473 | 210,515,123 |
| Share in foreign exchange differential | 92,852,823 | 121,203,399 | 116,480,066 |
| Interest income | 257,133,062 | 194,986,594 | 294,991,747 |
| Money changing gain | 8,645,517 | 60,756,236 | 52,178,741 |
| Income from business partners | 22,140,227 | 55,133,845 | 11,845,355 |
| Dividend income | 30,391,442 | 13,579,262 | 8,414,777 |
| **Total** | **327,792,162** | **948,208,775** | **969,518,854** |

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

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| **Financial Assets at FVPL** | | | |
| Realized gain (loss) on sale taken to profit or loss | (15,255,377) | 52,611,460 | 55,383,816 |
| Unrealized gains (losses) on changes in fair value | (449,485,626) | (7,422,192) | (26,021,523) |
| **Total** | **(464,741,003)** | **45,189,268** | **29,362,293** |

As of December 31, 2022, the Company has a total of 425 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 | 9 | - |
| Managers | 17 | - |
| Supervisors | 30 | - |
| Prof | 11 | |
| Specialist | 29 | - |
| Associate | 329 | |
| **Total** | **425** | **-** |

The Corporation believes that it has maintained amicable relationships with the rank and file and does not anticipate any labor-management issues to arise in the near term. The Corporation believes that its relationship with its employees have been consistently good and productive.

**Properties**

**Vantage Equities, Inc. – Parent**

*Office Condominium* - In December 2017 the acquired office units by the company were turned over, located at 15th floor Phil. Stock Exchange, 5th Avenue cor. 28th 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 equipment are used by the Company in conducting its daily operations and located at 15th floor Phil. Stock Exchange, 5th Avenue cor. 28th 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 equipment 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 equipment 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 15th floor Phil. Stock Exchange, 5th Avenue cor. 28th 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.

**Philequity MSCI Philippines Index Fund, Inc. – 69.18% 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.

**Vantage Financial Corporation (formerly 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 BangkoSentral 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 Management, Inc. – 51% ownership**

*IT Equipment* - These equipment 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 15th floor Phil. Stock Exchange, 5th Avenue cor. 28th St. Bonifacio Global City, Taguig.

*Office Equipment* - These equipment are depreciated over the estimated useful life of 3 years. These office equipment are located at 15th floor Phil. Stock Exchange, 5th Avenue cor. 28th 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 15th floor Phil. Stock Exchange, 5th Avenue cor. 28th 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.

**Legal Proceedings**

There are no significant cases pending which might materially affect the overall financial condition of the Company.

**OPERATIONAL AND FINANCIAL PERFORMANCE**

**Market for Registrant's Common Equity and Related Stockholder Matters**

| | **2022** | | **2021** | | **2020** | |
|---|---|---|---|---|---|---|
| | **Low** | **High** | **Low** | **High** | **Low** | **High** |
| 1st Quarter | 0.71 | 0.84 | 0.97 | 1.08 | 1 | 1.17 |
| 2nd Quarter | 0.69 | 0.84 | 0.90 | 1.05 | 1.02 | 1.08 |
| 3rd Quarter | 0.71 | 0.79 | 0.82 | 1.00 | 1.1 | 1.12 |
| 4th Quarter | 0.71 | 0.83 | 0.81 | 0.89 | 1 | 1.1 |

As of 31 August 2023, there were 603 shareholders of the 4,199,582,266 common shares issued and outstanding. As of the latest practicable trading date, 07 September 2023, the Registrant's shares were traded at the price of P0.76 per share in Philippine Stock Exchange.

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

**Top 20 shareholders as of August 31, 2023:**

| **RECORD OWNER** | **NO. OF COMMON SHARES** | **% TO TOTAL** |
|---|---|---|
| PCD NOMINEE CORP. | 4,072,302,337 | 96.97% |
| PCD NOMINEE CORPORATION (NON-FILIPINO) | 18,981,633 | 0.452% |
| EAST PACIFIC INVESTORS CORPORATION | 9,040,000 | 0.215% |
| A. BROWN COMPANY, INC. | 6,882,500 | 0.164% |
| LUCIO W. YAN &/OR CLARA YAN | 6,812,500 | 0.162% |
| WILLY NG OCIER | 4,616,000 | 0.110% |
| RICARDO L. NG | 3,248,750 | 0.077% |

| | | |
|---|---|---|
| MICHAEL SYIACO | 3,000,000 | 0.071% |
| AGAPITO C. BALAGTAS, JR. | 2,875,000 | 0.068% |
| APRICINIA B. FERNANDEZ | 2,875,000 | 0.068% |
| SUZANNE LIM | 2,875,000 | 0.068% |
| CYGNET DEVELOPMENT CORPORATION | 2,812,500 | 0.067% |
| JERRY TIU | 2,731,250 | 0.065% |
| WILSON L. SY | 2,300,000 | 0.055% |
| BON S SYIACO | 2,000,000 | 0.048% |
| TRANS- ASIA SECURITIES, INC. | 1,830,000 | 0.044% |
| AVESCO MARKETING CORPORATION | 1,437,500 | 0.034% |
| MARY TAN DE JESUS | 1,412,500 | 0.034% |
| SEC ACCOUNT FAO: VARIOUS CUSTOMERS OF GUOCO SECURITIES (PHILIPPINES), INC. | 1,265,000 | 0.030% |
| CAMPOS, LANUZA & CO., INC. | 1,161,500 | 0.028% |

The Company currently only has Common Shares issued.

**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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS**

**Financial Highlights**

| In Millions (PHP) | 2022 | 2021 | 2020 |
|---|---|---|---|
| **Balance Sheet** | | | |
| Assets | 11,426.64 | 11,485.85 | 11,059.28 |
| Liabilities | 306.21 | 358.50 | 517.26 |
| Stockholder's Equity | 11,120.43 | 11,127.35 | 10,542.02 |
| Book Value Per Share | 2.65 | 2.65 | 2.51 |
| **Income Statement** | | | |
| Revenue | 327.79 | 948.21 | 969.52 |
| Expenses | 334.14 | 478.12 | 561.05 |
| Other Income/ (Charges) | 0.30 | 0 | 3.60 |
| Net Income | (6.05) | 470.08 | 412.07 |
| Earnings per Share attributable to equity holders of the Parent Company | (0.0177) | 0.0951 | 0.0882 |

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Current ratio | Current assets ÷ Current liabilities | 4,165.53% | 3,484.14% |
| Acid test ratio | (Cash eq + Marketable securities + Receivable) ÷ Current liabilities | 4,158.74% | 3,481.96% |
| Solvency ratio | Net income ÷ Net liabilities | -1.98% | 131.12% |
| Debt-to-equity ratio | Total liabilities ÷ Total equity | 2.75% | 3.22% |
| Debt ratio | Total liabilities ÷ Total assets | 2.68% | 3.12% |
| Asset-to-equity ratio | Total assets ÷ Total equity | 102.75% | 103.22% |
| Return on assets | Net income ÷ Average total assets | -0.05% | 4.20% |
| Return on equity | Net income ÷ Average total equity | -0.05% | 4.40% |
| Net profit margin | Gross profit ÷ Net income | 352.31% | 123.32% |

**Results of Operations for the Quarter Ended June 30, 2023**
While most of 2022 was focused on worrying about inflation and the Fed aggressively hiking rates to curb prices, we start off 2023 with hope that the Fed has done enough and that rate hikes may soon be over with. Indeed, inflation prints come in showing that the runaway inflation seems to have slowed and that we are seeing a peak. However, as soon as February, we got high jobs reports in the US and in the Philippines, inflation accelerated again. This has markets seeing that the Fed would push for a "higher for longer" rate situation. Overall, coming from as low as 3.5, the 10y UST in the first quarter went to as high as above 4%, while the benchmark 9yr 10-69 local bond went to 6.375. Around this time though, we got news of the Silicon Valley Bank collapsing. Some other regional banks such as First Republic bank also swiftly fails. Then the big one, Credit Suisse, needed to be bought out by UBS, with help from the Swiss Government. In the end, 10y UST steadied at around 3.5 in the 1Q, while local bond 1069 ended up at around 6.125.

Rolling on into April, majority of the banking crisis looks to have been averted, though Fed says that it may cause a small recession. In May, the Fed hikes by 25bp as expected, though market is now viewing a likely pause in June, as CPI prints are steadying again to falling. The view is that more likely than not, the hot prices in February may have been a blip and that inflation is indeed coming down. As we get into June, the Fed does indeed pause, but Jerome Powell states that this is probably only a momentary respite and that the Fed anticipates that it will need to raise rates again before 2023 is over. All indications are that there are 2 more hikes to come. Also during this time, we got a scare with the US debt ceiling being breached but ultimately a deal to avert the crisis was passed between democrats and republicans in the US. Coming from around 3.5, the 10y UST ends June around 3.7 due to some risk aversion from the US debt crisis. Meanwhile local bonds found a lot of buyers, with dealers looking to load up on long duration especially. The 10yr 1069 started off at around 6.125 , bought as low as 5.8 before ending almost flat at around 6.

During this time, the VEI fixed income portfolio returned 3.4% in the 1H of 2023, mostly due to being defensive and taking advantage of short term rates going much higher. Much of our cash positions are now earning as high as 6% in deposits. However we have also taken the opportunity to scale into longer dated bonds, as our cash position is now lower as we have focused on buying on the 10yr and 12yr sector specifically, as these offer attractive yields versus expected inflation. Meanwhile our VEI equity portfolio has steadily been disposing of assets opportunistically, and was able to participate in a slight rally in the PCOMP. As of end June 2023, the VEI portfolio returned -0.62% vs the benchmark PSE index return of -1.50%.

**Results of Operations for the Year Ended 2022**
2022 was a difficult year for markets in general. As markets quickly put COVID in the rearview mirror, central banks around the world now had to grapple with rising and even out of control inflation. The Fed primarily moved into a very aggressive stance, hiking rates in 50bp in May and 75bp in June and July to stem inflation. 10y UST starts out the year at around 1.50 but this turns out to be the low as the Fed shifts gears to combat inflation, after saying it was only transitory. Exacerbating the market outlook was the war in Ukraine with Russia invading, sending oil prices skyrocketing to around $130/bbl, which added more fuel to the inflation fears.

Meanwhile in the Philippines the BSP is slow to react, saying that it need not move in lockstep with the Fed as there were no signs of runaway inflation in the Philippines. But as the rate disparity kept growing, the BSP had no choice but to follow suit, hiking also by 75bp in July. There was a bit of a reprieve in rates by July as central banks thought that inflation may be peaking in July. This had yields, which had risen by more than 200bp already, stabilize for a while. September saw that inflation had not yet peaked, which had the Fed and BSP hiking aggressively again. By this time the 10y UST breaches 4% and 10y FXTN 1068 hits as high as 7.25.
During this time, equities fall into bear market territory with the DOW below 30k to 29,100, S&P at 3,600 and the Nasdaq at 10,800. The PHISIX also falls as much as 4% in a day to the 6000 level. There were also fears that the USDPHP would hit 60, with even BBM saying that they would defend the peso. At this point the Fed and BSP are hiking by 75bp each time again with the 10y UST yields now at 4.25 and the 10y peso bond yield at around 7%. Finally to end the year, central banks say that it was time to assess the hikes and that the tightening may have some impact already. With the slightly more dovish language, markets try to close out the year with a late rally. 10y UST eventually ends lower than 4% to 3.85 and the 10y local bond also pushes lower than 7 to 6.85. Equities also rally, with the PHISIX posting large gains to end the year around 6600.

The VEI fixed income portfolio managed to post a positive return for 2022 of 1.2% despite bond yields continuing to rise for the year. This also compares to bond funds which posted negative returns for the year. This outperformance is primarily due to the portfolio having a huge percentage in cash or cash equivalents. Whereas the cash that was invested were primarily in short dated securities. However the VEI equity portfolio underperformed, with the portfolio registering a negative 11.9%, versus the PHISIX return of negative 7.8%. The Index managed to post a last minute rally in the end of December, pushed primarily by blue chip securities. The VEI portfolio however was not able to participate fully during this rally. We remain to be in defensive names and have invested into REIT names for yield.

**Key Variable and Other Qualitative and Quantitative Factors**

**(i) Any Known Trends, Events or Uncertainties (Material Impact on Liquidity)**
There are no known Trends, Events or Uncertainties (Material Impact on Liquidity).

**(ii) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation**
There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

**(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.**
There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

**(iv) Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures**
There are no material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures.

**(v) Any Known Trends, Events or Uncertainties (Material Impact on Sales)**
There are no any Known Trends, Events or Uncertainties (Material Impact on Sales).

**(vi) Any Significant Elements of Income or Loss (from continuing operations)**
There are no any Significant Elements of Income or Loss (from continuing operations)

**Vantage Financial Corporation (formerly e-Business Services, Inc.)**
eBiz achieved a total revenue of PhP 383.56 million for the year as compared to last year's PhP 425.75 million, 9.91% 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 13.78% at PhP 315.39 million versus last year PhP 365.80 million. This is mainly attributable to decrease in utilities, entertainment and recreational expenses. eBiz posted a total comprehensive income of PhP 53.90 million in 2022, compared to last year's PhP 46.99 or a increase of 14.71%.

**Philequity Management, Inc.**
Service Income for the year amounted to P249.34 million, versus last year's P267.76 million, 6.88% decrease as a result of lower management fees due to reduced assets being managed. Total cost of services for the year amounted to P77.28 million, increased by 12.11% from P68.93 million last year
As a result, total comprehensive income for the year increased by 7.54% with aggregate amount of P155.10 million previously at P144.22 million.

**Other Matters**
The Parent Company and its wholly-owned subsidiary, Vantage Financial Corporation (formerly e- Business Services, Inc.), 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 - Y2022 versus Y2021**

*1128.43% decrease in trading & investment securities gains mainly due to negative market performance for the period.*

*23.39% decrease in foreign exchange differential due to lower international money transfer transactions.*

*123.81% increase in dividend income due to higher holdings with dividends.*

*6.92% decrease in service income due to lower asset under management.*

*31.87% increase in interest income due to higher money market placement for the period.*

*59.84% decrease in income from business partners due to reduction volume.*

*61.72% decrease in commission expense due to lower commission paid to subagents from western union transactions*

*24.83% decrease in general & administrative expenses due to lower salaries & wages and depreciation of fixed assets.*

**Income Statement items - Y2021 versus Y2020**

*53.90% increase in trading and investment securities gains mainly due to positive market performance for the period.*

*4.06% increase in foreign exchange differential due to higher international money transfer transactions.*

*61.37% increase in dividend income due to higher holdings with dividends.*

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

*33.90% decrease in interest income due to lower money market placement for the period.*

*365.45% increase in income from business partners due to increase in volume of transactions.*

*582.30% increase in commission expense due to commission paid to subagents from western union transactions.*

*14.07% increase in general and administrative expenses due to additional salaries and wages.*

**Balance Sheet items – Y2022 versus Y2021**

*25.96% increase in cash and cash equivalents due to higher outstanding investments in short-term placements at the end of the year.*

*159.93% increase in prepayments and other current assets attributable to increase in excess tax credits.*

*6.43% decrease in right of use assets due to decrease of contracts within the scope of PFRS 16.*

*81.82% decrease in deferred tax assets due to unrealized forex loss and decrease of contracts within the scope of PFRS 16.*

*84.89% increase in loans and receivables due to to higher volume of transactions from Western Union.*

*11.61% decrease in other noncurrent assets due to decrease in security deposits.*

*14.59% decrease in accounts payable due to lower liability to sub-agents.*

*76.17% decrease in income tax payable due to lower taxable income.*

*8.27% increase in retirement liabilities due to change in assumption of pension liabilities.*

**Balance Sheet items – Y2021 versus Y2020**

*13.47% increase in cash and cash equivalents due to higher outstanding investments in short-term placements at the end of the year*

*53.10% decrease in loans and receivables due to lower volume of transactions from Western Union.*

*76.74% increase in prepayments and other current assets attributable to increase in input VAT.*

*2.33% decrease in right of use assets due to amortization in relation to rental deposits.*

*30.56% decrease in deferred tax assets due to receivable write off for the period.*

*17.25% decrease in other noncurrent assets due to decrease in security deposits.*

*27.16% decrease in accounts payable due to lower liability to sub-agents.*

*101.21% increase in income tax payable due to higher taxable income.*

*8.27% increase in retirement liabilities due to change in assumption of pension liabilities*

**<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>**

There have been no changes in or disagreements with accountants on accounting and financial disclosure.

**DIRECTORS AND EXECUTIVE DIRECTORS**

Please refer to the discussion on "Directors and Executive Officers" in the main body of the Information Statement.

**ANNEXES**

Please refer to the following:

Annex A – Secretary's Certificate that no directors are connected with the government
Annex B - Certification of Independent Directors
Annex C – Annual Report and Company's audited financial statements as of the period 31 December 2022
Annex D - Company's second quarter operations results for 2023
Annex E- Minutes of the Annual Stockholders Meeting last October 28, 2022

**CORPORATE GOVERNANCE**

The Company has been monitoring compliance with SEC Memorandum Circular No. 24, Series of 2019, 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.

The Company is unaware of any non-compliance with or deviation from its Amended Manual of Corporate Governance during the previous year. The Company will continue to monitor compliance with the Revised Rules on Corporate Governance, and shall remain committed in ensuring the adoption of other systems and practices of good corporate governance to enhance its value to its shareholders.

**UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND VOTE AT THE MEETING, THE COMPANY SHALL FURNISH SUCH SHAREHOLDER WITH A COPY OF THE COMPANY'S INFORMATION STATEMENT (ON SEC FORM 20-IS) AND ANNUAL REPORT (ON SEC FORM 17-A) WITHOUT CHARGE. ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED TO:**

**JONATHAN P. ONG**
**THE CORPORATE SECRETARY**
**VANTAGE EQUITIES, INC.**
**15TH FLOOR, PHILIPPINE STOCK EXCHANGE**
**5TH AVE.CORNER 28TH STREET, BONIFACIO GLOBAL CITY,**
**TAGUIG CITY, METRO MANILA**

ANNEX A

REPUBLIC OF THE PHILIPPINES)
_____CITY OF MANILA_____)S.S.

# SECRETARY'S CERTIFICATE

ATTY JONATHAN P. ONG, of legal age, Filipino, with office address at Valerio and Associates, Unit 17F, 17th Floor Petron Megaplaza Building, 358 Gil Puyat Avenue, Makati City, being the duly elected and qualified Corporate Secretary of VANTAGE EQUITIES, INC. (the "Corporation") a corporation organized and existing under the laws of the Philippines, under oath, does hereby certify that based on the information provided to the Corporation by the members of the Board of Directors and the principal executive officers of the Corporation, none of them are presently employed by any agency of the Philippine Government.

IN ATTESTATION OF THE ABOVE, this Certificate has been signed this __ day of AUG 22 2023 in CITY OF MANILA, Metro Manila.

ATTY. JONATHAN P. ONG
Corporate Secretary

SUBCRIBED AND SWORN TO BEFORE ME this __ day of AUG 22 2023 in CITY OF MANILA, Metro Manila. Affiant exhibited to me his Drivers License No. DI-86-019179 issued on December 28, 2018 in Quezon City as competent evidence of his identity.

Doc. No. 49
Page No. 11
Book No. XI
Series of 2023

ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF MANILA
APPOINTMENT 097/12/31/2023 MANILA
IBP NO. 181139 / 01/03/2023
PTR NO. 0861145 / 01/03/2023
ROLL NO. 29679, TIN NO. 172-528-620
MCLE COMP. NO. VII-0000165 VALID UNTIL APRIL 14, 2025
STA. CRUZ, MANILA

ANNEX B

REPUBLIC OF THE PHILIPPINES )
)

# CERTIFICATION OF INDEPENDENT DIRECTORS

I, **ANDY CO**, Filipino, of legal age and a resident of 8 Balimbing St., Valle Verde 1, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **VANTAGE EQUITIES, INC.** (the "Corporation") and have been its independent director since September 2021;

2. I am affiliated with the following companies or organizations:

| Company/Organization | Position/Relationship | Period of Service |
|---|---|---|
| Philequity Management, Inc. | Independent Director | September 30, 2021 |
| Vantage Financial Corporation | Independent Director | September 30, 2021 |
| Technicom Electronics Cororation | President | 2008 |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Vantage Equities, Inc.,** as provided for in Section 38 of the Securities Regulations Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of **Vantage Equities, Inc**., as relationship is provided under Rule 38.2.3 of the Securities and Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service or affiliated with a Government Agency or Government Owned and Controlled Corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulation, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **Vantage Equities, Inc**. of any changes in the abovementioned information within five (5) days from its occurrence.

AUG 2 2 2023

Done, this______day of_______________at CITY OF MANILA.

ANDY CO
Affiant

SUBSCRIBED AND SWORN to before me this_______day of AUG 2 2 2023 at CITY OF MANILA, affiant personally appeared before me and exhibited to me his Tax Identification No. 100-052-873.

Doc. No.__; 36
Page No._; 9
Book No._; XI
Series of
2023.

ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF MANILA
APPOINTMENT 097/12/31/2023 MANILA
IBP NO. 181139 / 01/03/2023
PTR NO. 0861145 / 01/03/2023
ROLL NO. 29679, TIN NO. 172-523-620
MCLE COMP. NO. VII-0000165 VALID UNTIL APRIL 14, 2025
15 STA. CRUZ, MANILA

ANNEX B

REPUBLIC OF THE PHILIPPINES )
)

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **BERT HONTIVEROS**, Filipino, of legal age and a resident of Unit 5G Cortijos Bldg. #25 Eisenhower Street, Greenhills, San Juan Metro Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **VANTAGE EQUITIES, INC.** (the "Corporation") and have been its independent director since September 2018;

2. I am affiliated with the following companies or organizations:

| Company/Organization | Position/Relationship | Period of Service |
|---|---|---|
| Philequity Management, Inc. | Independent Director | 2018 to present |
| Vantage Financial Corporation | Independent Director | January 2018-Present |
| HB Design Power System | General Manager | 2000 to present |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Vantage Equities, Inc.,** as provided for in Section 38 of the Securities Regulations Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of **Vantage Equities, Inc**., as relationship is provided under Rule 38.2.3 of the Securities and Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service or affiliated with a Government Agency or Government Owned and Controlled Corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulation, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **Vantage Equities, Inc**. of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this AUG 2 2 2023 day of ______ at CITY OF MANILA.

**BERT HONTIVEROS**
Affiant

SUBSCRIBED AND SWORN to before me this AUG 2 2 2023 day of ______ at CITY OF MANILA, affiant personally appeared before me and exhibited to me his Tax Identification No. 139-584-952.

Doc. No. 31;
Page No. 8;
Book No. XI
Series of 2023.

ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF MANILA
APPOINTMENT 097/12/31/2023 MANILA
IBP NO. 181139 / 01/03/2023
PTR NO. 0861145 / 01/03/2023
ROLL NO. 29679, TIN NO. 172-528-620
MCLE COMP. NO. VII-0000165 VALID UNTIL APRIL 14, 2025
(15) STA. CRUZ. MANILA

ANNEX B

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, Antonio C. Moncupa, Jr, Filipino, of legal age and a resident of 21 Thomas Street, Multinational Village, Barangay Moonwalk, Paranaque City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **VANTAGE EQUITIES, INC.**

2. I am affiliated with the following companies or organizations:

| COMPANY/ORGANIZATION | POSITION/RELATIONSHIP | PERIOD OF SERVICE |
|---|---|---|
| Filinvest Development Corporation | Director-nominee | To be determined after SEC approval of increase in number of directors |
| Tiong Bahru Philippines, Inc | Director | January 2023 to present |
| April 21 Development Corporation | Chairman, Director | September 2019 to present |
| | | |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Vantage Equities, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related by blood or consanguinity to any of the directors, officers, or substantial shareholders of Vantage Equities, Inc., other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code (where applicable).

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of Vantage Equities, Inc., of any changes in the abovementioned information within five days of its occurrence.

Done this 22nd day of August at Makati City Philippines.

Antonio C. Moncupa, Jr.
Affiant

SUBSCRIBED AND SWORN to before me this ______ day of AUG 22 2023 at CITY OF MANILA affiant personally appeared before me and exhibited to me his Passport No P8206642B, issued at DFA Manila, on 19 November 2021.

Doc. No. 32;
Page No. 8;
Book No. XI;
Series of 2023;

ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF MANILA
APPOINTMENT 097/12/31/2023 MANILA
IBP NO. 131139 / 01/03/2023
PTR NO. 0861145 / 01/03/2023
ROLL NO. 29679, TIN NO. 172-528-620
MCLE COMP. NO. VII-0000165 VALID UNTIL APRIL 14, 2025
STA. CRUZ, MANILA

ANNEX C

# COVER SHEET

SEC Registration Number

| A | S | 0 | 9 | 2 | 0 | 0 | 7 | 0 | 5 | 9 |
|---|---|---|---|---|---|---|---|---|---|---|

**COMPANY NAME**

VANTAGE EQUITIES, INC. AND SUBSIDIARIES

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

15th Floor Philippine Stock Exchange, 28th St. Corner 5th Ave., Bonifacio Global City, Taguig City, Metro Manila

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| 17-A | | |

**COMPANY INFORMATION**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| compliance@vantage.ph | 8250-8750 | 0917-585-4785 |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 603 | 10/28 | 12/31 |

**CONTACT PERSON INFORMATION**

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Ms. Ma. Angelica Cabanit | angelica.cabanit@philequity.net | 8250-8741 | 0917-590-7176 |

**CONTACT PERSON's ADDRESS**

**15th Floor, Philippine Stock Exchange Tower, 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.*

VANTAGE EQUITIES, INC.

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

## Vantage Equities Inc._SEC Form 17-A_02May2023

2 messages

**Vantage Equities Inc** <compliance@vantage.ph> Tue, May 2, 2023 at 5:10 PM
To: ICTD Submission <ictdsubmission@sec.gov.ph>
Cc: MSRD COVID19 <msrd_covid19@sec.gov.ph>, Angelica Cabanit <angelica.cabanit@philequity.net>, Jay Argueza <jay.argueza@vantage.ph>, emmylou.cayamanda@e-businessphil.ph, angelo.delatorre@e-businessphil.ph

Greetings

Enclosed herewith Vantage Equities Inc. SEC 17-A report. Thank you.

**Vantage Equities Inc_SEC Form 17-A_02May2023.pdf**
5896K

**ICTD Submission** <ictdsubmission+canned.response@sec.gov.ph> Tue, May 2, 2023 at 5:13 PM
To: compliance@vantage.ph

Thank you for reaching out to ictdsubmission@sec.gov.ph. Your submission is subject for Verification and Review of the Quality of the Attached Document only for **Secondary Reports**. Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order from receipt through the SEC Express System at https://secexpress.ph/. Or you may call 8737-8888 for further clarifications.

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## NOTICE

Please be informed that selected reports should be filed through ***ELECTRONIC FILING AND SUBMISSION TOOL*** **(EFAST)**. **https://cifss-ost.sec.gov.ph/user/login**

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)**

Further, 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, ICA-QR, ICA-AR, 23-A, 23-B, I-ACGR, ACGR, Monthly Reports, Quarterly Reports, Letters, OPC(ALTERNATE NOMINEE),GIS-G, 52-AR, IHAR,AMLA-CF,NPM,NPAM, BP-FCLC, CHINESEWALL, 39-AR,36-AR, PNFS, MCG, S10/SEC-NTCE-EXEMPT**, through email at

## ictdsubmission@sec.gov.ph

FOR **MC28**, please go to SEC website:

**https://apps010.sec.gov.ph**

For your information and guidance.

Thank you and keep safe.

ANNEX C

*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, 2022**

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: **15TH Floor Phil. Stock Exchange, 5th Ave. cor 28th 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

| Title of Each Class | Number of Shares of Common Stock Outstanding |
|---|---|
| **Common Stock, P1.00 par value** | **4,199,582,266 (Net of Treasury Shares of 135,599,500)** |

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 2022
**P2,835,548,430**

# 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 ₱1.00 per share in 2014 to 5,000,000,000 shares with par value of ₱1.00 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 ₱2.10 billion representing 2,099,791,133 shares at ₱1.00 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 October2000, 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 ₱ 2.9 billion in cash and a ₱1.6 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) – 68.15% 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 68 funds as of December 2022 according to data tracked by the Philippine Investment Funds Association. The industry continues to benefit from increased public interest on alternative investments that offer potentially higher yields over regular savings accounts and time deposits. The industry's net assets however shrank 36% to P283 billion from P442 billion a year ago, as the business and economic environment remained challenging as supply and demand issues were exacerbated by the Russia-Ukraine war and the China lockdown. Inflation continued to rise and volatility in capital markets 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 (38%), bond funds (25%) and stock funds (24%) funds which make up 87% 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, and Sun Life Asset Management. All four 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, 2022

Gross income fell by 13% to P172 million as a result of lower assets in the managed funds. The Philippine Stock Exchange Index (PSEi) had another volatile year as the gauge moved from a high of 7503 in early February to a low of 5741 by the end of September then back up to 6566 by the end of 2022. The PSEi swung back and forth throughout they year but fell short of making a positive return, closing the year down 7.81% from a year ago. All the mutual funds also took hits with Philequity Fund losing 6.63%, Philequity PSE Index Fund losing 6.70%, Philequity Dividend Yield Fund losing 11.92%, Philequity MSCI Philippines Index Fund losing 7.21%, and the Philequity Alpha One Fund losing 8.85%. The bond funds on the other hand also saw loses with the Philequity Peso Bond Fund losing 2.23% and the Philequity Dollar Income Fund losing 3.85%. Apart from marked to market losses, the funds also saw net redemptions for the year amounting to P260 million. This was understandable as the PSEi has traded in a range for the past 10 years and is still at a loss from the 9000-level high seen in 2018.

General and administrative expenses decreased by 5% to P17 million due to lower depreciation and amortization expenses. Net income for the year however was 8% higher versus the previous year at P155 million due to an increase in interest income which short term placements earning as high as 5.2% per annum versus a high of 0.50% per annum a year ago.

**Financial Performance**

The Company derived its revenues from various activities:

| | **2022** | **2021** | 2020 |
|---|---|---|---|
| Trading and investment securities gains (losses) - net | **(₱464,741,003)** | ₱45,189,268 | ₱29,362,293 |
| Money transfer service income | **135,133,672** | 192,807,698 | 245,730,752 |
| Service income | **246,236,422** | 264,552,473 | 210,515,123 |
| Share in foreign exchange differential | **92,852,823** | 121,203,399 | 116,480,066 |
| Interest income | **257,133,062** | 194,986,594 | 294,991,747 |
| Money changing gain | **8,645,517** | 60,756,236 | 52,178,741 |
| Income from business partners | **22,140,227** | 55,133,845 | 11,845,355 |
| Dividend income | **30,391,442** | 13,579,262 | 8,414,777 |
| | **₱327,792,162** | ₱948,208,775 | ₱969,518,854 |

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

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| **Financial Assets at FVPL** | | | |
| Realized gain (loss) on sale taken to profit or loss | **(₱15,255,377)** | ₱52,611,460 | ₱55,383,816 |
| Unrealized gains (losses) on changes in fair value | **(449,485,626)** | (7,422,192) | (26,021,523) |
| | **(₱464,741,003)** | ₱45,189,268 | ₱29,362,293 |

Total interest income follows

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Cash and cash equivalents | **₱72,331,562** | ₱12,464,836 | ₱31,791,857 |
| Financial assets | **184,801,500** | 182,521,758 | 263,199,890 |
| Others | **-** | - | - |
| | **₱257,133,062** | ₱194,986,594 | ₱294,991,747 |

As of December 31, 2022, 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 | |
| TOTAL | **476** | **-** |

**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 15th floor Phil. Stock Exchange, 5th Avenue cor. 28th 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 15th floor Phil. Stock Exchange, 5th Avenue cor. 28th 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 15th floor Phil. Stock Exchange, 5th Avenue cor. 28th 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.

**<u>eBiz Financial Services, Inc. – 100% ownership</u>**

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

**<u>iCurrencies, Inc. – 100% ownership</u>**

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.

**<u>Philequity Balanced Fund, Inc. – 100% ownership</u>**

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

**<u>Philequity Foreign Currency Fixed Income Fund, Inc. – 100% ownership</u>**

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

**<u>Philequity MSCI Philippines Index Fund, Inc. – 68.15% ownership</u>**

The Company does not own any properties

**<u>Philequity Alpha One Fund, Inc. – 100% ownership</u>**

The Company does not own any properties

**<u>Philequity Global Fund, Inc. – 100% ownership</u>**

The Company does not own any properties

**<u>Philequity Management, Inc. – 51% ownership</u>**

*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 15th floor Phil. Stock Exchange, 5th Avenue cor. 28th 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 15th floor Phil. Stock Exchange, 5th Avenue cor. 28th 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 15th floor Phil. Stock Exchange, 5th Avenue cor. 28th 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 2022.

# PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

| | 2022 | | 2021 | | 2020 | |
|---|---|---|---|---|---|---|
| | Low | High | Low | High | Low | High |
| 1st Quarter | 0.71 | 0.84 | 0.97 | 1.08 | 1 | 1.17 |
| 2nd Quarter | 0.69 | 0.84 | 0.90 | 1.05 | 1.02 | 1.08 |
| 3rd Quarter | 0.71 | 0.79 | 0.82 | 1.00 | 1.1 | 1.12 |
| 4th Quarter | 0.71 | 0.83 | 0.81 | 0.89 | 1 | 1.1 |

As of 31 December 2022, there were 603 shareholders of the 4,199,582,266 common shares issued and outstanding. As of the latest practicable trading date, 31 December 2022, the Registrant's shares were traded at the price of P0.83 per share in Philippine Stock Exchange.

On May 19, 2015, the BOD approved the declaration of stock dividends equivalent to a total of ₱2.10 billion representing 2,099,791,133 shares at ₱1.00 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 ₱1.00 per share in 2014 to 5,000,000,000 shares with par value of ₱1.00 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 six (6) years.

**Top 20 shareholders as of December 31, 2022:**

| | 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 | 18,422,883 |
| 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 | CAMPOS, LANUZA & CO., INC. | FILIPINO | Common | 1,161,500 |

**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 6 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) | 2022 | 2021 | 2020 |
|---|---|---|---|
| **Balance Sheet** | | | |
| Assets | 11,426.64 | 11,485.85 | 11,059.28 |
| Liabilities | 306.21 | 358.50 | 517.26 |
| Stockholder's Equity | 11,120.43 | 11,127.35 | 10,542.02 |
| Book Value Per Share | 2.65 | 2.65 | 2.51 |
| **Income Statement** | | | |
| Revenue | 327.79 | 948.21 | 969.52 |
| Expenses | 334.14 | 478.12 | 405.25 |
| Other Income/ (Charges) | 0.30 | | 3.60 |
| Net Income (Loss) | (6.05) | 470.08 | 412.07 |
| Earnings per Share attributable to equity holders of the Parent Company | (0.0177) | 0.0951 | 0.0882 |

| | Formula | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Current Ratio | Current Asset/Current Liabilities | 4165.53% | 3484.14% |
| Acid Test Ratio | (Cash Eq + Marketable Securities + Receivables )/ Current Liabilities | 4158.74% | 3481.96% |
| Solvency Ratio | Net Income/Total Liabilities | -1.98% | 131.12% |
| Debt-to-Equity Ratio | Total Liabilities/Total Equity | 2.75% | 3.22% |
| Debt Ratio | Total Liabilities/Total Assets | 2.68% | 3.12% |
| Asset-to-Equity Ratio | Total Assets/Total Equity | 102.75% | 103.22% |
| Interest Rate Coverage Ratio | EBIT/Interest Expense | N/A | N/A |
| Return on Assets | Net Income/Average Total Asset | -0.05% | 4.20% |
| Return on Equity | Net Income/Average Total Equity | -0.05% | 4.40% |
| Net Profit Margin | Gross Profit/Net Income | 352.31% | 123.32% |
| Book value per share | (Total Shareholder Equity – Preferred Equity)/No. of Outstanding Shares | 2.65 | 2.65 |

**Results of Operations for the Year Ended 2022**

2022 was a difficult year for markets in general. As markets quickly put COVID in the rearview mirror, central banks around the world now had to grapple with rising and even out of control inflation. The Fed primarily moved into a very aggressive stance, hiking rates in 50bp in May and 75bp in June and July to stem inflation. 10y UST starts out the year at around 1.50 but this turns out to be the low as the Fed shifts gears to combat inflation, after saying it was only transitory. Exacerbating the market outlook was the war in Ukraine with Russia invading, sending oil prices skyrocketing to around $130/bbl, which added more fuel to the inflation fears.

Meanwhile in the Philippines the BSP is slow to react, saying that it need not move in lockstep with the Fed as there were no signs of runaway inflation in the Philippines. But as the rate disparity kept growing, the BSP had no choice but to follow suit, hiking also by 75bp in July. There was a bit of a reprieve in rates by July as central banks thought that inflation may be peaking in July. This had yields, which had risen by more than 200bp already, stabilize for a while. September saw that inflation had not yet peaked, which had the Fed and BSP hiking aggressively again. By this time the 10y UST breaches 4% and 10y FXTN 1068 hits as high as 7.25.

During this time, equities fall into bear market territory with the DOW below 30k to 29,100, S&P at 3,600 and the Nasdaq at 10,800. The PHISIX also falls as much as 4% in a day to the 6000 level. There were also fears that the USDPHP would hit 60, with even BBM saying that they would defend the peso. At this point the Fed and BSP are hiking by 75bp each time again with the 10y UST yields now at 4.25 and the 10y peso bond yield at around 7%. Finally to end the year, central banks say that it was time to assess the hikes and that the tightening may have some impact already. With the slightly more dovish language, markets try to close out the year with a late rally. 10y UST eventually ends lower than 4% to 3.85 and the 10y local bond also pushes lower than 7 to 6.85. Equities also rally, with the PHISIX posting large gains to end the year around 6600.

The VEI fixed income portfolio managed to post a positive return for 2022 of 1.2% despite bond yields continuing to rise for the year. This also compares to bond funds which posted negative returns for the year. This outperformance is primarily due to the portfolio having a huge percentage in cash or cash equivalents. Whereas the cash that was invested were primarily in short dated securities. However the VEI equity portfolio underperformed, with the portfolio registering a negative 11.9%, versus the PHISIX return of negative 7.8%. The Index managed to post a last minute rally in the end of December, pushed primarily by blue chip securities. The VEI portfolio however was not able to participate fully during this rally. We remain to be in defensive names and have invested into REIT names for yield.

**eBusiness Services, Inc. ("eBiz")**

eBiz achieved a total revenue of PhP 383.56 million for the year as compared to last year's PhP 425.75 million, 9.91% 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 13.78% at PhP 315.39 million versus last year PhP 365.80 million. This is mainly attributable to decrease in utilities, entertainment and recreational expenses.

eBiz posted a total comprehensive income of PhP 53.90 million in 2022, compared to last year's PhP 46.99 or a increase of 14.71%.

**Philequity Management, Inc.**

Service Income for the year amounted to PhP 249.34 million, versus last year's PhP 267.76 million, 6.88% decrease as a result lower management fees due to decrease of assets being managed. Total cost of services for the year amounted to PhP 77.28 million, increased by 12.10% from PhP 68.93 million last year

As a result, total comprehensive income for the year increased by 7.55% with aggregate amount of P155.10 million previously at PhP 144.22 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 - Y2022 versus Y2021**

*1128% increase in trading and investment securities gains*
Mainly due to negative market performance for the period.

*23% increase in foreign exchange differential*
Due to lower international money transfer transactions

*123.81% increase in dividend income*
Due to higher holdings with dividends

*6.92% decrease in service income*
Due to lower asset under management

*32% decrease in interest income*
Due to higher money market placement for the period

*63% decrease in income from business partners*
Due to decrease of number business partners

*29% decrease in commission expense*
Due to decrease in commission paid to subagents from western union transactions

*25.96% decrease in general and administrative expenses*
Due to decrease in salaries and wages and depreciation of fixed assets

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**Income Statement items - Y2021 versus Y2020**

*54% increase in trading and investment securities gains*
Mainly due to positive market performance for the period.

*4% increase in foreign exchange differential*
Due to higher international money transfer transactions

*61.37% 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

*372% increase 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

*14.07% increase in general and administrative expenses*
Due to increase in salaries and wages

**Balance Sheet items – Y2022 versus Y2021**

*25.96% increase in cash and cash equivalents*
Due to higher outstanding investments in short-term placements at the end of the year

*84.89% increase in loans and receivables*
Due to increase in receivable from Western Union

*160% increase in prepayments and other current assets*
Attributable to increase in excess tax credits

*6.43% decrease in Right of Use Assets*
Due to decrease of contracts within the scope of PFRS 16

*82% decrease in deferred tax assets*
Due to unrealized forex loss and decrease of contracts within the scope of PFRS 16

*10.29% decrease in other noncurrent assets*
Due to decrease in security deposits

*5.04% decrease in accounts payable*
*d*ue to lower liability to sub-agents

*76% decrease in income tax payable*
Due to lower taxable income

*8.27% increase in retirement liabilities*
Due to change in assumption of pension liabilities

**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

**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:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Audit fee | **1,019,760** | **2,665,851** | **2,563,172** |
| Tax Services | - | - | - |
| Other Fees | - | - | - |
| TOTAL | **1,019,760** | **2,665,851** | **2,563,172** |

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 | 592 | 99.53% | 4,179,755,699 |
| Foreign | 11 | 0.47% | 19,826,567 |

**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 | 2002 to Present | Valentino C. Sy | Filipino | 67 |
| CEO | 2005 to 2017 | | | |
| Chairman | 2005 to Present | | | |
| Director<br>President<br>CEO | 2006 to Present<br>2017 to Present | Edmundo P. Bunyi, Jr. | Filipino | 58 |
| Director | 2003 to Present | Joseph L. Ong | Filipino | 70 |
| Treasurer | 2005 to Present | | | |
| Director | 2003 to Present | Ignacio B. Gimenez | Filipino | 79 |
| Director | 1999 to Present | Willy N. Ocier | Filipino | 66 |
| Director | 2003 to Present | Roberto Z. Lorayes | Filipino | 79 |
| Director | 1993 to 2000 & 2005 to Present | Wilson L. Sy | Filipino | 70 |
| Independent | 2021 to Present | Andy O. Co | Filipino | 69 |
| Independent | 2013 to Present | Gregorio T. Yu | Filipino | 65 |
| Director | 2017 to Present | Timothy Bryce A. Sy | Filipino | 42 |
| Director | 2017 to Present | Kevin Neil A. Sy | Filipino | 37 |
| Director | 2017 to Present | Darlene Mae A. Sy | Filipino | 36 |
| Independent | 2018 to Present | Bert Hontiveros | Filipino | 70 |
| Compliance Officer | 2010 to Present | Ma. Angelica Cabanit | Filipino | 54 |
| Corporate Secretary | 2020 to Present | Jonathan P. Ong | Filipino | 56 |

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, Scringeour, 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, 37, 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, 36, 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, 70, 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. We 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. Wilson Sy), Mr. Yu (by Mr. Edmundo Marco P. Bunyi, Jr.) Mr. Bert Hontiveros (by Ms. Darlene A. 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, Mr. Andy O. Co and Mr. Bert Hontiveros 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 meetings attended and annual directors' bonuses. 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 |
|---|---|---|
| **Valentino C. Sy** | | |
| Chairman | | |
| **Edmundo P. Bunyi, Jr.** | | |
| President & CEO | | |
| **Joseph L. Ong** | | |
| Treasurer | | |
| **All officers and directors as a group** | 2022 | 6,430,769 |
| | 2021 | 6,433,333 |
| | 2020 | 6,433,333 |

**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 | 4,208,326,900 | 97.07% |

*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 2022:

| 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 | 133,300,000 | Filipino | 3.17 |
| Common | Andy O. Co | 10,000 | 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 | | 783,258,856 | | 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

| | | **2022** | | |
|---|---|---|---|---|
| **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** |
| | | 2021 | | |
| 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 |

| | | 2020 | | |
|---|---|---|---|---|
| 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 |

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 28 2022
   Results of Annual Stockholder's Meeting held on October 28, 2022

   - Filed on 1 September 2022
   2022 Annual Stockholders' Meeting Record Date

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

**FORM 17 – A, Item 7**



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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 of CITY OF MANILA on APR 28 2023.

**VANTAGE EQUITIES, INC.**

**VALENTINO C. SY**
Chairman

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

**MA. ANGELICA D. CABANIT**
Compliance Officer

**JOSEPH L. ONG**
Treasurer

**ATTY. JONATHAN P. ONG**
Corporate Secretary

| **Name** | |
|---|---|
| Valentino C. Sy | TIN: 122-335-536 |
| Edmundo Marco P. Bunyi, Jr. | TIN: 107-184-956 |
| Joseph L. Ong | TIN: 108-789-427 |
| Ma. Angelica D. Cabanit | TIN: 107-184-956 |
| Jonathan P. Ong | TIN: 162-906-632 |

APR 28 2023

DOC. NO. 346
PAGE NO. 71
BOOK NO. VI
SERIES OF 2023

ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF MANILA
APPOINTMENT 097/12/31/2023 MANILA
IBP NO. 181139 / 01/03/2023
PTR NO. 0861145 / 01/03/2023
ROLL NO. 29679, TIN NO. 172-528-620
MCLE COMP. NO. VII-0000165 VALID UNTIL APRIL 14, 2025
1411 TAYUMAN ST., STA. CRUZ, MANILA

VANTAGE EQUITIES, INC.

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

# Vantage Equities Inc and Subsidiaries_Consolidated AAFS_02May2023

2 messages

**Vantage Equities Inc** <compliance@vantage.ph> Tue, May 2, 2023 at 4:28 PM
To: ICTD Submission <ictdsubmission@sec.gov.ph>
Cc: MSRD COVID19 <msrd_covid19@sec.gov.ph>, Angelica Cabanit <angelica.cabanit@philequity.net>, Jay Argueza <jay.argueza@vantage.ph>, emmylou.cayamanda@e-businessphil.ph, angelo.delatorre@e-businessphil.ph

Greetings

Enclosed herewith Vantage Equities Inc. and Subsidiaries_Consolidated AAFS as of and for the period ended 31 December 2022. Thank you.

**Vantage Equities Inc and Subsidiaries_Consolidated AAFS_02May2023.pdf**
1064K

**ICTD Submission** <ictdsubmission+canned.response@sec.gov.ph> Tue, May 2, 2023 at 4:30 PM
To: compliance@vantage.ph

Thank you for reaching out to ictdsubmission@sec.gov.ph. Your submission is subject for Verification and Review of the Quality of the Attached Document only for **Secondary Reports**. Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order from receipt through the SEC Express System at https://secexpress.ph/. Or you may call 8737-8888 for further clarifications.

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## NOTICE

Please be informed that selected reports should be filed through ***ELECTRONIC FILING AND SUBMISSION TOOL*** **(EFAST)**. **https://cifss-ost.sec.gov.ph/user/login**

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**)

Further, 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, ICA-QR, ICA-AR, 23-A, 23-B, I-ACGR, ACGR, Monthly Reports, Quarterly Reports, Letters, OPC(ALTERNATE NOMINEE),GIS-G, 52-AR, IHAR,AMLA-CF,NPM,NPAM, BP-FCLC, CHINESEWALL, 39-AR,36-AR, PNFS, MCG, S10/SEC-NTCE-EXEMPT**, through email at

**ictdsubmission@sec.gov.ph**

FOR **MC28**, please go to SEC website:

**https://apps010.sec.gov.ph**

For your information and guidance.

Thank you and keep safe.

**emmylou.cayamanda@e-businessphil.ph**

| | |
|---|---|
| **From:** | noreply-cifssost@sec.gov.ph |
| **Sent:** | Tuesday, May 2, 2023 4:42 PM |
| **Subject:** | SEC eFast Initial Acceptance |

Greetings!

**SEC Registration No:** AS92007059
**Company Name:** VANTAGE EQUITIES, INC.
**Document Code:** AFS

This serves as temporary receipt of your submission.
Subject to verification of form and quality of files of the submitted report.
Another email will be sent as proof of review and acceptance.

Thank you.

**REMINDER:** TO ALL FILERS OF REPORTS IN THE e-FAST Please strictly follow the instruction stated in the form. Filings not in accordance with the prescribed template for the following reports will be automatically reverted by the system to the filer. 1. General Information Sheet (GIS-Stock) 2. General Information Sheet (GIS-Non-stock) 3. General Information Sheet (GIS- Foreign stock & non-stock) 4. Broker Dealer Financial Statements (BDFS) 5. Financing Company Financial Statements (FCFS) 6. Investment Houses Financial Statements (IHFS) 7. Publicly – Held Company Financial Statement 8. General Form for Financial Statements 9. Financing Companies Interim Financial Statements (FCIF) 10. Lending Companies Interim Financial Statements (LCIF) Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFast, if the filed report is compliant with the existing requirements. A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the reports rejection in the remarks box.

**SECURITIES AND EXCHANGE COMMISSION**
SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

THIS IS AN AUTOMATED MESSAGE - PLEASE DO NOT REPLY DIRECTLY TO THIS EMAIL

# COVER SHEET
for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| A | S | 0 | 9 | 2 | 0 | 0 | 7 | 0 | 5 | 9 |
|---|---|---|---|---|---|---|---|---|---|---|

**COMPANY NAME**

VANTAGE EQUITIES, INC. AND SUBSIDIARIES

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

15th Floor Philippine Stock Exchange, 28th St. Corner 5th Ave., Bonifacio Global City, Taguig City, Metro Manila

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AAFS | SEC | N/A |

**COMPANY INFORMATION**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| investorrelations@vantage.ph | 8250-8750 | N/A |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 603 | 10/28 | 12/31 |

**CONTACT PERSON INFORMATION**

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Ms. Ma. Angelica Cabanit | angelica.cabanit@philequity.net | 8250-8741 | 0917-590-7176 |

**CONTACT PERSON's ADDRESS**

**15th Floor, Philippine Stock Exchange Tower, 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.*

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

# 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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

## Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *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.

*Valuation and accounting of financial assets held at fair value through profit or loss (FVTPL)*

As at December 31, 2022, the Group reported financial assets at FVTPL amounting to ₱6.1 billion which comprise 53.7% of the total assets of the Group. This consists of investments in corporate bonds (15.3%), government bonds (54.5%), mutual funds (15.2%) and equity securities (14.9%). Trading loss from financial assets at FVTPL which consists of realized and unrealized gains amounted to ₱464.7 million.

This is significant to our audit because the Group has a high volume of trade transactions, the valuation for certain types of investment securities will require elaborate calculations and the amounts are material to the consolidated financial statements.

The disclosures related to the financial assets at FVTPL are included in Note 9 of the consolidated financial statements.

*Audit Response*

We evaluated the design and tested the operating effectiveness of the relevant controls over the acquisition, disposal and valuation of the Group's financial assets at FVTPL.

We tested the existence of these investments by obtaining external confirmations from the broker of equity securities and custodians of debt securities and through inspection of relevant supporting documentations. We tested the completeness of the amounts recorded in the consolidated financial statements by performing detailed cut-off procedures around sales, purchases, trade receivables and trade payables. We also tested realized gains from disposal of financial assets at FVTPL by inspecting relevant supporting documentations, tracing the original acquisition costs of the investment securities and test computing the gains from the disposal. We tested the fair value of these investments as of December 31, 2022 by using independent sources and externally available market data such as quoted prices, BVAL reference rates and published net asset values and test computing the mathematical accuracy of the valuation.

We reviewed the disclosures relating to the financial assets at FVTPL based on the requirements of PFRS 13, *Fair value measurement* and PFRS 7, *Financial Instruments: Disclosures*.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our 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, 2022 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 Maminta

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. 9564655, January 3, 2023, Makati City

April 28, 2023

VANTAGE
EQUITIES, INC.

## 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, 2022, 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 accessing 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** | **EDMUNDO MARCO P. BUNYI JR** | **JOSEPH L. ONG** |
| Chairman | Vice Chairman/CEO | Treasurer |
| CTC No.: | CTC No.: | CTC No.: |
| TIN: 122-335-536 | TIN: 107-184-956 | TIN: 108-789-427 |

Signed this APR 28 2023 day of April 2023.

**SUBSCRIBED AND SWORN** to me before this APR 28 2023 at CITY OF MANILA, affiants exhibiting to me their Community Tax Certificates.

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Page No. 68
Book No. VI
Series of 2023.

ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF MANILA
APPOINTMENT 097/12/31/2023 MANILA
IBP NO. 181139 / 01/03/2023
PTR NO. 0861145 / 01/03/2023
ROLL NO. 29679, TIN NO. 172-528-620
MCLE COMP. NO. VII-0000165 VALID UNTIL APRIL 14, 2025
1411 TAYUMAN ST., STA. CRUZ, MANILA

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

| | December 31 | |
|---|---|---|
| | **2022** | 2021 (As Restated – Note 2) |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 7) | **₱4,602,128,820** | ₱3,653,498,485 |
| Receivables (Note 8) | **497,955,076** | 269,321,725 |
| Financial assets at fair value through profit or loss (Note 9) | **6,136,599,508** | 7,355,926,035 |
| Prepaid expenses and other current assets (Note 11) | **18,344,827** | 7,057,672 |
| Total Current Assets | **11,255,028,231** | 11,285,803,917 |
| **Noncurrent Assets** | | |
| Investment in associate (Note 12) | **119,228** | 119,228 |
| Property and equipment (Note 13) | **107,724,443** | 123,092,302 |
| Right-of-use assets (Note 20) | **25,162,329** | 26,890,832 |
| Deferred tax assets (Note 23) | **1,710,561** | 9,410,030 |
| Other noncurrent assets (Note 14) | **36,895,557** | 40,534,750 |
| Total Noncurrent Assets | **171,612,118** | 200,047,142 |
| | **₱11,426,640,349** | ₱11,485,851,059 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and other current liabilities (Note 15) | **₱246,175,684** | ₱266,171,593 |
| Lease liabilities - current portion (Note 20) | **15,238,314** | 20,895,987 |
| Income tax payable | **8,780,645** | 36,851,827 |
| Total Current Liabilities | **270,194,643** | 323,919,407 |
| **Noncurrent Liabilities** | | |
| Deferred tax liabilities (Note 23) | **10,388,899** | 13,208,932 |
| Lease liabilities - net of current portion (Note 20) | **16,761,324** | 13,190,253 |
| Retirement liabilities (Note 21) | **8,862,394** | 8,185,218 |
| Total Noncurrent Liabilities | **36,012,617** | 34,584,403 |
| Total Liabilities | **306,207,260** | 358,503,810 |
| **Equity** | | |
| Equity attributable to equity holders of the Parent Company: | | |
| Capital stock (Note 22) | **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 21) | **11,425,504** | 8,243,954 |
| Retained earnings | **6,223,877,092** | 6,298,057,953 |
| Treasury stock (Note 22) | **(190,460,934)** | (190,460,934) |
| | **10,380,093,428** | 10,451,092,739 |
| Non-controlling interests | **740,339,661** | 676,254,510 |
| Total Equity | **11,120,433,089** | 11,127,347,249 |
| | **₱11,426,640,349** | ₱11,485,851,059 |

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

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2022** | 2021 (As Restated – Note 2) | 2020 (As Restated – Note 2) |
| **REVENUES** (Note 17) | **₱327,792,162** | ₱948,208,775 | ₱969,518,854 |
| **COST OF SERVICES** (Note 18) | **(349,110,819)** | (368,483,559) | (398,827,951) |
| **GROSS INCOME (LOSS)** | **(21,318,657)** | 579,725,216 | 570,690,903 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** (Note 19) | **(78,104,466)** | (105,484,149) | (92,473,687) |
| **INTEREST EXPENSE** (Notes 16 and 20) | **(8,174,603)** | (4,226,803) | (3,784,541) |
| **UNREALIZED FOREIGN EXCHANGE GAIN (LOSS)** (Note 10) | **42,559,839** | 21,322,066 | (40,163,240) |
| **REALIZED FOREIGN EXCHANGE GAIN (LOSS)** (Note 10) | **127,195,968** | 57,325,710 | 52,102,007 |
| **OTHER INCOME - NET** | **297,892** | – | 3,596,697 |
| **INCOME BEFORE INCOME TAX** | **62,455,973** | 548,662,040 | 489,968,139 |
| **PROVISION FOR INCOME TAX** (Note 23) | | | |
| Current | **41,605,970** | 59,726,673 | 59,381,471 |
| Deferred | **2,689,157** | 16,539,018 | 12,265,948 |
| Final | **24,211,997** | 2,311,765 | 6,245,893 |
| | **68,507,124** | 78,577,456 | 77,893,312 |
| **NET INCOME (LOSS)** | **(₱6,051,151)** | ₱470,084,584 | ₱412,074,827 |
| Attributable to: | | | |
| Equity holders of the Parent Company (Note 25) | **(74,180,861)** | 399,551,536 | 370,206,519 |
| Non-controlling interest | **68,129,710** | 70,533,048 | 41,868,308 |
| | **(₱6,051,151)** | ₱470,084,584 | ₱412,074,827 |
| **Basic/Diluted Earnings (Loss) Per Share Attributable to Equity Holders of the Parent Company** (Note 25) | **(₱0.0177)** | ₱0.0951 | ₱0.0882 |

*See accompanying Notes to Consolidated Financial Statements.*

## VANTAGE EQUITIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| **NET INCOME (LOSS)** | **(₱6,051,151)** | ₱470,084,584 | ₱412,074,827 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| *Item that do not recycle to profit or loss in subsequent periods:* | | | |
| Remeasurement gains on retirement plan, net of tax (Note 21) | **2,707,636** | 2,145,101 | 5,712,747 |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | **(₱3,343,514)** | ₱472,229,685 | ₱417,787,574 |
| Attributable to: | | | |
| Equity holders of the Parent Company | **(₱70,999,312)** | ₱401,510,165 | ₱375,808,135 |
| Non-controlling interests | **67,655,797** | 70,719,520 | 41,979,439 |
| | **(₱3,343,515)** | ₱472,229,685 | ₱417,787,574 |

*See accompanying Notes to Consolidated Financial Statements.*

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

| | For the Years Ended December 31, 2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Attributable to the Equity holders of the Parent Company | | | | | | | | |
| | Capital Stock (Note 22) | Net Unrealized Gains on Changes in Fair Value of Financial Assets at FVOCI Investments | Remeasurement Gains (Losses) on Retirement Plan (Note 21) | Retained Earnings | Treasury Stock (Note 22) | Total | Non-controlling Interest (Note 22) | Total Equity |
| **Balance at January 1, 2022** | **₱4,335,181,766** | **₱70,000** | **₱8,243,954** | **₱6,298,057,953** | **(₱190,460,934)** | **₱10,451,092,739** | **₱676,254,510** | **₱11,127,347,249** |
| Issuance of shares during the year | − | − | − | − | − | − | **8,429,260** | **8,429,260** |
| Redemption of shares during the year | − | − | − | − | − | − | **(11,999,906)** | **(11,999,906)** |
| Total comprehensive income (loss) for the year | − | − | **3,181,550** | **(74,180,861)** | − | **(70,999,312)** | **67,655,797** | **(3,343,515)** |
| **Balance at December 31, 2022** | **₱4,335,181,766** | **₱70,000** | **₱11,425,504** | **₱6,223,877,092** | **(₱190,460,934)** | **₱10,380,093,427** | **₱740,339,661** | **₱11,120,433,088** |
| Balance at January 1, 2021 | ₱4,335,181,766 | ₱70,000 | ₱6,285,325 | ₱5,898,506,417 | (₱190,460,934) | ₱10,049,582,574 | ₱599,614,717 | ₱10,649,197,291 |
| 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 |
| Balance at December 31, 2021 | ₱4,335,181,766 | ₱70,000 | ₱8,243,954 | ₱6,298,057,953 | (₱190,460,934) | ₱10,451,092,739 | ₱676,254,510 | ₱11,127,347,249 |
| 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 |
| Balance at December 31, 2020 | ₱4,335,181,766 | ₱70,000 | ₱6,285,325 | ₱5,898,506,417 | (₱190,460,934) | ₱10,049,582,574 | ₱599,614,717 | ₱10,649,197,291 |

*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before tax | **₱62,455,973** | ₱548,662,040 | ₱504,184,294 |
| Adjustments for: | | | |
| Interest income (Notes 7, 8, 9, and 17) | **(257,133,062)** | (194,986,594) | (295,040,671) |
| Depreciation and amortization (Notes 13, 18 and 20) | **42,187,781** | 61,691,784 | 73,330,710 |
| Dividend income (Notes 9 and 17) | **(30,391,442)** | (13,579,262) | (9,743,567) |
| Unrealized foreign exchange loss (gain) (Note 10) | **(42,559,839)** | (21,322,066) | 40,163,240 |
| Unrealized market value gains and losses on financial assets at fair value through profit or loss (Notes 9 and 17) | **449,485,626** | 7,422,192 | 10,565,293 |
| Interest expense (Notes 16 and 20) | **8,174,603** | 4,226,803 | 3,784,541 |
| Retirement cost (Notes 18, 19 and 21) | **3,182,200** | 3,250,218 | 2,505,406 |
| Discount from rent | **–** | – | (3,596,697) |
| Operating income before working capital changes | **235,401,840** | 395,365,115 | 326,152,549 |
| Changes in operating assets and liabilities: | | | |
| Decrease (increase): | | | |
| Receivables | **(435,420,006)** | 271,332,396 | 286,976,655 |
| Financial assets at fair value through profit or loss | **800,232,343** | (285,304,194) | 59,323,208 |
| Prepaid expenses and other current assets | **(11,287,155)** | (3,811,663) | (6,380,408) |
| Decrease in accounts payable and other current liabilities | **(13,974,030)** | (99,514,616) | (90,755,551) |
| Net cash provided by operations | **574,952,992** | 278,067,038 | 575,316,453 |
| Interest paid | **(8,174,603)** | (791,667) | (34,416) |
| Income tax paid | **(100,553,042)** | (43,501,706) | (74,177,856) |
| Dividends received | **48,823,305** | 13,616,189 | 9,615,084 |
| Interest received | **421,118,291** | 201,408,852 | 304,154,700 |
| **Net cash provided by operating activities** | **936,166,943** | 448,798,706 | 814,873,965 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisition of | | | |
| Property and equipment (Note 13) | **(3,704,605)** | (804,455) | (5,225,366) |
| Software and licenses | **(2,656,527)** | – | – |
| Net cash used in investing activities | **(6,361,132)** | (804,455) | (15,595,162) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from: | | | |
| Borrowings | **2,000,000,000** | 350,000,000 | – |
| Issuance of subsidiary's share to NCI (Note 22) | **8,429,260** | 5,920,273 | 24,480,103 |
| Payment of: | | | |
| Notes payable (Note 16) | **(2,000,000,000)** | (350,000,000) | – |
| Redemption of capital stock (Note 22) | **–** | – | (23,075,383) |
| Redemption of subsidiary's share to NCI (Note 22) | **(11,999,906)** | – | – |
| Principal portion of lease liabilities (Note 20) | **(20,164,668)** | (24,555,770) | (33,603,034) |
| Cash provided by financing activities | **(23,735,314)** | (18,635,497) | (32,198,314) |

*(Forward)*

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| Effect of Changes in Exchange Rates | **₱42,559,839** | ₱22,973,155 | (₱40,163,240) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **948,630,335** | 452,331,908 | 737,287,045 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **3,653,498,485** | 3,201,166,577 | 2,504,042,772 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** (Note 7) | **₱4,602,128,820** | ₱3,653,498,485 | ₱3,241,329,817 |

*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"):

| | Place of | Percentage of Ownership | | |
|---|---|---|---|---|
| Name of Subsidiaries | Incorporation | **2022** | 2021 | 2020 |
| 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 | **68.15** | 67.32 | 68.57 |
| 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, 2022, the clearances for liquidation of ICurrrencies, 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, 2022.

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, 2022.

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)

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.

The Group changed its presentation of the net assets attributable to unitholders of its subsidiary in 2022. The December 31, 2021 consolidated financial statement are restated to present the impact of the change in presentation to the comparative consolidated financial statements. The Group opted not to present a third consolidated statement of financial position as the net assets attributable to unit holders of the subsidiary amounting to ₱97.2 million is not material to the consolidated financial statements. Total equity of the group as of January 1, 2021 did not change as a result of the restatement. Below are the details of the restatements made to the consolidated statement of financial position and statement of income of the Group as of and for the year ended December 31, 2021

*Consolidated Statement of Financial Position*

| | December 31, 2021 | | |
|---|---|---|---|
| | **As reported** | **Restatement** | **Adjusted** |
| Assets | | | |
| Cash and cash equivalents | ₱3,681,446,990 | (₱27,948,505) | ₱3,653,498,485 |
| Receivables | 269,450,636 | (128,911) | 269,321,725 |
| Financial assets at fair value through profit or loss | 7,601,712,615 | (245,786,580) | 7,355,926,035 |
| Total current assets | 11,559,667,913 | (273,863,996) | 11,285,803,917 |
| Total assets | ₱11,759,715,055 | (273,863,996) | ₱11,485,851,059 |
| | | | |
| Liabilities | | | |
| Accrued expenses and other liabilities | ₱269,580,707 | (₱3,409,114) | ₱266,171,593 |
| Net assets attributable to unitholders of a mutual fund subsidiary | 270,454,882 | (270,454,882) | – |
| Total Current Liabilities | 597,783,403 | (273,863,996) | 323,919,407 |
| Total Liabilities | ₱632,367,806 | (₱273,863,996) | ₱358,503,810 |

*Consolidated Statement of Income*

| | For the year ended December 31, 2021 | | |
|---|---|---|---|
| | **As reported** | **Restatement** | **Adjusted** |
| Revenue | ₱976,036,174 | (₱27,827,399) | ₱948,208,775 |
| Gross income | 607,552,615 | (27,827,399) | 579,725,216 |
| General and administrative expense | 111,319,215 | (5,835,066) | 105,484,149 |
| Income (loss) before income tax | 570,654,373 | (21,992,333) | 548,662,040 |
| Provision for income tax | 78,591,470 | (14,014) | 78,577,456 |
| Net Income | ₱492,062,903 | (₱21,978,319) | ₱470,084,584 |

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 2022. 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.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the 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*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

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 2022, 2021 and 2020, 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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021.

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, 2022 and 2021 the Group financial liabilities at FVTPL amounted to ₱5.02 million and ₱13.75 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 significant increase in credit risk 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 and a variety of instances that may indicate unlikeliness to pay to determine if a counterparty has defaulted.

*Significant increase in credit risk*
To determine whether there has been a significant increase in credit risk (SICR) 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 PEMI, 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 over time. The Group has applied the "right to invoice" practical expedient in measuring the revenue recognized over 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 over time. The Group has applied the "right to invoice" practical expedient in measuring the revenue recognized over 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 PFRS9 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 (see 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 put table 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 (Loss) 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, 2022 and 2021, 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, 2023*
- 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, 2024*
- 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, 2025*
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
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*Effective beginning on or after January 1, 2026*
- 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.

<u>Judgments</u>
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 20.

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, 2022 and 2021 are disclosed in Note 23.

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, 2022 and 2021 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, 2022 and 2021, the Group's lease liabilities amounted to ₱32.00 million and ₱34.09 million, respectively (see Note 20).

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, 2022 and 2021 are disclosed in Note 4, while the related ECL allowances for credit losses are disclosed I n Note 8. The allowance for credit losses on these financial assets amounted to ₱12.26 million as of December 31, 2022 and 2021, respectively (see Note 8).

## 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, 2022 and 2021, 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 and are assessed for impairment based on its lifetime ECL. The allowance for credit losses amounting to ₱12.26 million and₱12.26 million as of December 31, 2022 and 2021, 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, 2022 and 2021. The amounts presented are gross of impairment allowances.

| | **2022** | | | | |
|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Simplified approach** | **Total** |
| **Neither past due nor impaired** | | | | | |
| Grade A | | | | | |
| Cash and cash equivalents* | **₱4,291,212,833** | **₱–** | **₱–** | **₱–** | **₱4,291,212,833** |
| Receivables | **–** | **–** | **–** | **497,955,076** | **497,955,076** |
| Deposits (included in "Other noncurrent assets") | **18,298,672** | **–** | **–** | **–** | **18,298,672** |
| **Impaired** | | | | | |
| Receivables | **–** | **–** | **–** | **12,262,375** | **12,262,375** |
| | **₱4,309,511,505** | **₱–** | **₱–** | **₱510,217,451** | **₱4,819,728,956** |

**Excludes cash on hand*

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| Neither past due nor impaired | | | | | |
| Grade A | | | | | |
| Cash and cash equivalents* | ₱3,384,028,412 | ₱– | ₱– | ₱– | ₱3,384,028,412 |
| Receivables | – | – | – | 269,321,725 | 269,321,725 |
| Deposits (included in "Other noncurrent assets") | 17,887,276 | – | – | – | 17,887,276 |
| Impaired | | | | | |
| Receivables | – | – | – | 12,262,375 | 12,262,375 |
| | ₱3,401,915,688 | ₱– | ₱– | ₱281,584,100 | ₱3,683,499,788 |

**Excludes cash on hand*

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, 2022 and 2021.

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.

| | 2022 | | | |
|---|---|---|---|---|
| | **Grade A** | **Grade B** | **Grade C** | **Total** |
| Cash and cash equivalents* | **₱4,291,212,833** | **₱–** | **₱–** | **₱4,291,212,833** |
| Receivables: | | | | |
| Due from: | | | | |
| Western Union | **369,506,301** | **–** | **–** | **369,506,301** |
| Business partners | **35,344,172** | **–** | **–** | **35,344,172** |
| Trade receivables | **–** | **18,778,889** | **34,051,036** | **52,829,925** |
| Interest receivable | **37,493,567** | **–** | **–** | **37,493,567** |
| Receivable from related parties and employees | **–** | **2,224,123** | **–** | **2,224,123** |
| Others | **–** | **12,819,363** | **–** | **12,819,363** |
| Deposits (included in "Other noncurrent assets") | **–** | **18,298,672** | **–** | **18,298,672** |
| | **₱4,733,556,873** | **₱52,121,047** | **₱34,051,036** | **₱4,819,728,956** |

**Excludes cash on hand*

| | 2021 | | | |
|---|---|---|---|---|
| | Grade A | Grade B | Grade C | Total |
| Cash and cash equivalents* | ₱3,384,028,412 | ₱– | ₱– | ₱3,384,028,412 |
| 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 | 30,582,595 | – | – | 30,582,595 |
| Receivable from related | | | | – |
| parties and employees | – | 2,806,825 | – | 2,806,825 |
| Others | – | 18,359,419 | – | 18,359,419 |
| Deposits (included in "Other noncurrent assets") | – | 17,887,276 | – | 17,887,276 |
| | ₱3,576,428,190 | ₱73,020,562 | ₱34,051,036 | ₱3,683,499,788 |

**Excludes cash on hand*

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.

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **On Demand** | **Less than 3 Months** | **3 to 12 Months** | **1 to 5 years** | **More than 5 years** | **Total** |
| **Financial Assets** | | | | | | |
| Cash and cash equivalents* | **₱1,590,825,123** | **₱2,995,440,572** | **₱–** | **₱–** | **₱–** | **₱4,586,265,695** |
| Receivables: | | | | | | |
| Due from: | | | | | | |
| Western Union | **369,506,301** | – | – | – | – | **369,506,301** |
| Business partners and brokers | **35,344,172** | – | – | – | | **35,344,172** |
| Trade receivable | **52,829,925** | – | – | – | – | **52,829,925** |
| Receivable from related parties and employees | – | **2,224,123** | – | – | – | **2,224,123** |
| Others** | – | **50,312,930** | – | – | – | **50,312,930** |
| Financial assets at FVTPL: | | | | | | |
| Mutual funds | **940,062,806** | – | – | – | – | **940,062,806** |
| Equity securities | – | **916,849,124** | – | – | – | **916,849,124** |
| Corporate bonds* | – | **75,386,730** | **2,157,501,447** | – | – | **2,232,888,177** |
| Government bonds* | – | **194,804,357** | **3,268,953,256** | – | – | **3,463,757,613** |
| Other noncurrent assets: | | | | | | |
| Deposits | – | – | – | **17,671,967** | – | **17,671,967** |
| | **₱2,988,568,327** | **₱4,235,017,836** | **₱5,426,454,703** | **₱17,671,967** | **₱–** | **₱12,667,712,833** |

*(Forward)*

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **On Demand** | **Less than 3 Months** | **3 to 12 Months** | **1 to 5 years** | **More than 5 years** | **Total** |
| **Financial Liabilities** | | | | | | |
| Accounts payable and other liabilities: | | | | | | |
| Due to sub-agents and brokers | **₱15,140,216** | **₱–** | **₱–** | **₱–** | **₱–** | **₱15,140,216** |
| Accrued expenses | – | **98,705,294** | – | – | – | **98,705,294** |
| Trade payable | – | **120,293,711** | – | – | – | **120,293,711** |
| Others*** | – | – | – | – | **1,191,784** | **1,191,784** |
| Financial liabilities at FVTPL: | | | | | | |
| Derivative liability | – | **5,020,950** | – | – | – | **5,020,950** |
| | **₱15,140,216** | **₱224,019,955** | **₱–** | **₱–** | **₱1,191,784** | **₱240,351,955** |

**Includes future interest (excluding cash on hand).*
***Others include advances to suppliers and other non-trade receivables.*
****Excludes statutory payables.*

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | Less than 3 Months | 3 to 12 Months | 1 to 5 years | More than 5 years | Total |
| Financial Assets | | | | | | |
| Cash and cash equivalents* | ₱2,859,637,107 | ₱876,129,149 | ₱– | ₱– | ₱– | ₱3,735,766,256 |
| 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** | | 48,942,014 | – | – | – | 48,942,014 |
| Financial assets at FVTPL: | | | | | | |
| Mutual funds | 1,008,268,857 | – | – | – | – | 1,008,268,857 |
| Equity securities | – | 1,342,650,154 | – | – | – | 1,342,650,154 |
| Corporate bonds* | – | 21,771,449 | 2,258,180,235 | – | – | 2,279,951,684 |
| Government bonds* | – | 23,738,176 | 2,866,979,404 | – | – | 2,890,717,580 |
| Other noncurrent assets: | | | | | | |
| Deposits | – | – | – | 17,887,276 | – | 17,887,276 |
| | ₱ 4,097,741,225 | ₱2,316,037,767 | ₱5,125,159,639 | ₱17,887,276 | ₱– | ₱11,556,825,907 |
| | | | | | | |
| Financial Liabilities | | | | | | |
| Accounts payable and other liabilities: | | | | | | |
| Due to sub-agents and brokers | ₱33,442,300 | ₱– | ₱– | ₱– | ₱– | ₱33,442,300 |
| Accrued expenses | | 158,726,332 | – | – | – | 158,726,330 |
| Trade payable | | 35,877,590 | – | – | – | 39,210,998 |
| Others*** | – | – | – | – | 1,422,891 | 1,422,891 |
| Financial liabilities at FVTPL: | | | | | | |
| Derivative liability | 13,754,703 | – | – | – | – | 13,754,703 |
| | ₱47,197,003 | ₱194,603,922 | ₱– | ₱– | ₱1,422,891 | ₱243,223,816 |

**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, 2022 and 2021, the Group has available credit lines with various banks amounting to ₱1.35 billion.

*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:

| | **2022** | 2021 |
|---|---|---|
| Cash and cash equivalents | **US$5,983,364** | US$16,097,320 |
| Receivables | **122,602** | 1,213,484 |
| Investments | **8,442,392** | 10,022,834 |
| | **14,548,358** | 27,333,638 |
| Due to sub-agents | **(32,116)** | (200,217) |
| Net foreign currency-denominated assets | **14,516,242** | 27,065,163 |
| Currency forwards | **(14,850,000)** | (36,400,000) |
| Net exposure | **(US$333,758)** | (US$9,334,837) |

In translating the foreign currency denominated assets and liabilities into peso amounts, the exchange rates used are ₱55.76 to US$1 and ₱50.99 to US$1 as of December 31, 2022, and December 31, 2021, 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.

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **Effect on Net Income before Tax** | **Effect on Net Income before Tax** | Effect on Net Income before Tax | Change in Foreign Exchange Rate |
| Increase | **₱259,803** | **+0.90%** | ₱4,283,850 | +0.90% |
| Decrease | **(259,803)** | **-0.90%** | (4,283,850) | -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, 2022 and 2021:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **% Variance on Equity Price** | **% Variance on Equity Price** | % Variance on Equity Price | % Variance on Equity Price |
| Increase | **14.137%** | **₱82,316,651** | +12.637% | ₱171,454,570 |
| Decrease | **-14.137%** | **(82,316,651)** | -12.637% | (171,454,570) |

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, 2022 and 2021 with all other variables held constant:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **% Variance on Net Asset Value** | **% Variance on Net Asset Value** | % Variance on Net Asset Value | % Variance on Equity Price |
| Increase | **14.137%** | **₱114,959,938** | +12.637 | ₱99,895,196 |
| Decrease | **-14.137%** | **(114,959,938)** | -12.637 | (99,895,196) |

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, 2022, and 2021:

| | **2022** | 2021 |
|---|---|---|
| Change in Basis Points | **Effect on Profit/Loss** | Effect on Profit/Loss |
| Increase by 100 | **(₱113,426,395)** | (₱88,256,186) |
| Decrease by100 | **119,481,804** | 94,784,508 |

*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, 2022 and 2021, the Group has no interest-bearing long-term debt.

The debt-to-equity ratio as of December 31, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|---|---|
| Total debt (a) | **₱317,380,325** | ₱358,503,810 |
| Total equity (b) | **11,126,397,668** | 11,127,347,249 |
| Debt-to-equity ratio (a/b) | **0.028:1:000** | 0.032:1:000 |

## 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 2022 and 2021. For the Group's fixed income investments, fair values are determined based on BVAL reference rates for 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021 follows:

| | 2022 | | | | |
|---|---|---|---|---|---|
| | **Carrying Value** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets measured at fair value** | | | | | |
| Financial assets at FVTPL (Note 9): | | | | | |
| Corporate bonds | **₱941,384,395** | **₱941,384,395** | **₱–** | **₱–** | **₱941,384,395** |
| Government bonds | **3,344,886,436** | **3,344,886,436** | **–** | **–** | **3,344,886,436** |
| Equities | **916,849,124** | **916,849,124** | **–** | **–** | **916,849,124** |
| Mutual funds | **940,062,806** | **–** | **940,062,806** | **–** | **940,062,806** |
| | **₱6,143,182,761** | **₱5,203,119,955** | **₱940,062,806** | **₱–** | **₱6,143,182,761** |
| **Financial liabilities at FVTPL** | | | | | |
| Derivative liabilities (Note 15) | **₱5,020,950** | **₱–** | **₱5,020,950** | **₱–** | **₱5,020,950** |
| **Assets for which fair values are disclosed** | | | | | |
| Rental deposits (Note 14) | **₱18,298,672** | **₱–** | **₱–** | **₱18,298,672** | **₱18,298,672** |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | | |
| Financial assets at FVTPL (Note 9): | | | | | |
| Corporate bonds | ₱2,232,589,461 | ₱2,232,589,461 | ₱– | ₱– | ₱2,232,589,461 |
| Government bonds | 2,772,417,563 | 2,772,417,563 | – | – | 2,772,417,563 |
| Equities | 1,342,650,154 | 1,342,650,154 | – | – | 1,342,650,154 |
| Mutual funds | 1,008,268,857 | – | 1,008,268,857 | – | 1,008,268,857 |
| | ₱7,355,926,035 | ₱6,347,657,178 | ₱1,008,268,857 | ₱– | ₱7,355,926,035 |
| Financial liabilities at FVTPL | | | | | |
| Derivative liabilities (Note 15) | ₱13,754,703 | ₱– | ₱13,754,703 | ₱– | ₱13,754,703 |
| Assets for which fair values are disclosed | | | | | |
| Rental deposits(Note 14) | ₱17,887,276 | ₱– | ₱– | ₱17,887,276 | ₱17,887,276 |

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, 2022 and 2021, there are no transfers into and out of Level 1, Level 2 and Level 3 fair value hierarchy.

## 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%, 27.78%, and 23.33% of Group's total revenue in 2022, 2021 and 2020, respectively.

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

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Investment Holdings | Remittance Services | Mutual Fund Management | Eliminations | Consolidated |
| **Earnings Information** | | | | | |
| Revenues | (₱225,490,936) | ₱273,033,018 | ₱282,602,961 | (₱2,352,881) | 327,792,162 |
| Cost of services and sales | 6,060,993 | 265,773,802 | 77,276,024 | – | 349,110,819 |
| Depreciation and amortization | 1,951,497 | 36,169,848 | 4,799,390 | (732,954) | 42,187,781 |
| Interest expense | 6,322,917 | 1,980,561 | – | (128,875) | 8,174,603 |
| Segment income before tax | (196,309,688) | 68,161,320 | 188,417,802 | 2,186,538 | 62,455,973 |
| Provision for income tax | 18,925,275 | 17,235,458 | 32,346,391 | – | 68,507,124 |
| Net income (loss) | (215,234,963) | 50,925,863 | 156,071,411 | 2,186,538 | (6,051,151) |
| **Other Information** | | | | | |
| Segment assets | 9,045,035,999 | 1,379,661,324 | 1,463,015,895 | (454,489,617) | 11,433,223,601 |
| Segment liabilities | 28,711,221 | 143,986,394 | 141,947,981 | (1,855,083) | 312,790,513 |
| Costs to acquire property and equipment | – | – | – | – | 3,704,605 |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Investment Holdings | Remittance Services | Mutual Fund Management | Eliminations | Consolidated |
| **Earnings Information** | | | | | |
| Revenues | ₱289,905,328 | ₱393,097,826 | ₱273,419,316 | (₱8,213,695) | ₱948,208,775 |
| 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 | – | 61,691,784 |
| Interest expense | 791,667 | 3,435,136 | - | – | 4,226,803 |
| Segment income before tax | 306,121,226 | 59,941,331 | 187,100,849 | (4,501,366) | 548,662,040 |
| Provision for income tax | 18,797,725 | 16,823,006 | 42,956,725 | – | 78,577,456 |
| Net income attributable to continuing operations | 287,323,501 | 43,118,325 | 144,144,124 | (4,501,366) | 470,084,584 |
| **Other Information** | | | | | |
| Segment assets | 9,268,837,550 | 1,375,895,534 | 1,310,272,781 | (469,154,806) | 11,485,851,059 |
| Segment liabilities | 33,147,724 | 196,470,512 | 144,002,350 | (15,116,776) | 358,503,810 |
| Costs to acquire property and equipment | | | | – | (804,455) |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Investment Holdings | Remittance Services | Mutual Fund Management | Eliminations | Consolidated |
| Earnings Information | | | | | |
| Revenues | ₱315,792,226 | ₱428,874,804 | ₱231,762,600 | (₱6,910,776) | ₱969,518,854 |
| 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 | (4,332,544) | 73,330,710 |
| Interest expense | – | 5,663,509 | – | (1,878,968) | 3,784,541 |
| Segment income before tax | 294,646,054 | 41,902,798 | 154,403,889 | (984,602) | 489,968,139 |
| Provision for income tax | 16,733,745 | 18,482,269 | 42,677,194 | 104 | 77,893,312 |
| Net income attributable to continuing operations | 277,912,309 | 23,420,529 | 111,726,695 | (984,706) | 412,074,827 |
| Other Information | | | | | |
| 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 |

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:

| | 2022 | 2021 - As Restated |
|---|---|---|
| Cash on hand | **₱310,915,987** | ₱269,470,073 |
| Cash in banks | **1,279,909,136** | 2,590,167,034 |
| Cash equivalents | **3,011,303,697** | 793,861,378 |
| | **₱4,602,128,820** | ₱3,653,498,485 |

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 5.50% in 2022, 0.13% to 0.88% in 2021 and 0.25% to 0.45% in 2020.

Interest income from cash and cash equivalents amounted to ₱72.33 million, ₱12.46 million and ₱31.84 million in 2022, 2021 and 2020 respectively (see Note 17).

## 8. Receivables

This account consists of:

| | 2022 | 2021 - As Restated |
|---|---|---|
| Due from: | | |
| Western Union | **₱369,506,301** | ₱143,601,912 |
| Business partners | **35,344,172** | 16,000,007 |
| Brokers | – | 2,215,264 |
| Trade receivables | **52,829,925** | 68,018,078 |
| Accrued interest receivable | **37,493,567** | 30,582,595 |
| Receivable from related parties and employees | **2,224,123** | 2,806,825 |
| Others | **12,819,363** | 18,359,419 |
| | **510,217,451** | 281,584,100 |
| Less: Allowance for credit losses | **(12,262,375)** | (12,262,375) |
| | **₱497,955,076** | ₱269,321,725 |

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, 2022 and 2021.

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 2022 and 2021, the Board of Directors approved the write-off of receivables from Lucky Star amounting to nil and ₱38.59 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, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|---|---|
| Trade receivables | **₱12,023,063** | ₱12,023,063 |
| Others | **239,312** | 239,312 |
| | **₱12,262,375** | ₱12,262,375 |

In 2022 and 2021, receivables amounting to ₱12.26 million and ₱12.26million 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:

| | **2022** | | | |
|---|---|---|---|---|
| | **Trade receivables** | **Receivable from sale of investment** | **Others** | **Total** |
| Balance at January 1 | **₱12,023,063** | **₱–** | **₱239,312** | **₱12,262,375** |
| Write-off | **–** | **–** | **–** | **–** |
| Balance at December 31 | **₱12,023,063** | **₱–** | **₱239,312** | **₱12,262,375** |

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

## 9. Investment Securities

<u>Financial Assets at FVTPL</u>

This account consists of investments in:

| | **2022** | 2021 - As Restated |
|---|---|---|
| Corporate bonds | **₱941,384,395** | ₱2,232,589,461 |
| Mutual funds | **933,479,553** | 1,008,268,857 |
| Government bonds | **3,344,886,436** | 2,772,417,563 |
| Equities | **916,849,124** | 1,342,650,154 |
| | **₱6,136,599,508** | ₱7,355,926,035 |

In 2022, 2021 and 2020, interest income from government and corporate bonds amounted to ₱184.80 million, ₱182.52 million and ₱263.20 million, respectively (see Note 17).

*Government bonds*
Government bonds include peso-denominated securities which earn interest ranging from 2.70% to 8.13% in 2022, 1.90% to 5.50% in 2021 and 2.62% to 5.50% in 2020. It also includes dollar-denominated bonds with interest rates ranging from 3.75% to 4.10% in 2022, 2021 and 2020.

*Corporate bonds*
Corporate bonds include peso-denominated securities which earn interest ranging from 2.75% to 6.37% in 2022, 2.00% to 5.10% in 2021, and 3.12% to 5.09% in 2020. It also includes dollar-denominated securities with interest rates ranging from 2.13% to 7.38% in 2022 and 2.13% to 7.38% in 2021 and 2020, respectively.

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

Dividend income earned from FVTPL equity securities amounted to ₱30.39 million, ₱13.58 million and ₱9.74 million in 2022, 2021 and 2020, respectively (see Note 17).

*Derivative instruments*
The Group's outstanding currency forward contracts have an aggregate notional amount of US$14.85 million and US$36.40 million as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the weighted average forward contract rate is ₱54.49 to US$1 and ₱56.09 to US$1, respectively. As of December 31, 2022 and 2021, the Group is in a net buy US dollar position.
The movements in the Group's derivative instruments presented under 'Accounts Payable and Other Current Liabilities' in the statements of comprehensive income are as follows:

| | **2022** | 2021 |
|---|---|---|
| Balance at beginning of year | | |
| Derivative assets | **₱–** | ₱22,761,867 |
| Derivative liabilities | **(13,754,703)** | (914,000) |
| | **(13,754,703)** | 21,847,867 |
| Fair value changes | **(₱182,179,373)** | ₱76,590,081 |
| Settled transactions (Note 10) | **195,934,076** | (79,880,469) |
| | **13,754,703** | (3,290,388) |
| Balance at end of year | | |
| Derivative assets | **–** | – |
| Derivative liabilities (Note 15) | **(5,020,950)** | (13,754,703) |
| | **(₱5,020,950)** | (₱13,754,703) |

In 2022, 2021 and 2020, settled transactions amounted to ₱195.34 million, ₱79.88 million and ₱122.18 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 17):

| | **2022** | 2021 (As Restated – Note 2) | 2020 (As Restated – Note 2) |
|---|---|---|---|
| Realized gain (loss) from sale of: | | | |
| Equity securities | **(₱16,677,550)** | 16,747,148 | (9,299,363) |
| Bonds | **1,422,173** | 35,864,312 | 64,683,179 |
| | **(15,255,377)** | 52,611,460 | 55,383,816 |
| Changes in fair value of: | | | |
| Bonds | **(199,816,948)** | 90,073,113 | (4,485,609) |
| Equity securities | **(174,879,374)** | (133,643,417) | 49,960,108 |
| Mutual funds | **(74,789,304)** | 36,148,112 | (71,496,022) |
| | **(449,485,626)** | (7,422,192) | (26,021,523) |
| | **(₱464,741,003)** | 45,189,268 | 29,362,293 |

*Mutual Funds*
Mutual funds represent investment in shares of:

| | **2022** | 2021 |
|---|---|---|
| Philequity Fund, Inc. (PEFI) | **₱558,646,243** | ₱598,305,178 |
| Philequity Dividend Yield Fund, Inc. (PDYF) | **190,488,134** | 216,695,613 |
| Philequity PSE Index Fund, Inc. (PPSE) | **124,345,176** | 133,268,066 |
| Philequity Alpha One fund, Inc. (PAOF) | **60,000,000** | 60,000,000 |
| | **₱933,479,553** | ₱1,008,268,857 |

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

| | **2022** | 2021 |
|---|---|---|
| Beginning | **₱1,008,268,857** | ₱912,120,746 |
| Subscription | **–** | 60,000,000 |
| Revaluation | **(74,789,304)** | 36,148,111 |
| | **₱933,479,553** | ₱1,008,268,857 |

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:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| **Realized Foreign Exchange Gain (Losses)** | | | |
| Derivative assets (Note 9) | **(₱195,934,076)** | ₱79,880,469 | ₱122,177,256 |
| Money changing | **323,130,044** | (22,554,759) | (70,075,249) |
| | **₱127,195,968** | ₱57,325,710 | ₱52,102,007 |

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| **Unrealized Foreign Exchange Gains (Losses)** | | | |
| Cash and cash equivalents | **₱1,740,377** | ₱6,252,051 | (₱17,758,964) |
| Receivables | **(19,387)** | 1,140,848 | 498,439 |
| Debt instruments | **45,894,478** | 27,559,163 | (22,319,284) |
| Due to sub-agent | **(34,679)** | (1,651,089) | (1,149,353) |
| Derivatives | **(5,020,950)** | (11,978,907) | 565,922 |
| | **₱42,559,839** | ₱21,322,066 | (₱40,163,240) |

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:

| | **2022** | 2021 |
|---|---|---|
| Prepaid expenses | **₱12,505,163** | ₱1,791,695 |
| Input value added tax | **1,183,689** | 2,087,922 |
| Others | **4,655,975** | 3,178,055 |
| | **₱18,344,827** | ₱7,057,672 |

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 2022 and 2021.

## 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) |
| | ₱119,228 |

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 |
|---|---|---|---|
| **2022** | **₱916** | **₱641** | **(₱41)** |
| 2021 | 916 | 641 | (41) |

FAUSI has no noncurrent assets and noncurrent liabilities as of December 31, 2022 and 2021.

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, 2022, FAUSI has not received SEC clearance to distribute and settle its remaining assets and liabilities.

## 13. Property and Equipment

This account consists of:

| 2022 | Office Condominium | Leasehold Improvements | Transportation Equipment | Furniture and Fixtures | Server and Network Equipment | Office Improvements | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance at beginning of year | **₱124,147,287** | **₱207,682,912** | **₱36,792,800** | **₱167,284,678** | **₱22,718,050** | **₱12,187,454** | **₱570,813,181** |
| Additions | **–** | **610,357** | **–** | **3,094,248** | **–** | **–** | **3,704,605** |
| **Balance at end of year** | **124,147,287** | **208,293,269** | **36,792,800** | **170,378,926** | **22,718,050** | **12,187,454** | **574,517,786** |
| **Accumulated Depreciation and Amortization** | | | | | | | |
| Balance at beginning of year | **33,087,186** | **188,090,746** | **33,965,631** | **163,661,400** | **22,166,894** | **6,749,022** | **447,720,879** |
| Depreciation (Note 19) | **3,444,493** | **8,218,669** | **1,616,129** | **2,871,375** | **499,854** | **2,421,944** | **19,072,464** |
| **Balance at end of year** | **36,531,679** | **196,309,415** | **35,581,760** | **166,532,775** | **22,666,748** | **9,170,966** | **466,793,343** |
| **Net Book Value** | **₱87,615,608** | **₱11,983,854** | **₱1,211,040** | **₱3,846,151** | **₱51,302** | **₱3,016,488** | **₱107,724,443** |

| 2021 | Office Condominium | Leasehold Improvements | Transportation Equipment | Furniture and Fixtures | Server and Network Equipment | Office Improvements | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| 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 |
| Balance at end of year | 124,147,287 | 207,682,912 | 36,792,800 | 167,284,678 | 22,718,050 | 12,187,454 | 570,813,181 |
| Accumulated Depreciation and Amortization | | | | | | | |
| 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 (Note 19) | 8,274,563 | 10,495,952 | 2,970,327 | 2,959,487 | 3,227,651 | 2,420,044 | 30,348,024 |
| Disposals | – | – | – | – | – | – | – |
| Balance at end of year | 33,087,186 | 188,090,746 | 33,965,631 | 163,661,400 | 22,166,894 | 6,749,022 | 447,720,879 |
| Net Book Value | ₱91,060,101 | ₱19,592,166 | ₱2,827,169 | ₱3,623,278 | ₱551,156 | ₱5,438,432 | ₱123,092,302 |

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, 2022 and 2021, the cost of fully depreciated assets still being used in operations amounted to ₱360.16 million and ₱190.06 million, respectively.

Depreciation and amortization for the years ended December 31, 2022, 2021 and 2020 are as follows:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Property and equipment | **₱19,072,464** | ₱30,348,024 | ₱36,804,012 |
| Right-of-use assets (Note 21) | **17,954,884** | 25,906,143 | 33,369,471 |
| Software and website costs (Note 14) | **5,160,433** | 5,437,617 | 3,157,227 |
| | **₱42,187,781** | ₱61,691,784 | ₱73,330,710 |

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

| | **2022** | | | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Cost of services** (Note 18) | **General and administrative expenses** (Note 19) | **Total** | Cost of services (Note 18) | General and administrative expenses (Note 19) | Total | Cost of services (Note 18) | General and administrative expenses (Note 19) | Total |
| Property and equipment | **₱9,857,262** | **₱9,215,202** | **₱19,072,464** | ₱9,706,934 | ₱20,641,090 | ₱30,348,044 | ₱19,211,453 | ₱17,592,559 | ₱36,804,012 |
| Right-of-use assets (Note 22) | **17,954,884** | **–** | **17,954,884** | 25,906,143 | – | 25,906,143 | 33,369,471 | – | 33,369,471 |
| Software and website costs (Note 14) | **4,128,346** | **1,032,087** | **5,160,433** | 4,350,094 | 1,087,523 | 5,437,617 | 2,525,782 | 631,445 | 3,157,227 |
| | **₱31,940,492** | **₱10,247,289** | **₱42,187,781** | ₱39,963,171 | ₱21,728,613 | ₱61,691,784 | ₱55,106,706 | ₱18,224,004 | ₱73,330,710 |

## 14. Other Noncurrent Assets

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Rental and other deposits | **₱22,505,122** | ₱22,886,682 |
| Software and website costs | **7,892,477** | 10,396,383 |
| Deferred input VAT | **1,587,513** | 3,376,701 |
| Goodwill | **3,654,985** | 3,654,985 |
| Financial assets at FVOCI | **500,000** | 500,000 |
| Others | **1,327,875** | 222,414 |
| | **37,467,972** | 41,037,165 |
| Less: Allowance for credit and impairment losses | **(572,415)** | (502,415) |
| | **₱36,895,557** | ₱40,534,750 |

Rental and other deposits include 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 2022, 2021 and 2020, no provision for impairment was provided for the recognized goodwill.

Others include Retirement Assets (see Note 21) and other investments.

The movements in software and website costs follow:

| | **2022** | 2021 |
|---|---|---|
| **Cost** | | |
| Balance at beginning of year | **₱49,857,133** | ₱49,857,133 |
| Additions | **2,656,527** | – |
| **Balance at end of year** | **52,513,660** | 49,857,133 |
| **Accumulated Amortization** | | |
| Balance at beginning of year | **39,460,750** | 34,023,133 |
| Amortization (Notes 13, 18 and 19) | **5,160,433** | 5,437,617 |
| **Balance at end of year** | **44,621,183** | 39,460,750 |
| | **₱7,892,477** | ₱10,396,383 |

15. **Accounts Payable and Other Current Liabilities**

This account consists of:

| | **2022** | 2021<br>As Restated |
|---|---|---|
| Due to sub-agents and brokers | **₱15,140,216** | ₱33,442,300 |
| Trade payables | **120,293,711** | 35,877,590 |
| Accrued expenses | **92,122,041** | 158,726,332 |
| Output value added tax | **7,532,093** | 14,872,654 |
| Expanded withholding tax | **3,759,635** | 6,086,627 |
| Derivative liabilities (Note 9) | **5,020,950** | 13,754,703 |
| Others | **2,307,038** | 3,411,387 |
| | **₱246,175,684** | ₱266,171,593 |

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 all short-term in nature. These 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.

## 16. Notes Payable

In 2022, 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:

| | 2022 |
|---|---|
| Loans outstanding at beginning of year | ₱– |
| Loan availments | 2,000,000,000 |
| Loan payments | (2,000,000,000) |
| Loans outstanding at end of year | ₱– |

Interest expense incurred on short-term loans amounted to ₱6.32 million, ₱0.79 million and nil in 2022, 2021 and 2020, respectively.

## 17. 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, 2022, 2021 and 2020:

| | **2022** | | | |
|---|---|---|---|---|
| | **Investment Holdings** | **Remittance services** | **Mutual Fund Management** | **Total** |
| **Revenues within the scope of PFRS 15:** | | | | |
| Money transfer service income | **₱–** | **₱135,133,672** | **₱–** | **₱135,133,672** |
| Service income | **–** | **–** | **246,236,422** | **246,236,422** |
| Share in foreign exchange differential | **–** | **92,852,823** | **–** | **92,852,823** |
| Money changing gain | **–** | **8,645,517** | **–** | **8,645,517** |
| Income from business partners | **–** | **20,171,648** | **–** | **20,171,648** |
| **Revenues outside the scope of PFRS 15:** | | | | |
| Interest income (Notes 7, 8 and 9) | **218,785,806** | **5,085,327** | **33,261,929** | **257,133,062** |
| Trading and investment securities gains - net (Note 9) | **(464,741,003)** | **–** | **–** | **(464,741,003)** |
| Dividend income (Note 9) | **30,391,442** | **–** | **–** | **30,391,442** |
| Other income | **–** | **1,968,579** | **–** | **1,968,579** |
| | **(₱215,563,755)** | **₱263,857,566** | **₱279,498,351** | **₱327,792,162** |

| | 2021- As Restated | | | |
|---|---|---|---|---|
| | Investment Holdings | Remittance services | Mutual Fund Management | Total |
| Revenues within the scope of PFRS 15: | | | | |
| Money transfer service income | ₱– | ₱192,807,698 | ₱– | ₱192,807,698 |
| 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 |
| Revenues outside the scope of PFRS 15: | | | | |
| Interest income (Notes 7, 8 and 9) | 188,494,588 | 837,083 | 5,654,923 | 194,986,594 |
| Trading and investment securities gains - net (Note 9) | 45,189,268 | – | – | 45,189,268 |
| Dividend income (Note 9) | 13,579,262 | – | – | 13,579,262 |
| Other income | 10,130 | 895,763 | 3,682 | 909,575 |
| | ₱290,176,462 | ₱387,821,235 | ₱270,211,078 | ₱948,208,775 |

| | 2020 – As Restated | | | |
|---|---|---|---|---|
| | Investment Holdings | Remittance services | Mutual Fund Management | Total |
| Revenues within the scope of PFRS 15: | | | | |
| Money transfer service income | ₱– | ₱245,730,752 | ₱– | ₱245,730,752 |
| 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 |
| Revenues outside the scope of PFRS 15: | | | | |
| Interest income (Notes 7, 8 and 9) | 276,002,904 | 2,818,469 | 16,170,374 | 294,991,747 |
| Trading and investment securities gains (losses) - net (Note 9) | 29,362,293 | – | – | 29,362,293 |
| Dividend income (Note 9) | 8,414,777 | – | – | 8,414,777 |
| Other income | 438 | 294,025 | 52,424 | 346,887 |
| | ₱313,959,974 | ₱428,820,959 | ₱226,737,921 | ₱969,518,854 |

Total interest income follows:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Cash and cash equivalents (Note 7) | **₱72,331,562** | ₱12,464,836 | ₱31,791,857 |
| Financial assets at FVTPL (Note 9) | **184,801,500** | 182,521,758 | 263,199,890 |
| | **₱257,133,062** | ₱194,986,594 | ₱294,991,747 |

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:

a. 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.

b. 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 ₱246.24 million and ₱264.55 million and ₱210.52 million in 2022, 2021 and 2020, 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.

18. **Cost of Services**

This account consists of:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Personnel costs | **₱117,897,369** | ₱121,630,564 | ₱130,642,016 |
| Service and commission expense | **62,106,969** | 86,435,896 | 93,226,446 |
| Outside services | **38,808,969** | 38,807,688 | 31,656,668 |
| Depreciation and amortization (Note 13) | **31,940,492** | 39,963,171 | 55,106,706 |
| Cash delivery services | **27,634,618** | 30,396,902 | 28,315,706 |
| Rent (Note 22) | **31,098,857** | 18,810,600 | 22,570,112 |
| Travel and transportation | **14,881,890** | 10,671,075 | 14,161,930 |
| Communication, light and water | **10,296,571** | 9,451,276 | 8,748,893 |
| Supplies | **5,272,140** | 4,639,494 | 5,689,674 |
| Taxes and licenses | **3,951,291** | 4,248,002 | 4,631,862 |
| Repairs and maintenance | **3,367,057** | 2,362,379 | 2,462,366 |
| Entertainment, amusement and recreation | **564,361** | 478,626 | 693,728 |
| Retirement expense (Note 22) | **454,559** | 442,818 | 369,706 |
| Advertising | **835,676** | 145,068 | 552,138 |
| | **₱349,110,819** | ₱368,483,559 | ₱398,827,951 |

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.

## 19. General and Administrative Expenses

This account consists of:

| | 2022 | 2021 As Restated | 2020 As Restated |
|---|---|---|---|
| Personnel costs | **₱24,286,246** | ₱37,064,890 | ₱28,845,667 |
| Transportation and communication | **11,663,869** | 6,609,462 | 9,259,361 |
| Taxes and licenses | **8,674,979** | 8,737,672 | 9,925,248 |
| Legal and professional fees | **6,795,214** | 12,980,403 | 9,382,298 |
| Membership fees and other dues | **3,984,652** | 3,235,499 | 4,802,321 |
| Depreciation and amortization (Note 13) | **10,247,289** | 21,728,613 | 18,224,004 |
| Retirement expense (Note 22) | **2,727,641** | 2,807,400 | 2,135,700 |
| Office supplies | **1,370,443** | 1,294,412 | 1,607,330 |
| Commission expense | **1,229,652** | 3,211,877 | 470,743 |
| Insurance | **980,956** | 1,517,223 | 1,126,188 |
| Repairs and maintenance | **846,683** | 2,127,192 | 2,110,254 |
| Entertainment, amusement and recreation | **669,720** | 553,754 | 757,810 |
| Outside services | **430,638** | 512,606 | 440,242 |
| Advertising | **3,901** | 10,909 | – |
| Utilities | **–** | – | 98,231 |
| Others | **4,192,583** | 3,092,237 | 3,288,290 |
| | **₱78,104,466** | ₱105,484,149 | ₱92,473,687 |

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.

Others consist of bank charges, parking fees, notarial fees, postage and courier and miscellaneous expenses.

## 20. 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 | 2022 | 2021 |
|---|---|---|
| Beginning Balance | **₱124,436,191** | ₱99,170,620 |
| Termination/Derecognition | **(62,233,674)** | – |
| Additions | **16,226,381** | 25,265,571 |
| Ending Balance | **78,428,898** | 124,436,191 |
| **Accumulated Amortization** | | |
| Beginning Balance | **97,545,359** | 71,639,216 |
| Amortization | **17,954,884** | 25,906,143 |
| Termination/Derecognition | **(62,233,674)** | – |
| Ending Balance | **53,266,569** | 97,545,359 |
| | **₱25,162,329** | ₱26,890,832 |

Lease Liabilities
The rollforward analysis of lease liabilities are as follows:

| | 2022 | 2021 |
|---|---|---|
| Beginning Balance | **₱34,086,240** | ₱29,941,303 |
| Additions | **16,226,381** | 25,265,571 |
| Interest expense | **1,851,686** | 3,435,136 |
| Payments | **(20,164,668)** | (24,555,770) |
| | **₱31,999,639** | ₱34,086,240 |

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

| | 2022 | 2021 |
|---|---|---|
| Current lease liabilities | **₱15,238,314** | ₱20,895,987 |
| Noncurrent lease liabilities | **16,761,324** | 13,190,253 |
| | **₱31,999,638** | ₱34,086,240 |

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

| | 2022 | 2021 |
|---|---|---|
| Depreciation expense of right-of-use assets | **₱17,954,884** | ₱25,906,143 |
| Interest expense on lease liabilities | **1,851,686** | 3,435,136 |
| Rent expense | **31,098,856** | 18,810,600 |
| Total amount recognized in statement of income | **₱50,905,426** | ₱48,151,879 |

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

| | 2022 | 2021 |
|---|---|---|
| Within 1 year | **₱16,240,970** | ₱41,455,242 |
| More than 1 year to 2 years | **10,858,469** | 21,002,064 |
| More than 2 years to 3 years | **4,058,171** | 10,141,908 |
| More than 3 years to 4 years | **1,597,314** | 5,660,981 |
| | **₱32,754,924** | ₱78,260,195 |

## 21. 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 amounts of defined benefit plans are presented in the statements of financial position as follows:

| | **2022** | 2021 |
|---|---|---|
| Retirement liability | **₱8,862,394** | ₱8,185,218 |
| Retirement assets presented under 'Other Noncurrent Assets' | **(1,105,159)** | – |
| Net retirement liability (asset) | **₱7,757,235** | ₱8,185,218 |

The breakdown of 'Retirement expense' follows:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| General and administrative expenses (Note 19) | **₱2,727,641** | ₱2,807,400 | ₱2,135,700 |
| Cost of services and sales (Note 18) | **454,559** | 442,818 | 369,706 |
| | **₱3,182,200** | ₱3,250,218 | ₱2,505,406 |

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

| | **2022** | 2021 |
|---|---|---|
| Actuarial changes in actuarial assumptions in the defined benefit obligation | **₱5,307,690** | ₱3,049,615 |
| Actuarial changes in actuarial assumptions in return on plan assets | **(1,697,507)** | (189,480) |
| Total | **3,610,183** | 2,860,135 |
| Income tax effect | **902,547** | (715,034) |
| | **₱2,707,636** | ₱2,145,101 |

The movement in the Group's retirement liability, present value of defined benefit obligation and fair value of plan assets in 2022 and 2021 follows:

| | **2022** | | |
|---|---|---|---|
| | **Present value Of DBO** | **Fair Value of Plan Assets** | **Net Retirement Liability** |
| At January 1 | **₱24,091,836** | **₱15,906,618** | **₱8,185,218** |
| Expense recognized in statements of income: | | | |
| Current service cost | **2,817,933** | – | **2,817,933** |
| Net interest cost | **1,161,189** | **796,922** | **364,267** |
| | **3,979,122** | **796,922** | **3,182,200** |
| Remeasurements in OCI | | | |
| Actuarial changes arising from: | | | |
| Return on plan assets | – | **(1,697,507)** | **1,697,507** |
| Changes in financial assumptions | **(5,869,674)** | – | **(5,869,674)** |
| Deviations of experience from assumptions | **561,984** | – | **561,984** |
| | **(5,307,690)** | **(1,697,507)** | **(3,610,183)** |
| At December 31 | **₱22,763,268** | **₱15,006,033** | **₱7,757,235** |

| | 2021 | | |
|---|---|---|---|
| | Present value of DBO | Fair Value of Plan Assets | Net Retirement Liability |
| At January 1 | ₱23,304,962 | ₱15,509,827 | ₱7,795,135 |
| 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 | ₱24,091,836 | ₱15,906,618 | ₱8,185,218 |

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

| | **2022** | 2021 |
|---|---|---|
| Cash and cash equivalents: | | |
| Time deposit | **₱5,596,711** | ₱5,636,247 |
| Savings deposit | **3,656** | 3,656 |
| Investment in Mutual Funds- FVTPL | **8,753,385** | 9,632,306 |
| Investment in private corporate debt – FVTPL | | |
| FVOCI investments: | | |
| Investment in UITF | **670,722** | 670,768 |
| Accrued interest income | **17,490** | 947 |
| | **₱15,041,964** | ₱15,943,924 |
| Trustee fee payable | **(35,931)** | (37,306) |
| | **₱15,006,033** | ₱15,906,618 |

The carrying values of the plan assets approximate fair values as of December 31, 2022 and 2021.

The principal actuarial assumptions used in determining retirement liability of the Parent Company and some of its subsidiaries as of January 1, 2022 and 2021 are shown below:

| | **January 1, 2022** | | | January 1, 2021 | | |
|---|---|---|---|---|---|---|
| | **Average remaining working life** | **Discount rate** | **Future salary Increase** | Average remaining working life | Discount rate | Future salary Increase |
| **Parent Company** | 15.0 years | 3.77% | 3.50% | 14.0 years | 2.50% | 3.50% |
| **VFC** | 5.05 years | 5.01% | 3.50% | 4.05 years | 3.78% | 3.50% |
| **PEMI** | 7.42 years | 5.03% | 3.50% | 6.42 years | 3.80% | 3.50% |

The assumptions used in computing for the present value of the obligation of the Parent Company and significant subsidiaries as of December 31, 2022 and 2021 follow:

| | **December 31, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | **Average remaining working life** | **Discount rate** | **Future salary Increase** | Average remaining working life | Discount rate | Future salary Increase |
| **Parent Company** | **5.58 years** | **6.80%** | **3.50%** | 15.0 years | 3.77% | 3.50% |
| **VFC** | **4.63 years** | **7.12%** | **3.50%** | 5.05 years | 5.01% | 3.50% |
| **PEMI** | **8.38 years** | **7.10%** | **3.50%** | 7.42 years | 5.03% | 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, 2022** | | | | | |
|---|---|---|---|---|---|---|
| | **Parent Company** | | **VFC** | | **PEMI** | |
| | **Possible fluctuations** | **Increase (decrease)** | **Possible fluctuations** | **Increase (decrease)** | **Possible fluctuations** | **Increase (decrease)** |
| **Discount rate** | **+1.00%** | **(₱116,649)** | **+1.00%** | **(₱1,492,480)** | **+1.00%** | **(₱465,382)** |
| | **-1.00%** | **117,305** | **-1.00%** | **1,741,006** | **-1.00%** | **540,422** |
| **Future salary increase** | **+1.00%** | **124,351** | **+1.00%** | **1,802,430** | **+1.00%** | **559,068** |
| | **-1.00%** | **(129,067)** | **-1.00%** | **(1,578,772)** | **-1.00%** | **(491,978)** |
| **Estimated working lives** | **+10.00%** | **419** | **+10.00%** | **232,294** | **+10.00%** | **53,414** |
| | **-10.00%** | **(419)** | **-10.00%** | **(232,294)** | **-10.00%** | **(53,414)** |

| | 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 |

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

| | **December 31, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | **Parent Company** | **VFC** | **PEMI** | Parent Company | VFC | PEMI |
| Less than one year | **₱–** | **₱75,428** | **₱–** | ₱– | ₱838,296 | ₱– |
| More than 1 year up to 5 years | **5,594,299** | **5,306,748** | **–** | – | 934,350 | – |
| More than 5 years up to 10 years | **–** | **12,807,975** | **–** | 8,147,780 | 1,111,112 | – |
| More than 10 years up to 15 years | **2,645,299** | **23,100,439** | **–** | – | 1,220,215 | – |
| More than 15 years up to 20 years | **–** | **26,596,123** | **2,447,321** | – | 1,382,599 | 2,447,321 |
| More than 20 years | **2,326,371** | **57,384,447** | **–** | – | 1,976,629 | – |

## 22. **Equity**

Capital stock

The details of this account as of December 31, 2022 and 2021 are shown below:

| | **2022** | | 2021 | | 2020 | |
|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | 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 | 5,000,000,000 | 5,000,000,000 |
| Issued shares, beginning | **4,335,181,766** | **₱4,335,181,766** | 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) | (135,599,500) | (190,460,934) |
| Outstanding shares | **₱4,199,582,266** | **₱4,144,720,832** | 4,199,582,266 | ₱4,144,720,832 | 4,199,582,266 | ₱4,144,720,832 |

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

| Year End | Number of shareholders |
|---|---|
| December 31, 2022 | 603 |
| December 31, 2021 | 607 |

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, 2022 and 2021.

*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 and redemption of shares to non-controlling interest*
In 2022, 2021 and 2020, PMIF issued 8,429,260 and 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 2021 and 2020, respectively. In 2022, various shareholder redeemed 12,925,406 shares of PMIF for ₱12.0 million.

As of December 31, 2022 and 2021, percentage of ownership interest of the Parent Company in PMIF is 68.15% and 67.32%, 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 January31, 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 ₱1.64 billion as of December 31, 2022 and 2021, 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.

## 23. Income Tax

Provision for (benefit from) income tax consists of:

| | **2022** | 2021 - As Restated | 2020 - As Restated |
|---|---|---|---|
| Current: | | | |
| RCIT | **₱41,520,277** | ₱64,094,482 | ₱58,386,493 |
| Final | **24,211,997** | 2,311,765 | 6,245,893 |
| MCIT | **85,693** | 746,234 | 994,978 |
| Impact of CREATE Act | **–** | (5,114,043) | – |
| | **65,817,967** | 62,038,438 | 65,627,364 |
| Deferred income tax | **2,689,157** | 16,539,018 | 12,265,948 |
| | **₱68,507,124** | ₱78,577,456 | ₱77,893,312 |

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:

| | **2022** | 2021 |
|---|---|---|
| **Deferred tax assets on:** | | |
| Allowance for impairment and credit losses | **₱1,102,556** | ₱1,102,556 |
| Lease liabilities | **208,800** | 1,323,566 |
| Retirement liability | **1,170,601** | 1,133,930 |
| | **2,481,957** | 3,560,051 |
| **Deferred tax liabilities on:** | | |
| Unrealized foreign exchange gain | **(10,377,041)** | (6,643,919) |
| OCI remeasurements on pension | **(783,253)** | (715,034) |
| | **(11,160,294)** | (7,358,953) |
| Net deferred tax asset (liability) | **(₱8,678,337)** | (₱3,798,902) |

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:

| | **2022** | 2021 |
|---|---|---|
| Allowance for impairment and credit losses | **₱7,852,152** | ₱7,852,152 |
| NOLCO | **23,402,628** | 22,466,049 |
| MCIT | **1,578,403** | 2,796,357 |
| Others | **2,135,699** | 2,135,699 |
| | **₱34,968,882** | ₱35,250,015 |

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, 2022, the Group has available NOLCO 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 |
|---|---|---|---|---|
| 2019 | ₱8,221,747 | ₱8,221,747 | ₱– | 2022 |
| 2022 | 9,158,326 | – | 9,158,326 | 2025 |
| | ₱17,380,073 | ₱8,221,747 | ₱9,158,326 | |

As of December 31, 2022, 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 |
| | ₱14,244,302 | ₱– | ₱14,244,302 | |

Details of the Group's MCIT are as follows:

| Inception Year | Amount | Applied/Expired | Balance | Expiry Year |
|---|---|---|---|---|
| 2019 | ₱1,303,405 | ₱1,303,405 | ₱– | 2022 |
| 2020 | 994,978 | – | 994,978 | 2023 |
| 2021 | 497,974 | – | 497,732 | 2024 |
| 2022 | 85,693 | – | 85,693 | 2025 |
| | ₱2,881,808 | ₱1,303,405 | ₱1,578,403 | |

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:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Statutory income tax | **25.00%** | 25.00% | 30.00% |
| Income tax effects of: | | | |
| Impact of CREATE Act | **0.00%** | (0.89%) | – |
| Tax-paid income | **(73.22%)** | (4.45%) | (19.28%) |
| Changes in unrecognized deferred tax assets | **7.19%** | (1.07%) | 3.84% |
| Nondeductible expenses | **174.16%** | 0.45% | 2.38% |
| Nontaxable income | **(0.19%)** | (3.79%) | (1.01%) |
| Excess MCIT over RCIT | **0.14%** | 0.13% | 0.20% |
| Others | **(21.92%)** | (1.61%) | (0.52%) |
| Effective income tax | **111.18%** | 13.77% | 15.61% |

## 24. **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, 2022, 2021 and 2020. Transactions with subsidiaries have been eliminated in the consolidated financial statements.

| | | **2022** | | |
|---|---|---|---|---|
| **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** |

| | | 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 |

*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 2022, 2021 and 2020, 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 2022, 2021 and 2020, respectively. Post-employment benefits amounted to ₱3.18 million, ₱3.25 million and ₱2.51 million in 2022, 2021 and 2020, respectively. Director fees amounted to ₱6.43 million, ₱6.85 million and ₱6.43 million in 2022, 2021 and 2020, respectively.

## 25. Basic/Diluted Earnings Per Share

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| (a) Net income attributable to equity holders of the Parent Company | **(₱74,180,861)** | ₱399,551,536 | ₱370,206,519 |
| (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) | **(₱0.0177)** | ₱0.0951 | ₱0.0882 |

As of December 31, 2022, 2021 and 2020, the Parent Company does not have dilutive potential common shares.

## 26. Mutual Fund Operations

The following assets and liabilities held by PAOF in relation to the investment of the unitholders are not included in the consolidated statements of financial position as these are not assets and liabilities of PAOF:

| | **2022** | 2021 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | **₱27,612,432** | ₱27,948,505 |
| Financial assets at fair value through profit or loss | **254,948,003** | 245,786,580 |
| Other receivables | **189,495** | 128,911 |
| Liabilities | | |
| Accrued expenses and other liabilities | **(4,870,039)** | (3,409,114) |
| | **₱277,879,891** | ₱270,454,882 |

The movements in the net assets attributable to unitholders of PAOF in 2022 and 2021 follow:

| | **2022** | 2021 |
|---|---|---|
| Balance beginning of year | **₱270,454,882** | ₱97,172,383 |
| Subscriptions | **88,712,977** | 177,722,004 |
| Redemptions | **(47,318,300)** | (26,417,824) |
| Net income attributable to unitholders | **(33,969,668)** | 21,978,319 |
| Balance at end of year | **₱277,879,891** | ₱270,454,882 |

## 27. 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.

## 28. 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 April 28, 2023.

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

**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, 2022, for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 28, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the 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 consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Juan Carlo Maminta

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. 9564655, January 3, 2023, Makati City

April 28, 2023

**VANTAGE EQUITIES, INC. AND SUBSIDIARIES**
**INDEX TO SUPPLEMENTARY SCHEDULES**
**DECEMBER 31, 2022**

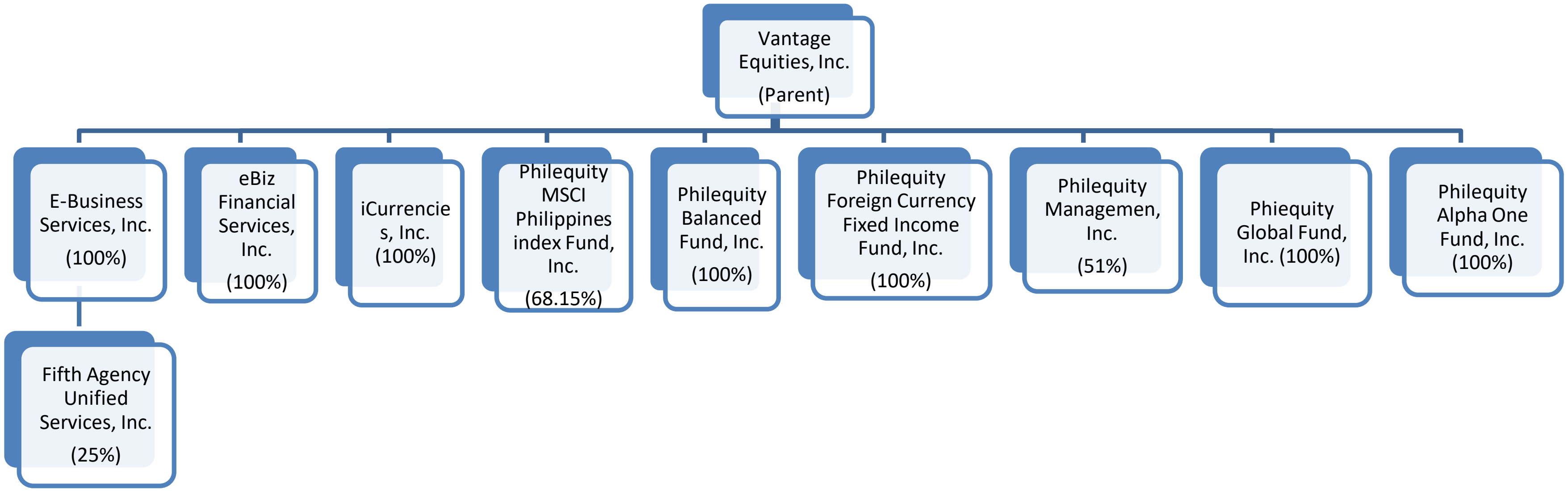
**Schedules Required under Securities Regulation Code Rule 68**

**SCHEDULE I**
**RECONCILIATION OF RETAINED EARNINGS**
**AVAILABLE FOR DIVIDEND DECLARATION**
**DECEMBER 31, 2022**

**Vantage Equities, Inc.**
15th Floor Philippine stock Exchange,
5th Avenue cor. 28th St. Bonifacio Global City,
Taguig City, Metro Manila, Philippines

| | |
|---|---|
| **Unappropriated retained earnings, beginning** | **₱3,065,736,494** |
| **Add: Net income actually earned/realized during the period** | |
| Net income (loss) during the period closed to retained earnings | (190,601,188) |
| Less: Fair value adjustment (mark-to-market gains) | – |
| **Net income (loss) actually earned (incurred) during the period** | **(190,601,188)** |
| Less: Treasury shares | (190,460,934) |
| **Total retained earnings, end available for dividend declaration** | **₱2,684,674,372** |

**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**

| | Formula | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Current Ratio | Current Asset/Current Liabilities | 4165.53% | 3484.14% |
| Acid Test Ratio | (Cash Eq + Marketable Securities + Receivables )/Current Liabilities | 4158.74% | 3481.96% |
| Solvency Ratio | Net Income/Total Liabilities | -1.98% | 131.12% |
| Debt-to-Equity Ratio | Total Liabilities/Total Equity | 2.75% | 3.22% |
| Debt Ratio | Total Liabilities/Total Assets | 2.68% | 3.12% |
| Asset-to-Equity Ratio | Total Assets/Total Equity | 102.75% | 103.22% |
| Interest Rate Coverage Ratio | EBIT/Interest Expense | N/A | N/A |
| Return on Assets | Net Income/Average Total Asset | -0.05% | 4.20% |
| Return on Equity | Net Income/Average Total Equity | -0.05% | 4.40% |
| Net Profit Margin | Gross Profit/Net Income | 352.31% | 123.32% |
| Book Value Per Share | (Total Shareholder Equity – Preferred Equity)/No. of Outstanding Shares | 2.65 | 2.65 |

**Vantage Equities, Inc. and Subsidiaries**
**Schedule A - Financial Assets**
**December 31, 2022**

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds or notes | Amount shown on the balance sheet | Valued based on market quotation at balance sheet date | Income accrued |
|---|---|---|---|---|
| Financial Assets at FVPL: | | | | |
| Quoted | | | | |
| Government bonds | ₱3,464,749,656 | ₱3,344,886,436 | ₱3,344,886,436 | ₱184,801,166 |
| Corporate bonds | 950,000,000 | 941,384,395 | 941,384,395 | |
| Equity securities | 378,288,043 | 916,849,124 | 916,849,124 | (449,485,626) |
| Mutual fund | 167,782,867 | 933,479,553 | 933,479,553 | – |
| 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, 2022**

| Name of Debtor | Balance at beginning of period | Additions | Amounts Collected | Amounts Written-off | Current | Non-Current | Balance at end of period |
|---|---|---|---|---|---|---|---|

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, 2022**

| Name of Debtor | Balance at beginning of period | Additions | Amounts Collected (i) | Amounts Written-off (ii) | Current | Non-Current | Balance at end of period |
|---|---|---|---|---|---|---|---|
| Vantage Financial Corporation | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– |
| Philequity MSCI Index Fund, Inc. | 331,541 | – | – | – | 331,541 | ₱– | 331,541 |
| Total | ₱331,541 | ₱331,541 | ₱– | ₱– | ₱331,541 | ₱– | ₱331,541 |

(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, 2022**

| Title of issue and type of obligation [(i)] | Amount authorized by indenture | Amount shown under caption "Current portion of long-term debt' in related balance sheet [(ii)] | Amount shown under caption "Long-Term Debt" in related balance sheet [(iii)] | Interest Rate % | Maturity Date |
|---|---|---|---|---|---|

None to Report.

---

(i) Include in this column each type of obligation authorized.
(ii) This column is to be totalled to correspond to the related balance sheet caption.
(iii) 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, 2022**

| Name of Related Parties [(i)] | Balance at beginning of period | Balance at end of period [(ii)] |
|---|---|---|

None to Report.

[(i)] 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.
[(ii)] 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, 2022**

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

None to Report.

---

(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, 2022**

(Absolute numbers of shares)

| Title of Issue [i] | Number of shares authorized | Number of shares issued and outstanding as shown under the related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by related parties [ii] | Directors, officers and employees | Others [iii] |
|---|---|---|---|---|---|---|
| Common | 5,000,000,000 | 4,199,582,266 | None to Report | None to Report | 783,258,856 | Directors buy 80 shares |

[i] Include in this column each type of issue authorized
[ii] 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.
[iii] Indicate in a note any significant changes since the date of the last balance sheet filed.

# C O V E R S H E E T
for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| A | S | 9 | 2 | 0 | 0 | 7 | 0 | 5 | 9 | |
|---|---|---|---|---|---|---|---|---|---|---|

**C O M P A N Y   N A M E**

VANTAGE EQUITIES, INC.

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

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

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AAFS | SEC | N/A |

**C O M P A N Y   I N F O R M A T I O N**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| investorrelations@vantage.ph | 8250-8750 | N/A |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 603 | 10/28 | 12/31 |

**CONTACT PERSON INFORMATION**

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Ma. Angelica Cabanit | angelica.cabanit@philequity.net | 8250-8713 | 0917-590-7176 |

**CONTACT PERSON's ADDRESS**

**15th 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.*

Vantage Equities Inc <compliance@vantage.ph>

# SEC eFast Initial Acceptance

1 message

**noreply-cifssost@sec.gov.ph** <noreply-cifssost@sec.gov.ph> Tue, May 2, 2023 at 7:59 AM

Greetings!

**SEC Registration No:** AS92007059
**Company Name:** VANTAGE EQUITIES, INC.
**Document Code:** AFS

This serves as temporary receipt of your submission.
Subject to verification of form and quality of files of the submitted report.
Another email will be sent as proof of review and acceptance.

Thank you.

**REMINDER:** TO ALL FILERS OF REPORTS IN THE e-FAST Please strictly follow the instruction stated in the form. Filings not in accordance with the prescribed template for the following reports will be automatically reverted by the system to the filer. 1. General Information Sheet (GIS-Stock) 2. General Information Sheet (GIS-Non-stock) 3. General Information Sheet (GIS- Foreign stock & non-stock) 4. Broker Dealer Financial Statements (BDFS) 5. Financing Company Financial Statements (FCFS) 6. Investment Houses Financial Statements (IHFS) 7. Publicly – Held Company Financial Statement 8. General Form for Financial Statements 9. Financing Companies Interim Financial Statements (FCIF) 10. Lending Companies Interim Financial Statements (LCIF) Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFast, if the filed report is compliant with the existing requirements. A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the reports rejection in the remarks box.

**SECURITIES AND EXCHANGE COMMISSION**
SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

THIS IS AN AUTOMATED MESSAGE - PLEASE DO NOT REPLY DIRECTLY TO THIS EMAIL

VANTAGE EQUITIES, INC.

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

# Vantage Equities Inc Parent AAFS_2May2023

2 messages

**Vantage Equities Inc** <compliance@vantage.ph> Tue, May 2, 2023 at 2:58 AM
To: ICTD Submission <ictdsubmission@sec.gov.ph>
Cc: MSRD COVID19 <msrd_covid19@sec.gov.ph>, Angelica Cabanit <angelica.cabanit@philequity.net>, Jay Argueza <jay.argueza@vantage.ph>, emmylou.cayamanda@e-businessphil.ph, angelo.delatorre@e-businessphil.ph

Greetings

Enclosed herewith Vantage Equities Inc Parent AAFS as of and for the period ended 31 December 2022. Thank you.

**Vantage Equities Inc Parent AAFS_2May2023.pdf**
779K

**ICTD Submission** <ictdsubmission+canned.response@sec.gov.ph> Tue, May 2, 2023 at 3:01 AM
To: compliance@vantage.ph

Thank you for reaching out to ictdsubmission@sec.gov.ph. Your submission is subject for Verification and Review of the Quality of the Attached Document only for **Secondary Reports**. Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order from receipt through the SEC Express System at https://secexpress.ph/. Or you may call 8737-8888 for further clarifications.

---

## NOTICE

Please be informed that selected reports should be filed through ***ELECTRONIC FILING AND SUBMISSION TOOL*** **(EFAST)**. **https://cifss-ost.sec.gov.ph/user/login**

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**)

Further, 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, ICA-QR, ICA-AR, 23-A, 23-B, I-ACGR, ACGR, Monthly Reports, Quarterly Reports, Letters, OPC(ALTERNATE NOMINEE),GIS-G, 52-AR, IHAR,AMLA-CF,NPM,NPAM, BP-FCLC, CHINESEWALL, 39-AR,36-AR, PNFS, MCG, S10/SEC-NTCE-EXEMPT**, through email at

## ictdsubmission@sec.gov.ph

FOR **MC28**, please go to SEC website:

**https://apps010.sec.gov.ph**

For your information and guidance.

Thank you and keep safe.

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

# 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, 2022 and 2021, 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, 2022, 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 December31,2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *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, 2022, 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, 2022 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 companyfinancial 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 companyfinancial 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 27 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 Maminta

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. 9564655, January 3, 2023, Makati City

April 28, 2023

VANTAGE
EQUITIES, INC.

**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, 2022 and 2021 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 accessing 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** | **EDMUNDO MARCO P. BUNYI JR** | **JOSEPH L. ONG** |
| Chairman | Vice Chairman/CEO | Treasurer |
| CTC No.: | CTC No.: | CTC No.: |
| TIN: 122-335-536 | TIN: 107-184-956 | TIN: 108-789-427 |

APR 28 2023
Signed this ___ day of April 2023..

**SUBSCRIBED AND SWORN** to me before this APR 28 2023 at CITY OF MANILA, affiants exhibiting to me their Community Tax Certificates.

Doc. No. 336
Page No. 69
Book No. VI
Series of 2023.

ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF MANILA
APPOINTMENT 097/12/31/2023 MANILA
IBP NO. 181139 / 01/03/2023
PTR NO. 0861145 / 01/03/2023
ROLL NO. 29679, TIN NO. 172-528-620
MCLE COMP. NO. VII-0000165 VALID UNTIL APRIL 14, 2025
1411 TAYUMAN ST., STA. CRUZ, MANILA

## VANTAGE EQUITIES, INC.
## PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | **2022** | 2021 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 6) | **₱2,286,741,968** | ₱1,288,595,538 |
| Receivables (Note 7) | **36,813,392** | 36,387,445 |
| Financial assets at fair value through profit or loss (Note 8) | **5,840,963,416** | 7,031,645,574 |
| Prepaid expenses and other current assets | **779,281** | 2,646,927 |
| Total Current Assets | **8,165,298,057** | 8,359,275,484 |
| **Noncurrent Assets** | | |
| Investments in subsidiaries (Note 10) | **432,761,231** | 432,761,238 |
| Property and equipment (Note 11) | **37,177,233** | 39,128,729 |
| Other noncurrent assets (Note 12) | **333,529** | 498,223 |
| Total Noncurrent Assets | **470,271,993** | 472,388,190 |
| | **₱8,635,570,050** | ₱8,831,663,674 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accrued expenses and other current liabilities (Note 14) | **₱9,592,650** | ₱11,742,286 |
| Derivative liabilities (Note 8) | **3,599,150** | 9,176,000 |
| Income tax payable | **85,693** | 632,347 |
| Total Current Liabilities | **13,277,493** | 21,550,633 |
| **Noncurrent Liability** | | |
| Retirement liability (Note 15) | **4,112,250** | 4,136,894 |
| Deferred tax liabilities (Note 20) | **9,566,570** | 7,107,827 |
| Total Noncurrent Liabilities | **13,678,820** | 11,244,721 |
| Total Liabilities | **26,956,313** | 32,795,354 |
| **Equity** | | |
| Capital stock (Note 16) | **4,335,181,766** | 4,335,181,766 |
| Treasury stock (Note 16) | **(190,460,934)** | (190,460,934) |
| Retained earnings | **4,463,316,324** | 4,653,917,512 |
| Remeasurement gains on retirement plan (Note 15) | **576,581** | 229,976 |
| Total Equity | **8,608,613,737** | 8,798,868,320 |
| | **₱8,635,570,050** | ₱8,831,663,674 |

*See accompanying Notes to Parent Company Financial Statements.*

# VANTAGE EQUITIES, INC.
## PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| **TRADING AND INVESTMENT SECURITIES GAINS (LOSSES) - NET** (Note 8) | **(₱440,213,693)** | ₱48,551,092 | ₱67,049,437 |
| **INTEREST INCOME** (Note 18) | **218,414,320** | 188,386,266 | 275,652,063 |
| **INCOME FROM BUSINESS PARTNER** (Note 19) | **–** | 42,903,215 | – |
| **REALIZED FOREIGN EXCHANGE GAIN** (Note 9) | **15,364,496** | 15,459,396 | 30,492,708 |
| **UNREALIZED FOREIGN EXCHANGE GAINS (LOSSES)** (Note 9) | **36,386,005** | 26,575,676 | (25,798,237) |
| **DIVIDEND INCOME** (Note 8) | **23,459,352** | 7,929,930 | 3,215,959 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** (Note 17) | **(20,814,398)** | (23,844,178) | (19,363,562) |
| **OTHER GAINS (LOSSES) - NET** | **(6,525,568)** | (813,485) | 471,791 |
| **INCOME BEFORE INCOME TAX** | **(173,929,486)** | 305,147,912 | 331,720,159 |
| **PROVISION FOR INCOME TAX** (Note 20) | **16,671,702** | 19,650,174 | 16,663,687 |
| **NET INCOME (LOSS)** | **(190,601,188)** | 285,497,738 | 315,056,472 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| *Item that will not recycle to profit or loss in subsequent periods:* | | | |
| Remeasurement gains on retirement plan – net (Note 15) | **346,605** | 251,604 | 1,117,314 |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | **(₱190,254,583)** | ₱285,749,342 | ₱316,173,786 |
| **EARNINGS PER SHARE** (Note 25) | **(₱0.0454)** | ₱0.0680 | ₱0.0750 |

*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** |
|---|---|---|---|---|---|
| **Balance at January 1, 2022** | **₱4,335,181,766** | **(₱190,460,934)** | **₱4,653,917,512** | **₱229,976** | **₱8,798,868,320** |
| Total comprehensive loss for the year | – | – | **(190,601,188)** | **346,605** | **(190,254,583)** |
| **Balance at December 31, 2022** | **₱4,335,181,766** | **(₱190,460,934)** | **₱4,463,316,324** | **₱576,581** | **₱8,608,613,737** |
| | | | | | |
| Balance at January 1, 2021 | ₱4,335,181,766 | (₱190,460,934) | ₱4,368,419,774 | (₱21,628) | ₱8,513,118,978 |
| Total comprehensive income for the year | – | – | 285,497,738 | 251,604 | 285,749,342 |
| Balance at December 31, 2021 | ₱4,335,181,766 | (₱190,460,934) | ₱4,653,917,512 | ₱229,976 | ₱8,798,868,320 |
| | | | | | |
| 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 income 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 |

*See accompanying Notes to Parent Company Financial Statements.*

# VANTAGE EQUITIES, INC.
# PARENT COMPANY STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income (loss) before income tax | **(₱173,929,486)** | ₱305,147,912 | ₱331,720,159 |
| Adjustments for: | | | |
| Interest income (Note 18) | **(218,414,320)** | (188,386,266) | (275,652,063) |
| Unrealized foreign exchange loss (gain) (Note 9) | **(36,386,005)** | (26,575,676) | 25,798,237 |
| Dividend income (Note 8) | **(23,459,352)** | (7,929,930) | (3,215,959) |
| Unrealized market valuation loss (gain) on financial instruments at fair value through profit or loss (Note 8) | **450,416,307** | 2,523,076 | (3,056,702) |
| Depreciation and amortization (Notes 11) | **1,951,496** | 4,368,106 | 4,462,263 |
| Retirement costs (Note 15) | **437,496** | 395,236 | 505,969 |
| Operating income before working capital changes | **616,136** | 89,542,458 | 80,561,904 |
| Decrease (increase) in: | | | |
| Receivables | **3,808,647** | 15,770,587 | 45,768,019 |
| Financial assets at fair value through profit or loss | **740,265,851** | (287,265,852) | 102,825,493 |
| Prepaid expenses and other current assets | **1,867,653** | 413,290 | 1,772,488 |
| Other noncurrent assets | **164,694** | – | – |
| Increase (decrease) in accrued expenses and other current liabilities | **(7,726,486)** | 9,197,099 | (57,751,007) |
| Net cash generated from (used in) operations | **738,996,495** | (172,342,418) | 173,176,897 |
| Interest received | **214,203,846** | 182,052,527 | 268,210,525 |
| Dividends received (Note 8) | **23,435,232** | 7,929,930 | 3,215,959 |
| Income tax paid | **(14,875,148)** | (1,428,322) | (3,857,426) |
| Net cash provided by operating activities | **961,760,425** | 16,211,717 | 440,745,955 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment (Note 11) | – | – | (95,999) |
| Acquisition of investment in subsidiary (Note 10) | – | – | – |
| Net cash provided by investing activities | – | – | (95,999) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from notes payable (Note 23) | **2,000,000,000** | 350,000,000 | – |
| Payment of notes payable (Note 23) | **(2,000,000,000)** | (350,000,000) | – |
| Net cash provided by (used in) financing activities | – | – | – |
| **EFFECT OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS** | **36,386,005** | 16,880,176 | (25,865,737) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **998,146,430** | 33,091,893 | 414,784,219 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **1,288,595,538** | 1,255,503,645 | 840,719,426 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 6) | **₱2,286,741,968** | ₱1,288,595,538 | ₱1,255,503,645 |

*See accompanying Notes to Parent Company Financial Statements.*

# VANTAGE EQUITIES, INC.
# NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

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) 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 2022. 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 financial statements of the Parent Company.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the 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*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

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 2022, 2021 and 2020, there were no 'Day 1' differences recognized in profit or loss in the statement of comprehensive income.

<u>Classification and subsequent measurement of financial instruments</u>

*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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, 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, 2022 and 2021.

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, 2022 and December 31, 2021, 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 unlikeliness 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 preciously 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 is 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 |

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 upon signing of the agreement.

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 financial statements.

*Effective beginning on or after January 1, 2023*
- 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, 2024*
- 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, 2025*
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
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*Effective beginning on or after January 1, 2026*
- 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, 2022 and 2021 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, 2022 and 2021 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, 2022 and 2021 are disclosed in Note 4, while the related ECL allowances for credit losses are disclosed in Note 7.

## 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, 2022 and 2021, 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 and are assessed for impairment based on its lifetime ECL. The allowance for credit losses amounting ₱4.01 million as of December 31, 2022 and 2021 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, 2022 and 2021. The amounts presented are gross of impairment allowances.

| | 2022 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Neither past due nor impaired** | | | | |
| Grade A | | | | |
| Cash and cash equivalents* | **₱2,286,736,968** | **₱–** | **₱–** | **₱2,286,736,968** |
| Accrued interest receivable | – | **34,740,712** | – | **34,740,712** |
| Financial assets at fair value through profit or loss | **5,840,963,416** | – | – | **5,840,963,416** |
| Grade B | | | | |
| Trade receivable | – | **4,595,861** | – | **4,595,861** |
| Other receivables | – | **1,244,133** | – | **1,244,133** |
| Deposits (included in "Other noncurrent assets") | **313,517** | – | – | **313,517** |
| Grade C | | | | |
| **Impaired** | | | | |
| Trade receivable | – | – | **4,006,626** | **4,006,626** |
| | **₱8,128,013,901** | **₱40,580,706** | **₱4,006,626** | **₱8,172,601,233** |

**Excludes cash on hand*

| | 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*

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.

| | **2022** | | | |
|---|---|---|---|---|
| | **Grade A** | **Grade B** | **Grade C** | **Total** |
| Cash and cash equivalents* | **₱ 2,286,736,968** | **₱–** | **₱–** | **₱ 2,286,736,968** |
| Receivables: | | | | |
| Trade receivables | – | **4,595,861** | – | **4,595,861** |
| Due from broker | – | – | – | – |
| Interest receivable | – | **34,740,712** | – | **34,740,712** |
| Receivable from sale of investment | – | – | – | – |
| Others | – | **1,244,133** | – | **1,244,133** |
| FVTPL investments: | | | | |
| Corporate bonds | **941,384,395** | – | – | **941,384,395** |
| Government bonds | **3,344,886,436** | – | – | **3,344,886,436** |
| Mutual funds | **948,255,083** | – | – | **948,255,083** |
| Equity securities | **606,437,502** | – | – | **606,437,502** |
| Derivative assets | – | – | – | – |
| Deposits (included in "Other noncurrent assets") | – | **313,517** | – | **313,517** |
| | **₱8,127,700,384** | **₱40,894,223** | **₱–** | **₱8,168,594,607** |

**Excludes cash on hand*

| | 2021 | | | |
|---|---|---|---|---|
| | Grade A | Grade B | Grade C | Total |
| 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 |
| | ₱8,350,766,350 | ₱2,693,475 | ₱– | ₱8,353,459,825 |

**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.

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **On Demand** | **Less than 3 Months** | **3 to 12 Months** | **1 to 5 years** | **More than 5 years** | **Total** |
| ***Financial Assets*** | | | | | | |
| Cash and cash equivalents | **₱623,241,968** | **₱1,666,675,594** | **₱–** | **₱–** | **₱–** | **₱2,289,917,562** |
| Receivables: | | | | | | |
| Trade receivables | **4,595,861** | – | – | – | – | **4,595,861** |
| Due from broker | – | - | – | – | – | – |
| Interest receivables | – | **34,740,712** | – | – | – | **34,740,712** |
| Other receivables | – | **1,244,133** | – | – | – | **1,244,133** |
| FVTPL investment: | | | | | | |
| Quoted: | | | | | | |
| Mutual funds | **948,255,083** | – | – | – | – | **948,255,083** |
| Equity securities | **606,437,502** | – | – | – | – | **606,437,502** |

*(Forward)*

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **On Demand** | **Less than 3 Months** | **3 to 12 Months** | **1 to 5 years** | **More than 5 years** | **Total** |
| Government bonds* | **₱–** | **₱194,804,357** | **₱3,268,953,256** | **₱–** | **₱–** | **₱3,463,757,613** |
| Corporate bonds* | **–** | **75,386,730** | **2,157,501,447** | **–** | **–** | **2,232,888,177** |
| Deposits (included in 'Other noncurrent assets') | **–** | **–** | **313,517** | **–** | **–** | **313,517** |
| | **₱2,182,530,414** | **₱1,972,851,526** | **₱5,426,768,220** | **₱–** | **₱–** | **₱9,582,150,160** |
| ***Financial Liabilities*** | | | | | | |
| Accrued expenses and other liabilities: | | | | | | |
| Accrued expenses | **₱–** | **₱7,835,461** | **₱–** | **₱–** | **₱–** | **₱7,835,461** |
| Accounts payable | **–** | **–** | **–** | **–** | **–** | **–** |
| Derivative liabilities | **–** | **3,599,150** | **–** | **–** | **–** | **3,599,150** |
| Others | **–** | **1,449,524** | **–** | **–** | **–** | **1,449,524** |
| | **₱–** | **₱12,884,135** | **₱–** | **₱–** | **₱–** | **₱12,884,135** |

**Includes accrued interest receivable, and future interest*

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | Less than 3 Months | 3 to 12 Months | 1 to 5 years | More than 5 years | Total |
| *Financial Assets* | | | | | | |
| 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 |
| Receivable from related party | – | 30,530,238 | – | – | – | 30,530,238 |
| Interest receivables | – | 1,582,941 | – | – | – | 1,582,941 |
| Receivable from sale of investment | | | | | | |
| Other receivables | | | | | | |
| 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 | – | – | 2,279,951,684 |
| 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 | ₱414,082,368 | ₱5,125,637,850 | ₱– | ₱– | ₱8,526,879,703 |
| *Financial Liabilities* | | | | | | |
| 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*

*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:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| Cash and cash equivalents | **$405,290** | **₱22,596,926** | $1,646,092 | ₱83,949,037 |
| Financial assets at FVTPL - debt | **8,442,392** | **470,705,566** | 10,022,834 | 511,154,511 |
| Accrued interest receivable | **118,631** | **6,614,266** | 151,649 | 7,733,936 |
| Accounts receivable - others | **16,095** | **897,393** | 46,416 | 2,367,160 |
| | **8,982,408** | **500,814,151** | 11,866,990 | 605,204,644 |
| Currency forwards | **(7,950,000)** | **(443,252,250)** | (13,000,000) | (662,987,000) |
| Net exposure | **$1,032,408** | **₱57,561,901** | ($1,133,010) | (₱57,782,356) |

In translating the foreign currency denominated assets and liabilities into peso amounts, the exchange rate used was ₱55.755 to US$1 and ₱50.999 to US$1 as of December 31, 2022 and 2021.

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.

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **Change in Foreign Exchange Rate** | **Effect on Income before tax** | Change in Foreign Exchange Rate | Effect on Income before tax |
| **Increase** | +0.90% | **(803,644)** | +0.90% | ₱747,201 |
| **Decrease** | -0.90% | **803,644** | -0.90% | (747,201) |

*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).

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **% Variance on Equity Price** | **Effect on Equity** | % Variance on Equity Price | Effect on Equity |
| Increase | **14.137%** | **₱82,316,651** | 12.637% | ₱94,516,002 |
| Decrease | **-14.137%** | **(82,316,651)** | -12.637% | (94,516,002) |

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, 2022 and 2021with 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.

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **% Variance on net asset value** | **Effect on Equity** | % Variance on net asset value | Effect on Equity |
| Increase | **14.137%** | **₱114,959,938** | 12.637% | ₱110,269,138 |
| Decrease | **-14.137%** | **(114,959,938)** | -12.637% | (110,269,138) |

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, 2022 and 2021

| | **2022** | 2021 |
|---|---|---|
| *Basis points* | **Effect on Pre-Tax Equity** | Effect on Pre-Tax Equity |
| +100 | **(₱107,543,446)** | (₱88,256,186) |
| -100 | **113,180,013** | 94,784,508 |

As of December 31, 2022 and 2021, 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 2022 and 2021. For the Parent Company's fixed income investments, fair values are determined based on BVAL reference rates for 2022 and 2021, 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, 2022 and 2021 follows:

| | 2022 | | | | |
|---|---|---|---|---|---|
| | **Carrying Amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ***Financial assets*** | | | | | |
| Financial assets at FVTPL: | | | | | |
| Corporate bonds | **₱941,384,395** | **₱941,384,395** | **–** | **–** | **₱941,384,395** |
| Government bonds | **3,344,886,436** | **3,344,886,436** | **–** | **–** | **3,344,886,436** |
| Mutual funds | **948,255,083** | **–** | **948,255,083** | **–** | **948,255,083** |
| Equity securities | **606,437,502** | **606,437,502** | **–** | **–** | **606,437,502** |
| | **₱5,840,963,416** | **₱4,892,708,333** | **948,255,083** | **–** | **₱5,840,963,416** |
| ***Financial liability*** | | | | | |
| Derivative liability | **₱3,599,150** | **₱–** | **₱3,599,150** | **₱–** | **₱ 3,599,150** |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Level 1 | Level 2 | Level 3 | Total |
| *Financial assets* | | | | | |
| 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 |
| Derivative assets | | | – | | |
| | ₱7,031,645,574 | ₱6,007,670,507 | ₱1,023,975,067 | – | ₱7,031,645,574 |
| *Financial liability* | | | | | |
| Derivative liability | ₱9,176,000 | ₱– | ₱9,176,000 | ₱– | ₱9,176,000 |

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, 2022 and 2021, there are transfers into and out of Level 1, Level 2 and Level 3 fair value hierarchy.

## 6. Cash and Cash Equivalents

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Cash on hand | **₱5,000** | ₱5,000 |
| Cash in banks | **623,236,968** | 954,455,306 |
| Cash equivalents | **1,663,500,000** | 334,135,232 |
| | **₱2,286,741,968** | ₱1,288,595,538 |

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.

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Philippine peso | **0.15%-5.50%** | 0.25%-0.75% | 0.25% - 3.50% |
| US dollar | **0.03%-1.60%** | 0.13%-0.63% | 0.13% - 1.25% |

In 2022, 2021 and 2020, interest income from cash and cash equivalents amounted to ₱33.66 million, ₱7.27 million and ₱12.45 million, respectively (see Note 18).

## 7. Receivables

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Accrued interest receivable | **₱34,740,712** | ₱30,530,238 |
| Trade receivables | **4,595,861** | 6,065,628 |
| Due from broker | **–** | 2,215,264 |
| Other receivables | **1,483,445** | 1,582,941 |
| | **40,820,018** | 40,394,071 |
| Less: Allowance for impairment and credit losses (Note 13) | **(4,006,626)** | (4,006,626) |
| | **₱36,813,392** | ₱36,387,445 |

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.

As of December 31, 2022 and 2021, receivables amounting to ₱4.01 million are fully provided and carried at Stage 3. There are no transfers into and out of Stage 3 in 2022 and 2021.

## 8. Investment Securities

Financial Assets at Fair Value through Profit or Loss
This account consists of the following:

| | **2022** | 2021 |
|---|---|---|
| Corporate bonds | **₱941,384,395** | ₱2,812,947,926 |
| Government bonds | **3,344,886,436** | 2,192,059,097 |
| Mutual funds | **948,255,083** | 1,023,975,067 |
| Equities | **606,437,502** | 1,002,663,484 |
| | **₱5,840,963,416** | ₱7,031,645,574 |

Corporate Bonds
Corporate bonds include peso-denominated securities which earn interest ranging from 3.20% to 6.37%, 2.00% to 5.10% and 2.50% to 6.00% in December 31, 2022, 2021 and 2020, respectively. It also includes dollar-denominated securities with interest rates ranging from 2.13% to 4.75%, 2.13% to 7.38% and 3.28% to 7.38% in December 31, 2022, 2021 and 2020, respectively.

Government Bonds
Government bonds include peso-denominated securities which earn interest ranging from 3.38% to 8.13%, in 2022, and 1.90% to 5.50% in 2021 and 2020, respectively. It also includes dollar-denominated bonds with interest rates ranging from ranging from 2.13% to 4.10%, in 2022 and 3.75% to 4.10% in 2021 and 2020, respectively.

Mutual Funds
Mutual funds represent investment in shares and units of:

| | **2022** | 2021 |
|---|---|---|
| Philequity Fund, Inc. (PEFI) | **₱558,646,243** | ₱598,305,178 |
| Philequity Dividend Yield Fund, Inc. (PDYF) | **144,942,981** | 164,567,207 |
| Philequity Balanced Fund, Inc. (PBF) | **30,195,561** | 31,067,500 |
| Philequity Foreign Currency Fixed Income Fund, Inc. (PFCFF) | **30,082,803** | 30,895,000 |
| Philequity PSE Index Fund, Inc. (PPSE) | **124,345,176** | 133,268,066 |
| Philequity Alpha One Fund, Inc. (PAOF) | **60,042,319** | 65,872,116 |
| | **₱948,255,083** | ₱1,023,975,067 |

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

| | **2022** | 2021 |
|---|---|---|
| Beginning | **₱1,023,975,067** | ₱932,927,840 |
| Subscription | **–** | 50,000,000 |
| Revaluation | **(75,719,984)** | 41,047,227 |
| | **₱948,255,083** | ₱1,023,975,067 |

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 ₱23.46 million, ₱7.93 million and ₱3.22 million in 2022, 2021and 2020, respectively.

Derivative Assets
As of December 31, 2022 and 2021, 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$7.95 million and US$13.00 million as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the weighted average forward contract rate is ₱55.63 to US$1 and ₱50.52 to US$1, respectively. The Parent Company is in a sell US dollar position as of December 31, 2022 and 2021.

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

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Balance at beginning of year: | | | |
| Derivative assets | **₱–** | ₱519,500 | ₱909,000 |
| Derivative liabilities | **(9,176,000)** | – | (322,000) |
| | **(9,176,000)** | 519,500 | 587,000 |
| Fair value changes | **(115,246,357)** | 5,410,693 | 36,599,345 |
| Settled transactions | **120,823,207** | 4,284,807 | (36,531,845) |
| | **5,576,850** | 9,695,500 | 67,500 |
| Balance at end of year: | | | |
| Derivative assets | **–** | – | 519,500 |
| Derivative liabilities | **(3,599,150)** | (9,176,000) | – |
| | **(₱3,599,150)** | (₱9,176,000) | ₱519,500 |

The net fair value changes on the Parent Company's currency forward contracts amounting to ₱115.25 million, ₱5.41 million and ₱36.60 million in 2022, 2021 and 2020, respectively, are recognized in 'Unrealized foreign exchange gain/loss' in profit or loss in the parent company statement of comprehensive income.

Interest Income on Financial Assets at FVTPL

In 2022, 2021 and 2020 interest income, from financial assets at FVTPL amounted to ₱184.76 million, ₱181.12 million and ₱263.20 million, respectively (see Note 18).

Trading and investment securities gains (losses) from financial assets at FVTPL consists of:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Realized gain (loss) from sale of: | | | |
| Bonds | **₱1,422,173** | ₱35,864,312 | ₱64,683,179 |
| Equity securities | **8,780,441** | 15,209,856 | (690,444) |
| | **₱10,202,614** | ₱51,074,168 | ₱63,992,735 |
| Changes in fair value of: | | | |
| Bonds | **(199,816,949)** | (133,643,417) | 65,416,338 |
| Equity securities | **(174,879,374)** | 90,073,113 | 7,781,136 |
| Mutual funds | **(75,719,984)** | 41,047,228 | (70,140,772) |
| | **(450,416,307)** | (2,523,076) | 3,056,702 |
| | **(₱440,213,693)** | ₱48,551,092 | ₱67,049,437 |

## 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:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| **Realized Foreign Exchange Gain (Loss)** | | | |
| Derivative assets (Note 8) | **(₱120,823,207)** | (₱4,284,807) | ₱36,531,845 |
| Currency trading | **136,187,703** | 19,744,203 | (6,039,137) |
| | **15,364,496** | ₱15,459,396 | ₱30,492,708 |
| **Unrealized Foreign Exchange Gain (Loss)** | | | |
| Cash and cash equivalents | **39,985,155** | ₱16,880,176 | (₱25,865,737) |
| Derivative assets (Note 8) | **(3,599,150)** | 9,695,500 | 67,500 |
| | **₱36,386,005** | ₱26,575,676 | (₱25,798,237) |

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, 2022 and 2021, the Parent Company has investments in the following subsidiaries, which are accounted for under the cost method of accounting:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **% of Ownership** | **Acquisition Cost** | % of Ownership | Acquisition Cost |
| Philequity MSCI Index Fund, Inc (PMIF) | **68.15** | **₱250,649,993** | 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 |
| | | **₱432,761,231** | | ₱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, 2022 and 2021, the Parent Company owns 250,618,397 common shares (with a par value of ₱1.00 per share) or 68.15% and 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, 2022 and 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, 2022 and 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, 2022 and 2021, 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, 2022, 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, 2022, 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, 2022.

In 2022 and 2021, 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, 2022 and 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, 2022.

In 2022 and 2021, 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:

| | **2022** | | | |
|---|---|---|---|---|
| | **Office Condominium and Improvements** | **Furniture, Fixtures and Equipment** | **Transportation Equipment** | **Total** |
| **Cost** | | | | |
| Balance at beginning of year | **₱52,696,797** | **₱27,901,228** | **₱14,281,523** | **₱94,879,548** |
| Balance at end of year | **52,696,797** | **27,901,228** | **14,281,523** | **94,879,548** |
| **Accumulated Depreciation** | | | | |
| Balance at beginning of year | **14,057,406** | **27,899,059** | **13,794,354** | **55,750,819** |
| Depreciation (Note 17) | **1,462,158** | **2,169** | **487,169** | **1,951,496** |
| Balance at end of year | **15,519,564** | **27,901,228** | **14,281,523** | **57,702,315** |
| **Net Book Value** | **₱37,177,233** | **₱–** | **₱–** | **₱37,177,233** |

| | 2021 | | | |
|---|---|---|---|---|
| | Office Condominium and Improvements | Furniture, Fixtures and Equipment | Transportation Equipment | Total |
| Cost | | | | |
| 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 |
| Accumulated Depreciation | | | | |
| 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 |
| Net Book Value | ₱38,639,391 | ₱2,169 | ₱487,169 | ₱39,128,729 |

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, 2022 and 2021, the cost of fully depreciated assets still being used in operations amounted to ₱42.18 million and ₱37.96 million, respectively.

## 12. Other Noncurrent Assets

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Deposits | **₱313,517** | ₱478,211 |
| Other assets | **242,427** | 242,427 |
| | **555,944** | 720,638 |
| Less: Allowance for impairment and credit losses (Note 13) | **222,415** | 222,415 |
| | **₱333,529** | ₱498,223 |

## 13. **Allowance for Impairment and Credit Losses**

Allowance for impairment and credit losses is as follows:

| | **2022** | 2021 |
|---|---|---|
| Trade receivables (Note 7) | **₱4,006,626** | ₱4,006,626 |
| Other non-current assets (Note 12) | **222,415** | 222,415 |
| | **₱4,229,041** | ₱4,229,041 |

In 2022 and 2021, receivables and other non-current assets amounting to ₱4.23 million were carried at stage 3. There were no transfers into and out of stage 3.

The rollforward analysis of allowance for credit losses for 2022 and 2021 follow:

| | | **2022** | |
|---|---|---|---|
| | **Receivables** | **Other Non-current Assets** | **Total** |
| Balance at January 1 and December 31 | **₱4,006,626** | **₱222,415** | **₱4,229,041** |

| | | 2021 | |
|---|---|---|---|
| | Receivables | Other Non-current Assets | Total |
| Balance at January 1 | ₱68,472,723 | ₱222,415 | ₱68,695,138 |
| Write-off | (64,466,097) | – | (64,466,097) |
| Balance at December 31 | ₱4,006,626 | ₱222,415 | ₱4,229,041 |

## 14. **Accrued Expenses and Other Current Liabilities**

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Financial: | | |
| Accounts payable | **₱–** | ₱1,198,771 |
| Accrued expenses | **7,835,461** | 4,535,885 |
| Others | **1,449,524** | 1,970,276 |
| | **9,284,985** | 7,704,932 |
| Nonfinancial: | | |
| Output value-added tax | **₱–** | ₱– |
| Deferred output value-added tax | – | 2,695,488 |
| Sundry credits | – | 934,478 |
| Withholding taxes | **288,422** | 407,388 |
| Others | **19,243** | – |
| | **307,665** | 4,037,354 |
| | **₱9,592,650** | ₱11,742,286 |

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.

## 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, 2022.

Retirement expense included under 'General and administrative expenses' recognized in profit or loss in the statements of comprehensive income follow:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Service cost | **₱281,536** | ₱293,308 | ₱250,186 |
| Net interest cost | **155,960** | 101,928 | 255,783 |
| | **₱437,496** | ₱395,236 | ₱505,969 |

The net retirement liability recognized in the statements of financial position follows:

| | **2022** | 2021 |
|---|---|---|
| At January 1 | **₱4,136,894** | ₱4,077,130 |
| Expense recognized in statements of comprehensive income: | | |
| Current service cost | **281,536** | 293,308 |
| Net interest cost | **155,960** | 101,928 |
| | **437,496** | 395,236 |
| Remeasurements in OCI | | |
| Actuarial changes arising from: | | |
| Changes in financial assumptions | **(385,185)** | (208,871) |
| Deviations of experience from assumptions | **(76,955)** | (126,601) |
| | **(462,140)** | (335,472) |
| At December 31 | **₱4,112,250** | ₱4,136,894 |

The movement in remeasurement gains (losses) on retirement follow:

| | 2022 | 2021 |
|---|---|---|
| At January 1 | **₱229,976** | (₱21,628) |
| Actuarial changes arising from: | | |
| Changes in financial assumptions | **385,185** | 208,871 |
| Deviations of experience from assumptions | **76,955** | 126,601 |
| Total remeasurement gains during the year | **462,140** | 335,472 |
| Income tax effect (Note 20) | **(115,535)** | (83,868) |
| Total remeasurement gains, net of tax | **346,605** | 251,604 |
| At December 31 | **₱576,581** | ₱229,976 |

The principal actuarial assumptions used in determining the retirement liability as of January 1, 2022 and 2021 are shown below:

| | 2022 | 2021 |
|---|---|---|
| Average remaining working life | **45 years** | 57 years |
| Discount rate | **3.77%** | 2.50% |
| Future salary increase | **3.50%** | 3.50% |

Discount rates in computing for the present value of the obligation of the Company as of December 31, 2022 and December 31, 2021 are 6.80% and 3.77%, respectively.

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:

| | | 2022 | 2021 |
|---|---|---|---|
| | **Possible fluctuations** | **Increase (decrease)** | **Increase (decrease)** |
| Discount rate | **+1.00%** | **(₱116,649)** | **(₱155,695)** |
| | **-1.00%** | **117,305** | **163,381** |
| Future salary increase | **+1.00%** | **124,351** | **162,212** |
| | **-1.00%** | **(129,067)** | **(157,578)** |
| Average period of service of employees | | **419** | – |
| | **+10.00%** | | |
| | **-10.00%** | **(419)** | – |

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

| | 2022 | 2021 |
|---|---|---|
| More than 1 year to 5 years | **₱5,594,299** | ₱5,754,531 |
| More than 5 years | **4,971,670** | – |
| | **₱10,565,969** | ₱5,754,531 |

The average duration of the defined benefit obligation at the end of the reporting period is estimated to be 8 years.

## 16. **Capital Stock**

The details of this account are shown below:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **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 ₱190.5 million as of December 31, 2022 and 2021, 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, 2022 | 603 |
| December 31, 2021 | 607 |
| December 31, 2020 | 611 |

Retained Earnings

After reconciling items, the retained earnings that is available for dividend declaration amounted to ₱4.46 billion as of and for the year ended December 31, 2022. 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, 2022 and 2021. To date, the Parent Company is not subject to any externally imposed capital requirements.

## 17. General and Administrative Expenses

This account consists of:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Salaries, wages and employee benefits | **₱5,947,027** | ₱5,890,263 | ₱4,276,781 |
| Taxes and licenses | **3,412,512** | 2,794,502 | 1,686,099 |
| Directors' fee | **2,722,222** | 2,908,547 | 2,666,667 |
| Professional fees | **1,986,156** | 1,345,000 | 1,791,073 |
| Depreciation and amortization (Notes 11 and 12) | **1,951,496** | 4,368,106 | 4,462,263 |
| Commission | **1,216,887** | 3,206,496 | 441,490 |
| Transportation and communication | **1,505,057** | 1,226,504 | 1,286,986 |
| Retirement expense (Note 15) | **437,496** | 395,236 | 505,969 |
| Entertainment, amusement and recreation (Note 20) | **311,913** | 410,906 | 536,923 |
| Rent and utilities | **75,975** | 151,055 | 60,750 |
| Repairs and maintenance | **455** | 56,756 | 34,951 |
| Others | **1,247,202** | 1,090,807 | 1,613,610 |
| | **₱20,814,398** | ₱23,844,178 | ₱19,363,562 |

Others include bank charges, office supplies, membership fees, training and seminar, periodicals and magazines, other insurance and other expenses.

## 18. Interest Income

This account consists of interest income from:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Financial assets at FVTPL (Note 8) | **₱184,757,716** | ₱181,118,979 | ₱263,199,889 |
| Cash and cash equivalents (Note 6) | **33,656,604** | 7,267,287 | 12,452,174 |
| | **₱218,414,320** | ₱188,386,266 | ₱275,652,063 |

## 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.

## 20. Income Taxes

Provision for (benefit from) income tax consists of:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Current: | | | |
| Final | **₱14,242,801** | ₱1,029,411 | ₱2,468,709 |
| MCIT | **85,693** | 746,476 | 994,978 |
| Impact of CREATE Act in CY2020 | – | (248,744) | – |
| | **14,328,494** | 1,527,143 | 3,463,687 |
| Deferred: | | | |
| Deferred income tax | **2,343,208** | 16,273,209 | 13,200,000 |
| Impact of CREATE Act in CY2020 | – | 1,849,822 | – |
| | **2,343,208** | 18,123,031 | 13,200,000 |
| | **₱16,671,702** | ₱19,650,174 | ₱16,663,687 |

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 ₱0.31 million, ₱0.41 million and ₱0.54 million in 2022, 2021 and 2020, 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, 2021, the Bureau of Internal Revenue (BIR) has issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 (b) 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 2021 and 2020 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, 2022 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, 2022.

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, 2021, 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, 2021 to June 30, 2024.

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, 2021. 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 liabilities of the Parent Company are as follows:

| | **2022** | 2021 |
|---|---|---|
| Deferred tax liability on: | | |
| Unrealized foreign exchange gain | **(₱9,096,501)** | (6,643,919) |
| Retirement liability obligation | **(470,069)** | (463,908) |
| Deferred tax liability | **(₱9,566,570)** | (₱7,107,827) |

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:

| | **2022** | 2021 |
|---|---|---|
| Allowance for impairment and credit losses | **₱4,229,041** | ₱4,229,041 |
| Accrued retirement costs | **4,112,251** | 4,136,894 |
| NOLCO | **12,592,210** | 9,691,821 |
| MCIT | **1,578,403** | 4,005,787 |
| | **₱23,551,905** | ₱22,063,543 |

Details of the Parent Company's NOLCO follow:

| Inception Year | Amount | Utilized/Expired | Balance | Expiry Year |
|---|---|---|---|---|
| 2022 | ₱2,900,389 | ₱– | ₱2,900,389 | 2025 |
| 2021 | 2,305,764 | – | 2,305,764 | 2026 |
| 2020 | 7,386,057 | – | 7,386,057 | 2025 |
| | ₱12,592,210 | ₱– | ₱12,592,210 | |

As of December 31, 2022, the MCIT that can be claimed as tax credit, with their corresponding expiry dates, are as follows:

| Year Incurred | Amount | Expired | Balance | Expiry Year |
|---|---|---|---|---|
| 2022 | ₱85,693 | ₱– | ₱85,693 | 2025 |
| 2021 | 497,732 | – | 497,732 | 2024 |
| 2020 | 994,978 | – | 994,978 | 2023 |
| 2019 | 1,303,405 | 1,303,405 | – | 2022 |
| | ₱2,881,808 | ₱1,303,405 | ₱1,578,403 | |

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:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Statutory income tax | **(₱43,482,371)** | ₱76,286,978 | ₱99,516,048 |
| Impact of CREATE | – | 1,601,078 | – |
| Non-taxable income | **103,409,504** | (19,893,908) | (18,704,863) |
| Tax-paid income | **(40,360,779)** | (39,139,705) | (73,909,099) |
| Tax-exempt income | **(5,864,838)** | (248,419) | (1,515,715) |
| Nondeductible expenses | **109,374** | 434,806 | 8,066,521 |
| Change in unrecognized deferred tax assets | **2,775,119** | 3,065,025 | 2,215,817 |
| Excess of MCIT over RCIT | **85,693** | 746,476 | 994,978 |
| Effective income tax | **₱16,671,702** | ₱19,650,174 | ₱16,663,687 |

## 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.

| | **2022** | | |
|---|---|---|---|
| | **Amount/ Volume** | **Outstanding Balance** | **Nature, Terms and Conditions** |
| **Directors and Other Key Management Personnel (Other Related Parties)** | | | |
| Directors' fees | **₱2,722,222** | **₱–** | Per diem and annual fees of Directors |

| | 2021 | | |
|---|---|---|---|
| | Amount/ Volume | Outstanding Balance | Nature, Terms and Conditions |
| Directors and Other Key Management Personnel (Other Related Parties) | | | |
| Directors' fees | ₱2,908,548 | ₱– | Per diem and annual fees of Directors |

*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 2022 and 2021, 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 2022 and 2021. Post-employment benefits amounted to ₱0.40 million and ₱0.51 million in 2022 and 2021, respectively (see 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, 2022 and 2021are as follows:

| | **2022** | 2021 |
|---|---|---|
| Within one year | **₱2,865,120** | ₱2,865,120 |
| After one year but not more than five years | **5,730,240** | 5,730,240 |
| | **₱8,595,360** | ₱8,595,360 |

In 2022 and 2021, the Parent Company did not recognize rental income from these leases. On November 26, 2022, the Board of Directors of the Parent Company approved the extension of grant of rent concessions to Vantage Financial Corporation in the form of rent forgiveness from January to December 2022 in response to the COVID-19 pandemic.

## 23. Notes Payable

In 2022, the Company 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:

| | 2022 |
|---|---|
| Loans outstanding at beginning of year | ₱– |
| Loan availments | 2,000,000,000 |
| Loan payments | (2,000,000,000) |
| Loans outstanding at end of year | ₱– |

Interest expense incurred on short-term loans amounted to ₱6.32 million and ₱0.79 million and nil in 2022, 2021 and 2020, respectively.

## 24. Segment Reporting

The Parent has one operating segment. The table below analyzes the Parent Company's revenue streams per investment type:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Financial asset at FVTPL | **(₱231,996,625)** | ₱237,600,001 | ₱333,465,285 |
| Cash and cash equivalents | **33,656,604** | 7,267,286 | 12,452,174 |
| | **(₱198,340,021)** | ₱244,867,287 | ₱345,917,459 |

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 2022, 2021 and 2020.

## 25. 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:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Net income | **(₱190,601,188)** | ₱285,497,738 | ₱315,056,472 |
| Outstanding number of common shares (Note 16) | **4,199,582,266** | 4,199,582,266 | 4,199,582,266 |
| | **(₱0.0454)** | ₱0.0680 | ₱0.0750 |

There were no potential dilutive common shares for the years ended December 31, 2022, 2021 and 2020.

## 26. 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 April 28, 2023.

## 27. 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, the Company does not have vatable revenue in 2022.

Movements in input VAT in 2022 are as follows:

| | Amount |
|---|---|
| Beginning of the year | ₱– |
| Current year's domestic purchase of services | 498,964 |
| | 498,964 |
| Deferred input VAT applied | 53,486 |
| Claims for tax credit/refund and other adjustments | 72,835 |
| Ending balance | ₱625,285 |

Taxes and Licenses
In 2022, the Parent Company reported and/or paid the following taxes and licenses fees under ‘General and Administrative Expenses’ in profit or loss in the statement of comprehensive income:

| | Amount |
|---|---|
| Stock transfer tax | ₱2,002,753 |
| Documentary stamp tax | 637,216 |
| Municipal permits | 389,539 |
| Community Tax | 10,500 |
| Registration/License fee | 500 |
| Other taxes | 372,004 |
| | ₱3,412,512 |

Withholding Taxes
As of December 31, 2022, total remittances and balance of withholding taxes follow:

| | Total Remittances | Balance |
|---|---|---|
| Withholding taxes on compensation and benefits | ₱1,212,220 | ₱147,881 |
| Expanded withholding taxes | 476,818 | 140,541 |
| Ending balance | ₱1,689,038 | ₱288,422 |

Tax Assessments and Cases
In 2022, 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.

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

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Fax: (632) 8819 0872
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## 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, 2022 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 28, 2023. 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.

SYCIP GORRES VELAYO & CO.

Juan Carlo Maminta

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. 9564655, January 3, 2023, Makati City

April 28, 2023

Janice Arengo <janice.arengo@e-businessphil.ph>

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To: JANICE.ARENGO@e-businessphil.ph
Cc: RAMILITO.CABATBAT@e-businessphil.com

Hi VANTAGE EQUITIES, INC. ,

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Transaction Code: **AFS-0-41XQS1Y0F5F956BQ14WSTNZ02TR32VXR**
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Company TIN: **002-010-620**

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**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, 2022 and 2021, 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, 2022, 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 December31,2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

**Basis for Opinion**

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *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, 2022, 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, 2022 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 companyfinancial 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 companyfinancial 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 27 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 Maminta

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)
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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. 9564655, January 3, 2023, Makati City

April 28, 2023

VANTAGE
EQUITIES, INC.

**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, 2022. 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 | | |
| **VALENTINO C. SY** | **EDMUNDO MARCO P. BUNYI JR** | **JOSEPH L. ONG** |
| Chairman | Vice Chairman/CEO | Treasurer |
| CTC No.: | CTC No.: | CTC No.: |
| TIN: 122-335-536 | TIN: 107-184-956 | TIN: 108-789-427 |

Signed this APR 28 2023 day of April 2023.

APR 28 2023 CITY OF MANILA

**SUBSCRIBED AND SWORN** to me before this ________ at ________, affiants exhibiting to me their Community Tax Certificates.

Doc. No. 334
Page No. 68
Book No. VI
Series of 2023.

ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF MANILA
APPOINTMENT 087/12/31/2023 MANILA
IBP NO. 181139 / 01/03/2023
PTR NO. 0861145 / 01/03/2023
ROLL NO. 29679, TIN NO. 172-528-620
MCLE COMP. NO. VII-0000165 VALID UNTIL APRIL 14, 2025
1411 TAYUMAN ST., STA. CRUZ, MANILA

## VANTAGE EQUITIES, INC.
## PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | **2022** | 2021 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 6) | **₱2,286,741,968** | ₱1,288,595,538 |
| Receivables (Note 7) | **36,813,392** | 36,387,445 |
| Financial assets at fair value through profit or loss (Note 8) | **5,840,963,416** | 7,031,645,574 |
| Prepaid expenses and other current assets | **779,281** | 2,646,927 |
| Total Current Assets | **8,165,298,057** | 8,359,275,484 |
| **Noncurrent Assets** | | |
| Investments in subsidiaries (Note 10) | **432,761,231** | 432,761,238 |
| Property and equipment (Note 11) | **37,177,233** | 39,128,729 |
| Other noncurrent assets (Note 12) | **333,529** | 498,223 |
| Total Noncurrent Assets | **470,271,993** | 472,388,190 |
| | **₱8,635,570,050** | ₱8,831,663,674 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accrued expenses and other current liabilities (Note 14) | **₱9,592,650** | ₱11,742,286 |
| Derivative liabilities (Note 8) | **3,599,150** | 9,176,000 |
| Income tax payable | **85,693** | 632,347 |
| Total Current Liabilities | **13,277,493** | 21,550,633 |
| **Noncurrent Liability** | | |
| Retirement liability (Note 15) | **4,112,250** | 4,136,894 |
| Deferred tax liabilities (Note 20) | **9,566,570** | 7,107,827 |
| Total Noncurrent Liabilities | **13,678,820** | 11,244,721 |
| Total Liabilities | **26,956,313** | 32,795,354 |
| **Equity** | | |
| Capital stock (Note 16) | **4,335,181,766** | 4,335,181,766 |
| Treasury stock (Note 16) | **(190,460,934)** | (190,460,934) |
| Retained earnings | **4,463,316,324** | 4,653,917,512 |
| Remeasurement gains on retirement plan (Note 15) | **576,581** | 229,976 |
| Total Equity | **8,608,613,737** | 8,798,868,320 |
| | **₱8,635,570,050** | ₱8,831,663,674 |

*See accompanying Notes to Parent Company Financial Statements.*

## VANTAGE EQUITIES, INC.
## PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| **TRADING AND INVESTMENT SECURITIES GAINS (LOSSES) - NET** (Note 8) | **(₱440,213,693)** | ₱48,551,092 | ₱67,049,437 |
| **INTEREST INCOME** (Note 18) | **218,414,320** | 188,386,266 | 275,652,063 |
| **INCOME FROM BUSINESS PARTNER** (Note 19) | **–** | 42,903,215 | – |
| **REALIZED FOREIGN EXCHANGE GAIN** (Note 9) | **15,364,496** | 15,459,396 | 30,492,708 |
| **UNREALIZED FOREIGN EXCHANGE GAINS (LOSSES)** (Note 9) | **36,386,005** | 26,575,676 | (25,798,237) |
| **DIVIDEND INCOME** (Note 8) | **23,459,352** | 7,929,930 | 3,215,959 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** (Note 17) | **(20,814,398)** | (23,844,178) | (19,363,562) |
| **OTHER GAINS (LOSSES) - NET** | **(6,525,568)** | (813,485) | 471,791 |
| **INCOME BEFORE INCOME TAX** | **(173,929,486)** | 305,147,912 | 331,720,159 |
| **PROVISION FOR INCOME TAX** (Note 20) | **16,671,702** | 19,650,174 | 16,663,687 |
| **NET INCOME (LOSS)** | **(190,601,188)** | 285,497,738 | 315,056,472 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| *Item that will not recycle to profit or loss in subsequent periods:* | | | |
| Remeasurement gains on retirement plan – net (Note 15) | **346,605** | 251,604 | 1,117,314 |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | **(₱190,254,583)** | ₱285,749,342 | ₱316,173,786 |
| **EARNINGS PER SHARE** (Note 25) | **(₱0.0454)** | ₱0.0680 | ₱0.0750 |

*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** |
|---|---|---|---|---|---|
| **Balance at January 1, 2022** | **₱4,335,181,766** | **(₱190,460,934)** | **₱4,653,917,512** | **₱229,976** | **₱8,798,868,320** |
| Total comprehensive loss for the year | – | – | **(190,601,188)** | **346,605** | **(190,254,583)** |
| **Balance at December 31, 2022** | **₱4,335,181,766** | **(₱190,460,934)** | **₱4,463,316,324** | **₱576,581** | **₱8,608,613,737** |
| Balance at January 1, 2021 | ₱4,335,181,766 | (₱190,460,934) | ₱4,368,419,774 | (₱21,628) | ₱8,513,118,978 |
| Total comprehensive income for the year | – | – | 285,497,738 | 251,604 | 285,749,342 |
| Balance at December 31, 2021 | ₱4,335,181,766 | (₱190,460,934) | ₱4,653,917,512 | ₱229,976 | ₱8,798,868,320 |
| 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 income 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 |

*See accompanying Notes to Parent Company Financial Statements.*

# VANTAGE EQUITIES, INC.
# PARENT COMPANY STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income (loss) before income tax | **(₱173,929,486)** | ₱305,147,912 | ₱331,720,159 |
| Adjustments for: | | | |
| Interest income (Note 18) | **(218,414,320)** | (188,386,266) | (275,652,063) |
| Unrealized foreign exchange loss (gain) (Note 9) | **(36,386,005)** | (26,575,676) | 25,798,237 |
| Dividend income (Note 8) | **(23,459,352)** | (7,929,930) | (3,215,959) |
| Unrealized market valuation loss (gain) on financial instruments at fair value through profit or loss (Note 8) | **450,416,307** | 2,523,076 | (3,056,702) |
| Depreciation and amortization (Notes 11) | **1,951,496** | 4,368,106 | 4,462,263 |
| Retirement costs (Note 15) | **437,496** | 395,236 | 505,969 |
| Operating income before working capital changes | **616,136** | 89,542,458 | 80,561,904 |
| Decrease (increase) in: | | | |
| Receivables | **3,808,647** | 15,770,587 | 45,768,019 |
| Financial assets at fair value through profit or loss | **740,265,851** | (287,265,852) | 102,825,493 |
| Prepaid expenses and other current assets | **1,867,653** | 413,290 | 1,772,488 |
| Other noncurrent assets | **164,694** | – | – |
| Increase (decrease) in accrued expenses and other current liabilities | **(7,726,486)** | 9,197,099 | (57,751,007) |
| Net cash generated from (used in) operations | **738,996,495** | (172,342,418) | 173,176,897 |
| Interest received | **214,203,846** | 182,052,527 | 268,210,525 |
| Dividends received (Note 8) | **23,435,232** | 7,929,930 | 3,215,959 |
| Income tax paid | **(14,875,148)** | (1,428,322) | (3,857,426) |
| Net cash provided by operating activities | **961,760,425** | 16,211,717 | 440,745,955 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment (Note 11) | – | – | (95,999) |
| Acquisition of investment in subsidiary (Note 10) | – | – | – |
| Net cash provided by investing activities | – | – | (95,999) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from notes payable (Note 23) | **2,000,000,000** | 350,000,000 | – |
| Payment of notes payable (Note 23) | **(2,000,000,000)** | (350,000,000) | – |
| Net cash provided by (used in) financing activities | – | – | – |
| **EFFECT OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS** | **36,386,005** | 16,880,176 | (25,865,737) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **998,146,430** | 33,091,893 | 414,784,219 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **1,288,595,538** | 1,255,503,645 | 840,719,426 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 6) | **₱2,286,741,968** | ₱1,288,595,538 | ₱1,255,503,645 |

*See accompanying Notes to Parent Company Financial Statements.*

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) 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 2022. 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 financial statements of the Parent Company.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the 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*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

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 2022, 2021 and 2020, 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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, 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, 2022 and 2021.

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, 2022 and December 31, 2021, 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 unlikeliness 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 preciously 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 is 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 |

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 upon signing of the agreement.

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 financial statements.

*Effective beginning on or after January 1, 2023*

- 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, 2024*

- 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, 2025*

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

*Effective beginning on or after January 1, 2026*

- 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*

## 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, 2022 and 2021 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, 2022 and 2021 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, 2022 and 2021 are disclosed in Note 4, while the related ECL allowances for credit losses are disclosed in Note 7.

## 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, 2022 and 2021, 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 and are assessed for impairment based on its lifetime ECL. The allowance for credit losses amounting ₱4.01 million as of December 31, 2022 and 2021 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, 2022 and 2021. The amounts presented are gross of impairment allowances.

| | 2022 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Neither past due nor impaired** | | | | |
| Grade A | | | | |
| Cash and cash equivalents* | **₱2,286,736,968** | **₱–** | **₱–** | **₱2,286,736,968** |
| Accrued interest receivable | – | **34,740,712** | – | **34,740,712** |
| Financial assets at fair value through profit or loss | **5,840,963,416** | – | – | **5,840,963,416** |
| Grade B | | | | |
| Trade receivable | – | **4,595,861** | – | **4,595,861** |
| Other receivables | – | **1,244,133** | – | **1,244,133** |
| Deposits (included in "Other noncurrent assets") | **313,517** | – | – | **313,517** |
| Grade C | | | | |
| **Impaired** | | | | |
| Trade receivable | – | – | **4,006,626** | **4,006,626** |
| | **₱8,128,013,901** | **₱40,580,706** | **₱4,006,626** | **₱8,172,601,233** |

**Excludes cash on hand*

| | 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*

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.

| | **2022** | | | |
|---|---|---|---|---|
| | **Grade A** | **Grade B** | **Grade C** | **Total** |
| Cash and cash equivalents* | **₱ 2,286,736,968** | **₱–** | **₱–** | **₱ 2,286,736,968** |
| Receivables: | | | | |
| Trade receivables | – | **4,595,861** | – | **4,595,861** |
| Due from broker | – | – | – | – |
| Interest receivable | – | **34,740,712** | – | **34,740,712** |
| Receivable from sale of investment | – | – | – | – |
| Others | – | **1,244,133** | – | **1,244,133** |
| FVTPL investments: | | | | |
| Corporate bonds | **941,384,395** | – | – | **941,384,395** |
| Government bonds | **3,344,886,436** | – | – | **3,344,886,436** |
| Mutual funds | **948,255,083** | – | – | **948,255,083** |
| Equity securities | **606,437,502** | – | – | **606,437,502** |
| Derivative assets | – | – | – | – |
| Deposits (included in "Other noncurrent assets") | – | **313,517** | – | **313,517** |
| | **₱8,127,700,384** | **₱40,894,223** | **₱–** | **₱8,168,594,607** |

**Excludes cash on hand*

| | 2021 | | | |
|---|---|---|---|---|
| | Grade A | Grade B | Grade C | Total |
| 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 |
| | ₱8,350,766,350 | ₱2,693,475 | ₱– | ₱8,353,459,825 |

**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.

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **On Demand** | **Less than 3 Months** | **3 to 12 Months** | **1 to 5 years** | **More than 5 years** | **Total** |
| ***Financial Assets*** | | | | | | |
| Cash and cash equivalents | **₱623,241,968** | **₱1,666,675,594** | **₱–** | **₱–** | **₱–** | **₱2,289,917,562** |
| Receivables: | | | | | | |
| Trade receivables | **4,595,861** | – | – | – | – | **4,595,861** |
| Due from broker | – | - | – | – | – | – |
| Interest receivables | – | **34,740,712** | – | – | – | **34,740,712** |
| Other receivables | – | **1,244,133** | – | – | – | **1,244,133** |
| FVTPL investment: | | | | | | |
| Quoted: | | | | | | |
| Mutual funds | **948,255,083** | – | – | – | – | **948,255,083** |
| Equity securities | **606,437,502** | – | – | – | – | **606,437,502** |

*(Forward)*

| | **2022** | | | | | |
|---|---|---|---|---|---|---|
| | **On Demand** | **Less than 3 Months** | **3 to 12 Months** | **1 to 5 years** | **More than 5 years** | **Total** |
| Government bonds* | **₱–** | **₱194,804,357** | **₱3,268,953,256** | **₱–** | **₱–** | **₱3,463,757,613** |
| Corporate bonds* | **–** | **75,386,730** | **2,157,501,447** | **–** | **–** | **2,232,888,177** |
| Deposits (included in 'Other noncurrent assets') | **–** | **–** | **313,517** | **–** | **–** | **313,517** |
| | **₱2,182,530,414** | **₱1,972,851,526** | **₱5,426,768,220** | **₱–** | **₱–** | **₱9,582,150,160** |
| ***Financial Liabilities*** | | | | | | |
| Accrued expenses and other liabilities: | | | | | | |
| Accrued expenses | **₱–** | **₱7,835,461** | **₱–** | **₱–** | **₱–** | **₱7,835,461** |
| Accounts payable | **–** | **–** | **–** | **–** | **–** | **–** |
| Derivative liabilities | **–** | **3,599,150** | **–** | **–** | **–** | **3,599,150** |
| Others | **–** | **1,449,524** | **–** | **–** | **–** | **1,449,524** |
| | **₱–** | **₱12,884,135** | **₱–** | **₱–** | **₱–** | **₱12,884,135** |

**Includes accrued interest receivable, and future interest*

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | Less than 3 Months | 3 to 12 Months | 1 to 5 years | More than 5 years | Total |
| *Financial Assets* | | | | | | |
| 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 |
| Receivable from related party | – | 30,530,238 | – | – | – | 30,530,238 |
| Interest receivables | – | 1,582,941 | – | – | – | 1,582,941 |
| Receivable from sale of investment | | | | | | |
| Other receivables | | | | | | |
| 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 | – | – | 2,279,951,684 |
| 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 | ₱414,082,368 | ₱5,125,637,850 | ₱– | ₱– | ₱8,526,879,703 |
| *Financial Liabilities* | | | | | | |
| 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*

*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:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| Cash and cash equivalents | **$405,290** | **₱22,596,926** | $1,646,092 | ₱83,949,037 |
| Financial assets at FVTPL - debt | **8,442,392** | **470,705,566** | 10,022,834 | 511,154,511 |
| Accrued interest receivable | **118,631** | **6,614,266** | 151,649 | 7,733,936 |
| Accounts receivable - others | **16,095** | **897,393** | 46,416 | 2,367,160 |
| | **8,982,408** | **500,814,151** | 11,866,990 | 605,204,644 |
| Currency forwards | **(7,950,000)** | **(443,252,250)** | (13,000,000) | (662,987,000) |
| Net exposure | **$1,032,408** | **₱57,561,901** | ($1,133,010) | (₱57,782,356) |

In translating the foreign currency denominated assets and liabilities into peso amounts, the exchange rate used was ₱55.755 to US$1 and ₱50.999 to US$1 as of December 31, 2022 and 2021.

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.

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **Change in Foreign Exchange Rate** | **Effect on Income before tax** | Change in Foreign Exchange Rate | Effect on Income before tax |
| **Increase** | +0.90% | **(803,644)** | +0.90% | ₱747,201 |
| **Decrease** | -0.90% | **803,644** | -0.90% | (747,201) |

*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).

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **% Variance on Equity Price** | **Effect on Equity** | % Variance on Equity Price | Effect on Equity |
| Increase | **14.137%** | **₱82,316,651** | 12.637% | ₱94,516,002 |
| Decrease | **-14.137%** | **(82,316,651)** | -12.637% | (94,516,002) |

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, 2022 and 2021with 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.

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **% Variance on net asset value** | **Effect on Equity** | % Variance on net asset value | Effect on Equity |
| Increase | **14.137%** | **₱114,959,938** | 12.637% | ₱110,269,138 |
| Decrease | **-14.137%** | **(114,959,938)** | -12.637% | (110,269,138) |

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, 2022 and 2021

| | **2022** | 2021 |
|---|---|---|
| *Basis points* | **Effect on Pre-Tax Equity** | Effect on Pre-Tax Equity |
| +100 | **(₱107,543,446)** | (₱88,256,186) |
| -100 | **113,180,013** | 94,784,508 |

As of December 31, 2022 and 2021, 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 2022 and 2021. For the Parent Company's fixed income investments, fair values are determined based on BVAL reference rates for 2022 and 2021, 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, 2022 and 2021 follows:

| | **2022** | | | | |
|---|---|---|---|---|---|
| | **Carrying Amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ***Financial assets*** | | | | | |
| Financial assets at FVTPL: | | | | | |
| Corporate bonds | **₱941,384,395** | **₱941,384,395** | **–** | **–** | **₱941,384,395** |
| Government bonds | **3,344,886,436** | **3,344,886,436** | **–** | **–** | **3,344,886,436** |
| Mutual funds | **948,255,083** | **–** | **948,255,083** | **–** | **948,255,083** |
| Equity securities | **606,437,502** | **606,437,502** | **–** | **–** | **606,437,502** |
| | **₱5,840,963,416** | **₱4,892,708,333** | **948,255,083** | **–** | **₱5,840,963,416** |
| ***Financial liability*** | | | | | |
| Derivative liability | **₱3,599,150** | **₱–** | **₱3,599,150** | **₱–** | **₱ 3,599,150** |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Level 1 | Level 2 | Level 3 | Total |
| *Financial assets* | | | | | |
| 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 |
| Derivative assets | | | – | | |
| | ₱7,031,645,574 | ₱6,007,670,507 | ₱1,023,975,067 | – | ₱7,031,645,574 |
| *Financial liability* | | | | | |
| Derivative liability | ₱9,176,000 | ₱– | ₱9,176,000 | ₱– | ₱9,176,000 |

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, 2022 and 2021, there are transfers into and out of Level 1, Level 2 and Level 3 fair value hierarchy.

## 6. Cash and Cash Equivalents

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Cash on hand | **₱5,000** | ₱5,000 |
| Cash in banks | **623,236,968** | 954,455,306 |
| Cash equivalents | **1,663,500,000** | 334,135,232 |
| | **₱2,286,741,968** | ₱1,288,595,538 |

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.

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Philippine peso | **0.15%-5.50%** | 0.25%-0.75% | 0.25% - 3.50% |
| US dollar | **0.03%-1.60%** | 0.13%-0.63% | 0.13% - 1.25% |

In 2022, 2021 and 2020, interest income from cash and cash equivalents amounted to ₱33.66 million, ₱7.27 million and ₱12.45 million, respectively (see Note 18).

## 7. Receivables

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Accrued interest receivable | **₱34,740,712** | ₱30,530,238 |
| Trade receivables | **4,595,861** | 6,065,628 |
| Due from broker | **–** | 2,215,264 |
| Other receivables | **1,483,445** | 1,582,941 |
| | **40,820,018** | 40,394,071 |
| Less: Allowance for impairment and credit losses (Note 13) | **(4,006,626)** | (4,006,626) |
| | **₱36,813,392** | ₱36,387,445 |

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.

As of December 31, 2022 and 2021, receivables amounting to ₱4.01 million are fully provided and carried at Stage 3. There are no transfers into and out of Stage 3 in 2022 and 2021.

## 8. Investment Securities

Financial Assets at Fair Value through Profit or Loss
This account consists of the following:

| | **2022** | 2021 |
|---|---|---|
| Corporate bonds | **₱941,384,395** | ₱2,812,947,926 |
| Government bonds | **3,344,886,436** | 2,192,059,097 |
| Mutual funds | **948,255,083** | 1,023,975,067 |
| Equities | **606,437,502** | 1,002,663,484 |
| | **₱5,840,963,416** | ₱7,031,645,574 |

Corporate Bonds
Corporate bonds include peso-denominated securities which earn interest ranging from 3.20% to 6.37%, 2.00% to 5.10% and 2.50% to 6.00% in December 31, 2022, 2021 and 2020, respectively. It also includes dollar-denominated securities with interest rates ranging from 2.13% to 4.75%, 2.13% to 7.38% and 3.28% to 7.38% in December 31, 2022, 2021 and 2020, respectively.

Government Bonds
Government bonds include peso-denominated securities which earn interest ranging from 3.38% to 8.13%, in 2022, and 1.90% to 5.50% in 2021 and 2020, respectively. It also includes dollar-denominated bonds with interest rates ranging from ranging from 2.13% to 4.10%, in 2022 and 3.75% to 4.10% in 2021 and 2020, respectively.

Mutual Funds
Mutual funds represent investment in shares and units of:

| | **2022** | 2021 |
|---|---|---|
| Philequity Fund, Inc. (PEFI) | **₱558,646,243** | ₱598,305,178 |
| Philequity Dividend Yield Fund, Inc. (PDYF) | **144,942,981** | 164,567,207 |
| Philequity Balanced Fund, Inc. (PBF) | **30,195,561** | 31,067,500 |
| Philequity Foreign Currency Fixed Income Fund, Inc. (PFCFF) | **30,082,803** | 30,895,000 |
| Philequity PSE Index Fund, Inc. (PPSE) | **124,345,176** | 133,268,066 |
| Philequity Alpha One Fund, Inc. (PAOF) | **60,042,319** | 65,872,116 |
| | **₱948,255,083** | ₱1,023,975,067 |

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

| | **2022** | 2021 |
|---|---|---|
| Beginning | **₱1,023,975,067** | ₱932,927,840 |
| Subscription | **–** | 50,000,000 |
| Revaluation | **(75,719,984)** | 41,047,227 |
| | **₱948,255,083** | ₱1,023,975,067 |

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 ₱23.46 million, ₱7.93 million and ₱3.22 million in 2022, 2021and 2020, respectively.

Derivative Assets
As of December 31, 2022 and 2021, 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$7.95 million and US$13.00 million as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the weighted average forward contract rate is ₱55.63 to US$1 and ₱50.52 to US$1, respectively. The Parent Company is in a sell US dollar position as of December 31, 2022 and 2021.

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

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Balance at beginning of year: | | | |
| Derivative assets | **₱–** | ₱519,500 | ₱909,000 |
| Derivative liabilities | **(9,176,000)** | – | (322,000) |
| | **(9,176,000)** | 519,500 | 587,000 |
| Fair value changes | **(115,246,357)** | 5,410,693 | 36,599,345 |
| Settled transactions | **120,823,207** | 4,284,807 | (36,531,845) |
| | **5,576,850** | 9,695,500 | 67,500 |
| Balance at end of year: | | | |
| Derivative assets | **–** | – | 519,500 |
| Derivative liabilities | **(3,599,150)** | (9,176,000) | – |
| | **(₱3,599,150)** | (₱9,176,000) | ₱519,500 |

The net fair value changes on the Parent Company's currency forward contracts amounting to ₱115.25 million, ₱5.41 million and ₱36.60 million in 2022, 2021 and 2020, respectively, are recognized in 'Unrealized foreign exchange gain/loss' in profit or loss in the parent company statement of comprehensive income.

Interest Income on Financial Assets at FVTPL

In 2022, 2021 and 2020 interest income, from financial assets at FVTPL amounted to ₱184.76 million, ₱181.12 million and ₱263.20 million, respectively (see Note 18).

Trading and investment securities gains (losses) from financial assets at FVTPL consists of:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Realized gain (loss) from sale of: | | | |
| Bonds | **₱1,422,173** | ₱35,864,312 | ₱64,683,179 |
| Equity securities | **8,780,441** | 15,209,856 | (690,444) |
| | **₱10,202,614** | ₱51,074,168 | ₱63,992,735 |
| Changes in fair value of: | | | |
| Bonds | **(199,816,949)** | (133,643,417) | 65,416,338 |
| Equity securities | **(174,879,374)** | 90,073,113 | 7,781,136 |
| Mutual funds | **(75,719,984)** | 41,047,228 | (70,140,772) |
| | **(450,416,307)** | (2,523,076) | 3,056,702 |
| | **(₱440,213,693)** | ₱48,551,092 | ₱67,049,437 |

## 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:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| **Realized Foreign Exchange Gain (Loss)** | | | |
| Derivative assets (Note 8) | **(₱120,823,207)** | (₱4,284,807) | ₱36,531,845 |
| Currency trading | **136,187,703** | 19,744,203 | (6,039,137) |
| | **15,364,496** | ₱15,459,396 | ₱30,492,708 |
| **Unrealized Foreign Exchange Gain (Loss)** | | | |
| Cash and cash equivalents | **39,985,155** | ₱16,880,176 | (₱25,865,737) |
| Derivative assets (Note 8) | **(3,599,150)** | 9,695,500 | 67,500 |
| | **₱36,386,005** | ₱26,575,676 | (₱25,798,237) |

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, 2022 and 2021, the Parent Company has investments in the following subsidiaries, which are accounted for under the cost method of accounting:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **% of Ownership** | **Acquisition Cost** | % of Ownership | Acquisition Cost |
| Philequity MSCI Index Fund, Inc (PMIF) | **68.15** | **₱250,649,993** | 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 |
| | | **₱432,761,231** | | ₱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, 2022 and 2021, the Parent Company owns 250,618,397 common shares (with a par value of ₱1.00 per share) or 68.15% and 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, 2022 and 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, 2022 and 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, 2022 and 2021, 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, 2022, 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, 2022, 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, 2022.

In 2022 and 2021, 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, 2022 and 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, 2022.

In 2022 and 2021, 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:

| | **2022** | | | |
|---|---|---|---|---|
| | **Office Condominium and Improvements** | **Furniture, Fixtures and Equipment** | **Transportation Equipment** | **Total** |
| **Cost** | | | | |
| Balance at beginning of year | **₱52,696,797** | **₱27,901,228** | **₱14,281,523** | **₱94,879,548** |
| Balance at end of year | **52,696,797** | **27,901,228** | **14,281,523** | **94,879,548** |
| **Accumulated Depreciation** | | | | |
| Balance at beginning of year | **14,057,406** | **27,899,059** | **13,794,354** | **55,750,819** |
| Depreciation (Note 17) | **1,462,158** | **2,169** | **487,169** | **1,951,496** |
| Balance at end of year | **15,519,564** | **27,901,228** | **14,281,523** | **57,702,315** |
| **Net Book Value** | **₱37,177,233** | **₱–** | **₱–** | **₱37,177,233** |

| | 2021 | | | |
|---|---|---|---|---|
| | Office Condominium and Improvements | Furniture, Fixtures and Equipment | Transportation Equipment | Total |
| Cost | | | | |
| 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 |
| Accumulated Depreciation | | | | |
| 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 |
| Net Book Value | ₱38,639,391 | ₱2,169 | ₱487,169 | ₱39,128,729 |

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, 2022 and 2021, the cost of fully depreciated assets still being used in operations amounted to ₱42.18 million and ₱37.96 million, respectively.

## 12. Other Noncurrent Assets

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Deposits | **₱313,517** | ₱478,211 |
| Other assets | **242,427** | 242,427 |
| | **555,944** | 720,638 |
| Less: Allowance for impairment and credit losses (Note 13) | **222,415** | 222,415 |
| | **₱333,529** | ₱498,223 |

## 13. Allowance for Impairment and Credit Losses

Allowance for impairment and credit losses is as follows:

| | **2022** | 2021 |
|---|---|---|
| Trade receivables (Note 7) | **₱4,006,626** | ₱4,006,626 |
| Other non-current assets (Note 12) | **222,415** | 222,415 |
| | **₱4,229,041** | ₱4,229,041 |

In 2022 and 2021, receivables and other non-current assets amounting to ₱4.23 million were carried at stage 3. There were no transfers into and out of stage 3.

The rollforward analysis of allowance for credit losses for 2022 and 2021 follow:

| | | **2022** | |
|---|---|---|---|
| | **Receivables** | **Other Non-current Assets** | **Total** |
| Balance at January 1 and December 31 | **₱4,006,626** | **₱222,415** | **₱4,229,041** |

| | | 2021 | |
|---|---|---|---|
| | Receivables | Other Non-current Assets | Total |
| Balance at January 1 | ₱68,472,723 | ₱222,415 | ₱68,695,138 |
| Write-off | (64,466,097) | – | (64,466,097) |
| Balance at December 31 | ₱4,006,626 | ₱222,415 | ₱4,229,041 |

## 14. Accrued Expenses and Other Current Liabilities

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Financial: | | |
| Accounts payable | **₱–** | ₱1,198,771 |
| Accrued expenses | **7,835,461** | 4,535,885 |
| Others | **1,449,524** | 1,970,276 |
| | **9,284,985** | 7,704,932 |
| Nonfinancial: | | |
| Output value-added tax | **₱–** | ₱– |
| Deferred output value-added tax | – | 2,695,488 |
| Sundry credits | – | 934,478 |
| Withholding taxes | **288,422** | 407,388 |
| Others | **19,243** | – |
| | **307,665** | 4,037,354 |
| | **₱9,592,650** | ₱11,742,286 |

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.

## 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, 2022.

Retirement expense included under 'General and administrative expenses' recognized in profit or loss in the statements of comprehensive income follow:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Service cost | **₱281,536** | ₱293,308 | ₱250,186 |
| Net interest cost | **155,960** | 101,928 | 255,783 |
| | **₱437,496** | ₱395,236 | ₱505,969 |

The net retirement liability recognized in the statements of financial position follows:

| | **2022** | 2021 |
|---|---|---|
| At January 1 | **₱4,136,894** | ₱4,077,130 |
| Expense recognized in statements of comprehensive income: | | |
| Current service cost | **281,536** | 293,308 |
| Net interest cost | **155,960** | 101,928 |
| | **437,496** | 395,236 |
| Remeasurements in OCI | | |
| Actuarial changes arising from: | | |
| Changes in financial assumptions | **(385,185)** | (208,871) |
| Deviations of experience from assumptions | **(76,955)** | (126,601) |
| | **(462,140)** | (335,472) |
| At December 31 | **₱4,112,250** | ₱4,136,894 |

The movement in remeasurement gains (losses) on retirement follow:

| | **2022** | 2021 |
|---|---|---|
| At January 1 | **₱229,976** | (₱21,628) |
| Actuarial changes arising from: | | |
| Changes in financial assumptions | **385,185** | 208,871 |
| Deviations of experience from assumptions | **76,955** | 126,601 |
| Total remeasurement gains during the year | **462,140** | 335,472 |
| Income tax effect (Note 20) | **(115,535)** | (83,868) |
| Total remeasurement gains, net of tax | **346,605** | 251,604 |
| At December 31 | **₱576,581** | ₱229,976 |

The principal actuarial assumptions used in determining the retirement liability as of January 1, 2022 and 2021 are shown below:

| | **2022** | 2021 |
|---|---|---|
| Average remaining working life | **45 years** | 57 years |
| Discount rate | **3.77%** | 2.50% |
| Future salary increase | **3.50%** | 3.50% |

Discount rates in computing for the present value of the obligation of the Company as of December 31, 2022 and December 31, 2021 are 6.80% and 3.77%, respectively.

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:

| | | **2022** | **2021** |
|---|---|---|---|
| | **Possible fluctuations** | **Increase (decrease)** | **Increase (decrease)** |
| Discount rate | **+1.00%** | **(₱116,649)** | **(₱155,695)** |
| | **-1.00%** | **117,305** | **163,381** |
| Future salary increase | **+1.00%** | **124,351** | **162,212** |
| | **-1.00%** | **(129,067)** | **(157,578)** |
| Average period of service of employees | **+10.00%** | **419** | – |
| | **-10.00%** | **(419)** | – |

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

| | **2022** | 2021 |
|---|---|---|
| More than 1 year to 5 years | **₱5,594,299** | ₱5,754,531 |
| More than 5 years | **4,971,670** | – |
| | **₱10,565,969** | ₱5,754,531 |

The average duration of the defined benefit obligation at the end of the reporting period is estimated to be 8 years.

## 16. **Capital Stock**

The details of this account are shown below:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **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 ₱190.5 million as of December 31, 2022 and 2021, 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, 2022 | 603 |
| December 31, 2021 | 607 |
| December 31, 2020 | 611 |

Retained Earnings

After reconciling items, the retained earnings that is available for dividend declaration amounted to ₱4.46 billion as of and for the year ended December 31, 2022. 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, 2022 and 2021. To date, the Parent Company is not subject to any externally imposed capital requirements.

## 17. General and Administrative Expenses

This account consists of:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Salaries, wages and employee benefits | **₱5,947,027** | ₱5,890,263 | ₱4,276,781 |
| Taxes and licenses | **3,412,512** | 2,794,502 | 1,686,099 |
| Directors' fee | **2,722,222** | 2,908,547 | 2,666,667 |
| Professional fees | **1,986,156** | 1,345,000 | 1,791,073 |
| Depreciation and amortization (Notes 11 and 12) | **1,951,496** | 4,368,106 | 4,462,263 |
| Commission | **1,216,887** | 3,206,496 | 441,490 |
| Transportation and communication | **1,505,057** | 1,226,504 | 1,286,986 |
| Retirement expense (Note 15) | **437,496** | 395,236 | 505,969 |
| Entertainment, amusement and recreation (Note 20) | **311,913** | 410,906 | 536,923 |
| Rent and utilities | **75,975** | 151,055 | 60,750 |
| Repairs and maintenance | **455** | 56,756 | 34,951 |
| Others | **1,247,202** | 1,090,807 | 1,613,610 |
| | **₱20,814,398** | ₱23,844,178 | ₱19,363,562 |

Others include bank charges, office supplies, membership fees, training and seminar, periodicals and magazines, other insurance and other expenses.

## 18. Interest Income

This account consists of interest income from:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Financial assets at FVTPL (Note 8) | **₱184,757,716** | ₱181,118,979 | ₱263,199,889 |
| Cash and cash equivalents (Note 6) | **33,656,604** | 7,267,287 | 12,452,174 |
| | **₱218,414,320** | ₱188,386,266 | ₱275,652,063 |

## 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.

## 20. Income Taxes

Provision for (benefit from) income tax consists of:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Current: | | | |
| Final | **₱14,242,801** | ₱1,029,411 | ₱2,468,709 |
| MCIT | **85,693** | 746,476 | 994,978 |
| Impact of CREATE Act in CY2020 | − | (248,744) | − |
| | **14,328,494** | 1,527,143 | 3,463,687 |
| Deferred: | | | |
| Deferred income tax | **2,343,208** | 16,273,209 | 13,200,000 |
| Impact of CREATE Act in CY2020 | − | 1,849,822 | − |
| | **2,343,208** | 18,123,031 | 13,200,000 |
| | **₱16,671,702** | ₱19,650,174 | ₱16,663,687 |

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 ₱0.31 million, ₱0.41 million and ₱0.54 million in 2022, 2021 and 2020, 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, 2021, the Bureau of Internal Revenue (BIR) has issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 (b) 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 2021 and 2020 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, 2022 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, 2022.

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, 2021, 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, 2021 to June 30, 2024.

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, 2021. 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 liabilities of the Parent Company are as follows:

| | **2022** | 2021 |
|---|---|---|
| Deferred tax liability on: | | |
| Unrealized foreign exchange gain | **(₱9,096,501)** | (6,643,919) |
| Retirement liability obligation | **(470,069)** | (463,908) |
| Deferred tax liability | **(₱9,566,570)** | (₱7,107,827) |

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:

| | **2022** | 2021 |
|---|---|---|
| Allowance for impairment and credit losses | **₱4,229,041** | ₱4,229,041 |
| Accrued retirement costs | **4,112,251** | 4,136,894 |
| NOLCO | **12,592,210** | 9,691,821 |
| MCIT | **1,578,403** | 4,005,787 |
| | **₱23,551,905** | ₱22,063,543 |

Details of the Parent Company's NOLCO follow:

| Inception Year | Amount | Utilized/Expired | Balance | Expiry Year |
|---|---|---|---|---|
| 2022 | ₱2,900,389 | ₱– | ₱2,900,389 | 2025 |
| 2021 | 2,305,764 | – | 2,305,764 | 2026 |
| 2020 | 7,386,057 | – | 7,386,057 | 2025 |
| | ₱12,592,210 | ₱– | ₱12,592,210 | |

As of December 31, 2022, the MCIT that can be claimed as tax credit, with their corresponding expiry dates, are as follows:

| Year Incurred | Amount | Expired | Balance | Expiry Year |
|---|---|---|---|---|
| 2022 | ₱85,693 | ₱– | ₱85,693 | 2025 |
| 2021 | 497,732 | – | 497,732 | 2024 |
| 2020 | 994,978 | – | 994,978 | 2023 |
| 2019 | 1,303,405 | 1,303,405 | – | 2022 |
| | ₱2,881,808 | ₱1,303,405 | ₱1,578,403 | |

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:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Statutory income tax | **(₱43,482,371)** | ₱76,286,978 | ₱99,516,048 |
| Impact of CREATE | **–** | 1,601,078 | – |
| Non-taxable income | **103,409,504** | (19,893,908) | (18,704,863) |
| Tax-paid income | **(40,360,779)** | (39,139,705) | (73,909,099) |
| Tax-exempt income | **(5,864,838)** | (248,419) | (1,515,715) |
| Nondeductible expenses | **109,374** | 434,806 | 8,066,521 |
| Change in unrecognized deferred tax assets | **2,775,119** | 3,065,025 | 2,215,817 |
| Excess of MCIT over RCIT | **85,693** | 746,476 | 994,978 |
| Effective income tax | **₱16,671,702** | ₱19,650,174 | ₱16,663,687 |

## 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.

| | **2022** | | |
|---|---|---|---|
| | **Amount/ Volume** | **Outstanding Balance** | **Nature, Terms and Conditions** |
| **Directors and Other Key Management Personnel (Other Related Parties)** | | | |
| Directors' fees | **₱2,722,222** | **₱–** | Per diem and annual fees of Directors |

| | 2021 | | |
|---|---|---|---|
| | Amount/ Volume | Outstanding Balance | Nature, Terms and Conditions |
| Directors and Other Key Management Personnel (Other Related Parties) | | | |
| Directors' fees | ₱2,908,548 | ₱– | Per diem and annual fees of Directors |

*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 2022 and 2021, 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 2022 and 2021. Post-employment benefits amounted to ₱0.40 million and ₱0.51 million in 2022 and 2021, respectively (see 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, 2022 and 2021are as follows:

| | **2022** | 2021 |
|---|---|---|
| Within one year | **₱2,865,120** | ₱2,865,120 |
| After one year but not more than five years | **5,730,240** | 5,730,240 |
| | **₱8,595,360** | ₱8,595,360 |

In 2022 and 2021, the Parent Company did not recognize rental income from these leases. On November 26, 2022, the Board of Directors of the Parent Company approved the extension of grant of rent concessions to Vantage Financial Corporation in the form of rent forgiveness from January to December 2022 in response to the COVID-19 pandemic.

## 23. Notes Payable

In 2022, the Company 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:

| | 2022 |
|---|---|
| Loans outstanding at beginning of year | ₱– |
| Loan availments | 2,000,000,000 |
| Loan payments | (2,000,000,000) |
| Loans outstanding at end of year | ₱– |

Interest expense incurred on short-term loans amounted to ₱6.32 million and ₱0.79 million and nil in 2022, 2021 and 2020, respectively.

## 24. Segment Reporting

The Parent has one operating segment. The table below analyzes the Parent Company's revenue streams per investment type:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Financial asset at FVTPL | **(₱231,996,625)** | ₱237,600,001 | ₱333,465,285 |
| Cash and cash equivalents | **33,656,604** | 7,267,286 | 12,452,174 |
| | **(₱198,340,021)** | ₱244,867,287 | ₱345,917,459 |

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 2022, 2021 and 2020.

## 25. 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:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Net income | **(₱190,601,188)** | ₱285,497,738 | ₱315,056,472 |
| Outstanding number of common shares (Note 16) | **4,199,582,266** | 4,199,582,266 | 4,199,582,266 |
| | **(₱0.0454)** | ₱0.0680 | ₱0.0750 |

There were no potential dilutive common shares for the years ended December 31, 2022, 2021 and 2020.

## 26. 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 April 28, 2023.

## 27. 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, the Company does not have vatable revenue in 2022.

Movements in input VAT in 2022 are as follows:

| | Amount |
|---|---|
| Beginning of the year | ₱– |
| Current year's domestic purchase of services | 498,964 |
| | 498,964 |
| Deferred input VAT applied | 53,486 |
| Claims for tax credit/refund and other adjustments | 72,835 |
| Ending balance | ₱625,285 |

Taxes and Licenses
In 2022, the Parent Company reported and/or paid the following taxes and licenses fees under 'General and Administrative Expenses' in profit or loss in the statement of comprehensive income:

| | Amount |
|---|---|
| Stock transfer tax | ₱2,002,753 |
| Documentary stamp tax | 637,216 |
| Municipal permits | 389,539 |
| Community Tax | 10,500 |
| Registration/License fee | 500 |
| Other taxes | 372,004 |
| | ₱3,412,512 |

Withholding Taxes
As of December 31, 2022, total remittances and balance of withholding taxes follow:

| | Total Remittances | Balance |
|---|---|---|
| Withholding taxes on compensation and benefits | ₱1,212,220 | ₱147,881 |
| Expanded withholding taxes | 476,818 | 140,541 |
| Ending balance | ₱1,689,038 | ₱288,422 |

Tax Assessments and Cases
In 2022, 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.

# 2022 SUSTAINABILITY REPORT

# MESSAGE FROM THE CEO

Dear Stakeholders,

In 2022, we have seen the worst of COVID-19's debilitating effects as the country has slowly and gradually started to return to normalcy towards the latter part of the year. The business and economic environment however remained challenging. Production and supply bottlenecks persisted globally due the war in Ukraine and the lockdown in China. Inflation was high.

Amid the challenges, your company nonetheless remains committed to sustainability and the development of the communities it serves. We have continued to emphasize battling COVID-19 and are proud to have been part of a private consortium that procured vaccines to inoculate our employees, their families and local communities. We continue to maintain strict safety protocols to ensure the well-being of our employees and customers.

We also continue to maintain flexible work-from-home arrangements where

feasible. This has reduced the traffic burden on our employees and helped reduce our carbon footprint. We have likewise continued with our energy efficient practices to minimize our impact on the environment.

Through our subsidiary Philequity Management, Inc., we conduct financial literacy and investor education sessions for our customers and the public in general. We endeavor to contribute our share to community development and nation building.

Finally, as a responsible corporate citizen, we recognize the importance of good governance and ethical business practices. We have maintained our compliance with SEC and PSE regulations and have conducted trainings for our employees on anti-money laundering and to promote ethical behavior practices in general.

Looking forward, we remain committed to sustainability and community development. We will continue to implement initiatives that create value for our stakeholders while minimizing our impact on the environment. We thank you for your continued support and trust in our company.

Sincerely,

**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 5th Ave. St. Cor. 28th 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 2022, where necessary to provide historical or additional background about a program, project, activity or development that may have begun prior to 2022, 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.

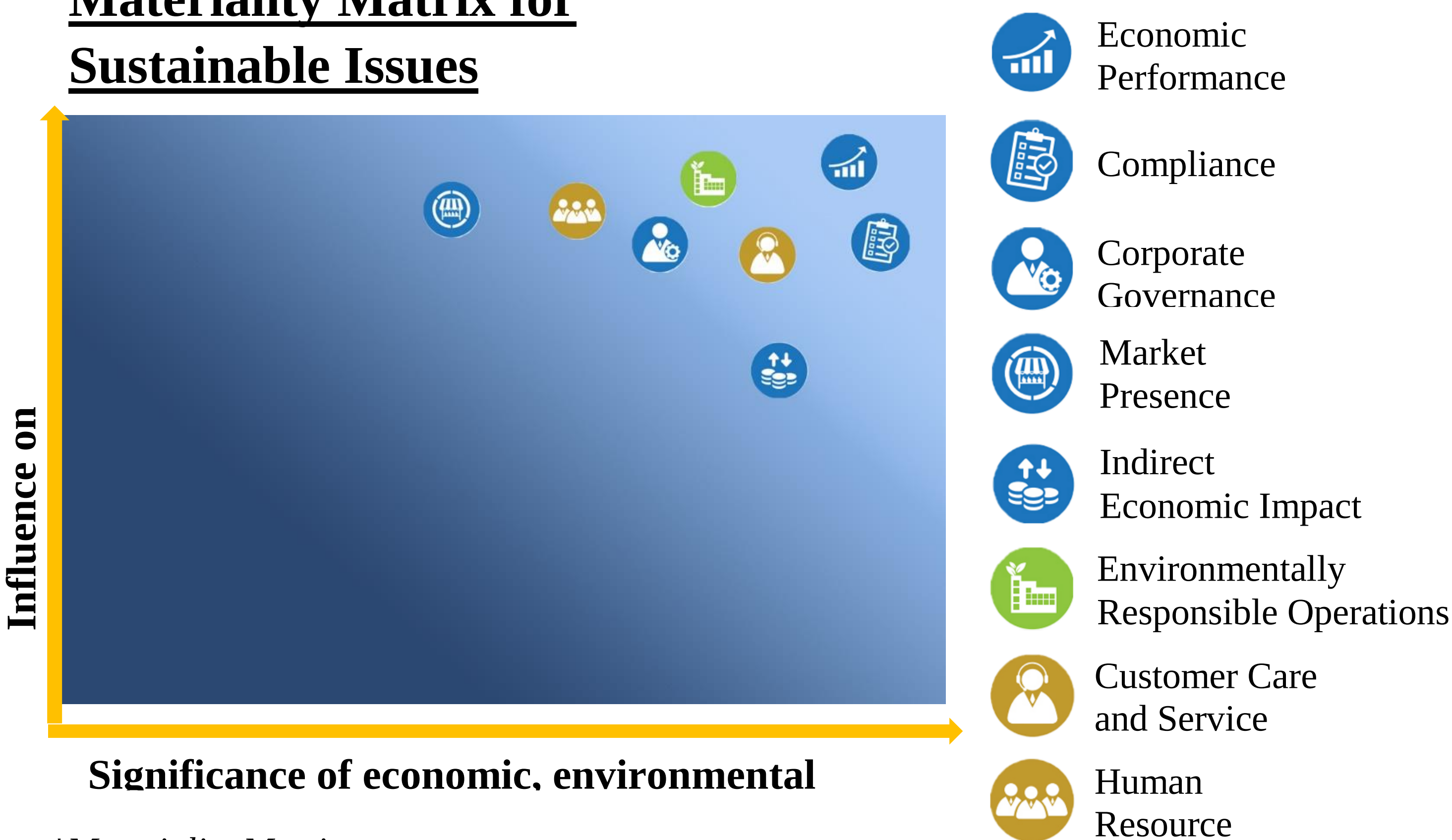
## OUR MATERIALITY MATRIX

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 |
|---|---|---|---|---|
| *To emerge as the premier investment holding company in the communities we serve.* | To create and deliver high quality of product or services to our customers | Inclusive Economic Performance | Job Creation<br>Innovative Products and Services | Sustained Growth<br><br>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<br>Customer Service Program | |

**Sustainability Framework*

## Materiality Matrix for Sustainable Issues




**Materiality Matrix*

# MATERIALITY AND ITS BOUNDARIES

| Material Topic | | Topic Boundary |
|---|---|---|
| | **Economic Performance**<br>How VEI delivers sustainable returns to its shareholders and attains consistent market growth. | Within VEI and with Customers |
| | **Market Presence**<br>How VEI forge partnerships with world-class organizations | Within VEI, Customers and Business Partners |
| | **Compliance**<br>How VEI adheres to government requirements and meets global industry standards | Within VEI and Communities |
| | **Corporate Governance and Risk Management**<br>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 | |
| | **Environmentally Responsible Business Operations**<br>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 |
| | **Human Resource Development Welfare**<br>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 |
| | **Customer Care and Service**<br>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<br>Corporate Governance and Risk Management<br>Environmentally Responsible Business Operations | Building a strategic and diverse portfolio that deliver steady economic returns |
| Customers, Clients | Customer Care and Service<br>Environmentally Responsible Business Operations | Implementation of customer-centric operations and innovations that enhance experiences and overall satisfaction |
| Employees | Human Resource Development and Welfare<br>Economic Performance<br>Compliance<br>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<br>Economic Performance<br>Market Presence | Creation of strategic and purposeful social investments and self-help opportunities |
| Business Partners, Suppliers | Compliance<br>Economic Performance<br>Customer Care and Service | Maintenance of good governance, transparency and accountability practices in everything we do |
| Regulators, Socio-Civic Organizations, Media | Compliance<br>Indirect Economic Performance<br>Environmentally Responsible Business Operations<br>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) | 409 |
| Philequity Management, Inc. (PEMI) | 13 |

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 3.5-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've 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) | |
|---|---|
| **Direct Economic Value Generated** | **261,659,607** |
| **Direct Economic Value Distributed** | |
| Operating Costs | **229,170,902** |
| Employee Wages and Benefits | **142,183,615** |
| Other Operating Costs | **61,535,814** |
| Taxes given to Government | **69,599,954** |
| **Economic Value Retained** | |

## 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 ₱ 8.3 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 area 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, 34.5 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

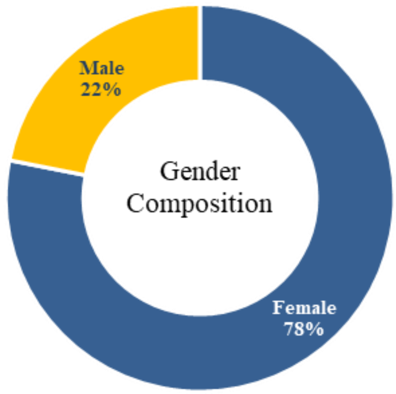
*As a company with many connections to communities nationwide, we believe we play a role in their development and well-being. Our goal is to build sustainable, healthier communities where we all live and work, helping to improve the lives of individuals and families*

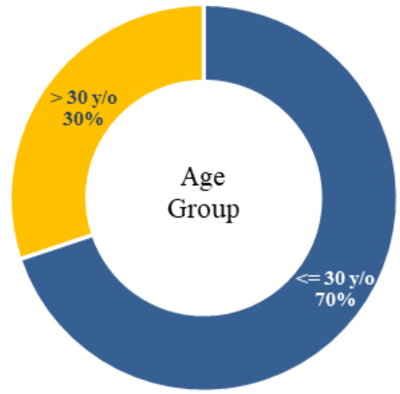
## 2022 EMPLOYEE PROFILE

**Total Headcount**

2022: **425 (▼3.6%)**

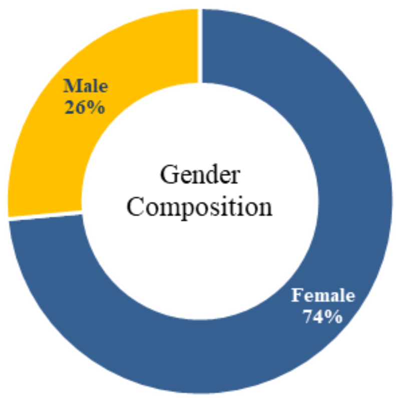
2021: **441**

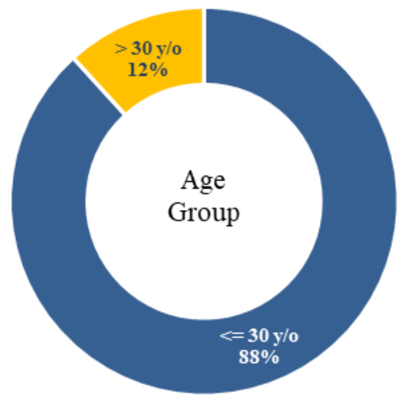



**New Hires: 102**

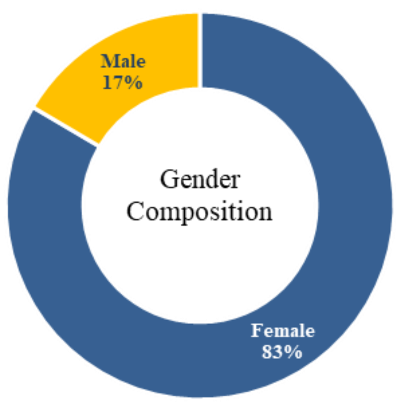
**Hiring Rate: 24%**

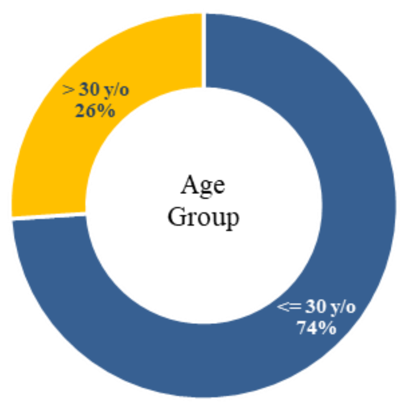



**Employee Turnover: 115**

**Turnover Rate: 27%**



# 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.

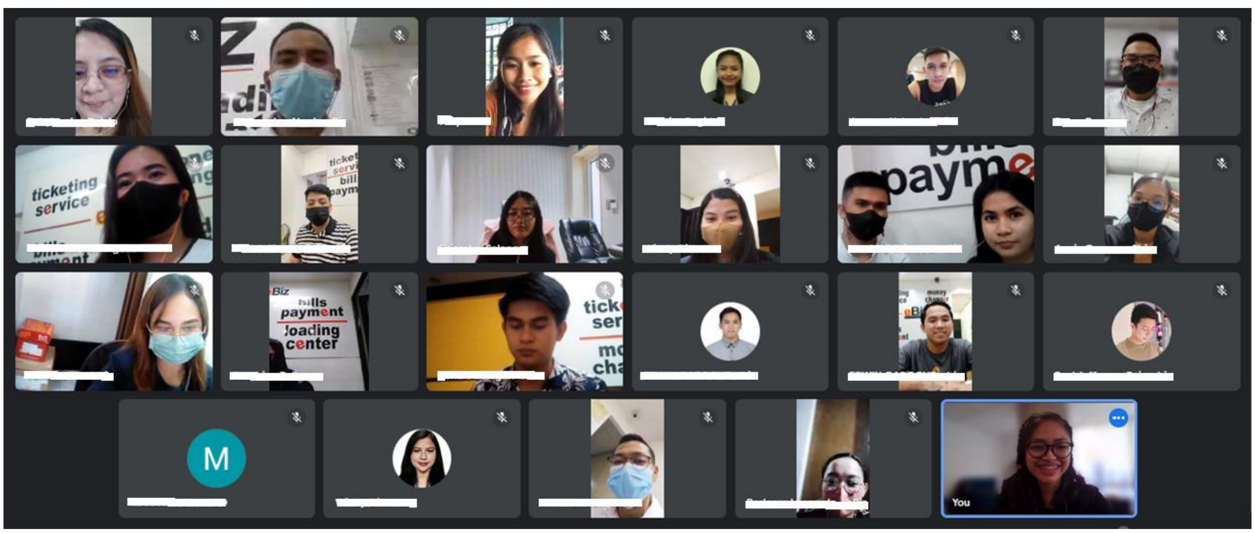
## LABOR OR MANAGEMENT RELATIONS

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 2022, 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.

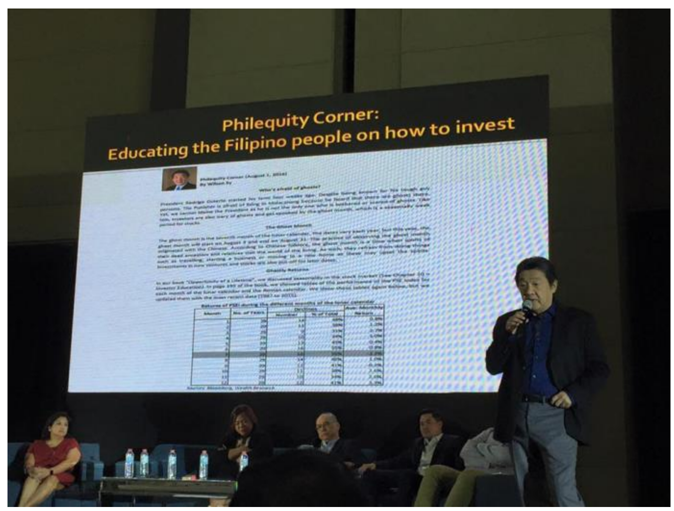
## NON-DISCRIMINATION

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 | *None to disclose* |
| 102-10 | Significant changes to the organization and its suppliers | *None to disclose* |
| 102-11 | Precautionary Principle or approach | Page 2 |
| 102-12 | External Initiatives | - |
| 102-13 | Membership of associations | *Philippine Stock Exchange* |
| 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 | *None to disclose* |
| 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<br>103-2<br>103-3 | Explanation of material topics and boundaries<br>The management approach and its components<br>Evaluation of the management approach | Page 8-9 |
| GRI 201: Economic Performance 2016 | | |
| GRI 201-1<br>GRI 201-3 | Direct economic value generated and distributed<br>Defined benefit plan obligation and retirement plans for employees | Page 9 |
| 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<br>103-2<br>103-3 | Explanation of material topics and boundaries<br>The management approach and its components<br>Evaluation of the management approach | Page 8 |
| GRI 201: Economic Performance 2016 | | |
| GRI 201-1 | Significant indirect economic impacts | Page 8 |

| | | |
|---|---|---|
| Environment | | |
| GRI 103: Management Approach 2016 | | |
| 103-1<br>103-2<br>103-3 | Explanation of material topics and boundaries<br>The management approach and its components<br>Evaluation of the management approach | Page 10 -11 |
| GRI 307: Environmental Compliance 2016 | | |
| | Reduction of energy consumption | - |
| Sustainable Investing | | |
| GRI 103: Management Approach 2016 | | |
| 103-1<br>103-2<br>103-3 | Explanation of material topics and boundaries<br>The management approach and its components<br>Evaluation of the management approach | Page 11 |

| | | |
|---|---|---|
| Social : Employment | | |
| GRI 103: Management Approach 2016 | | |
| 103-1<br>103-2<br>103-3 | Explanation of material topics and boundaries<br>The management approach and its components<br>Evaluation of the management approach | Page 12 - 17 |
| 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<br>103-2<br>103-3 | Explanation of material topics and boundaries<br>The management approach and its components<br>Evaluation of the management approach | Page 14 |
| 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<br>103-2<br>103-3 | Explanation of material topics and boundaries<br>The management approach and its components<br>Evaluation of the management approach | Page 14 |
| 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<br>103-2<br>103-3 | Explanation of material topics and boundaries<br>The management approach and its components<br>Evaluation of the management approach | Page 15 |
| 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<br>103-2<br>103-3 | Explanation of material topics and boundaries<br>The management approach and its components<br>Evaluation of the management approach | Page 15 |
| 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<br>103-2<br>103-3 | Explanation of material topics and boundaries<br>The management approach and its components<br>Evaluation of the management approach | Page 16 |
| GRI 417: Marketing and Labelling 2016 | | |
| | Incidents of non-compliance concerning marketing communications | *None to disclose* |
| Customer Privacy | | |
| GRI 103: Management Approach 2016 | | |
| 103-1<br>103-2<br>103-3 | Explanation of material topics and boundaries<br>The management approach and its components<br>Evaluation of the management approach | Page 17 |
| GRI 418: Customer Privacy 2016 | | |
| GRI 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | *None to disclose* |
| Economic and Socioeconomic Compliance | | |
| GRI 103: Management Approach 2016 | | |

| | | |
|---|---|---|
| 103-1<br>103-2<br>103-3 | Explanation of material topics and boundaries<br>The management approach and its components<br>Evaluation of the management approach | Page 17 |
| 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 |

# ANNEX D

## COVER SHEET

SEC Registration Number

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| A | S | O | 9 | 2 | - | 0 | 0 | 7 | 0 | 5 | 9 |

Company Name

VANTAGE EQUITIES, INC. AND SUBSIDIARIES

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

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

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| 17-Q | | |

### COMPANY INFORMATION

| Company's Email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| compliance@vantage.ph | 250-8700 | 09175954785 |

| No. of Stockholders | Annual Meeting Month/Day | Fiscal Year Month/Day |
|---|---|---|
| 603 | 10/28 | 12/31 |

### CONTACT PERSON INFORMATION

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Ms. Ma. Angelica Cabanit | angelica.cabanit@philequity.net | 8250-8741 | 0917-590-7176 |

Contact Person's Address

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

**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.

ANNEX D

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

**1.** For the quarterly period ended **June 30, 2023**

**2.** SEC Identification Number **AS-092-007059**

**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

Address of Principal Office:
**15TH Floor Phil. Stock Exchange, 5th Ave. cor 28th St. Bonifacio Global City, Taguig**

**7.** Registrant's telephone number, including area code: **(632) 250-8700**

8. Former name, former address, and former fiscal year, if changed since last report
**Not applicable**

9. Securities registered pursuant to Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding |
|---|---|
| **Common Stock, P1.00 par value** | **4,199,582,266** |

10. Are any or all of these securities listed on the Philippine Stock Exchange.
Yes [**X**] No [ ]

11. Check whether the registrant:

a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(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 [] No [**X** ]

b) has been subject to such filing requirements for the past 90 days.
Yes [ ] No [**X** ]

## PART I – FINANCIAL INFORMATION

**Item 1. Financial Statements**

The Consolidated Financial Statements are filed as part of this Form 17-Q.

**Item 2. Management's Discussion and Analysis or Plan of Operations**

**Financial Highlights**

| In Millions (PhP) | | Unaudited 30-Jun-22 | Audited 31-Dec-22 | 31-Dec-21 |
|---|---|---|---|---|
| | | | | |
| **Balance Sheet** | | | | |
| | Assets | **11,705.62** | **11,426.64** | **11,485.85** |
| | Liabilities | **294.34** | **306.21** | **358.50** |
| | Stockholders' Equity | **11,411.28** | **11,120.43** | **11,127.35** |
| | Book Value per Share | **2.72** | **2.65** | **2.65** |
| | | | | |
| **Income Statement** | | | | |
| | Revenues | **530.92** | **327.79** | **948.21** |
| | Expenses | **240.34** | **334.14** | **478.12** |
| | Other Income / (Charges) | **0.27** | **0.30** | **-** |
| | Net Income | **290.85** | **(6.05)** | **470.08** |
| | Earnings per Share | **0.0582** | **(0.0177)** | **0.0951** |

**Results of Operations for the Quarter Ended June 30, 2023**

While most of 2022 was focused on worrying about inflation and the Fed aggressively hiking rates to curb prices, we start off 2023 with hope that the Fed has done enough and that rate hikes may soon be over with. Indeed, inflation prints come in showing that the runaway inflation seems to have slowed and that we are seeing a peak. However, as soon as February, we got high jobs reports in the US and in the Philippines, inflation accelerated again. This has markets seeing that the Fed would push for a "higher for longer" rate situation. Overall, coming from as low as 3.5, the 10y UST in the first quarter went to as high as above 4%, while the benchmark 9yr 10-69 local bond went to 6.375. Around this time though, we got news of the Silicon Valley Bank collapsing. Some other regional banks such as First Republic bank also swiftly fails. Then the big one, Credit Suisse, needed to be bought out by UBS, with help from the Swiss Government. In the end, 10y UST steadied at around 3.5 in the 1Q, while local bond 1069 ended up at around 6.125.

Rolling on into April, majority of the banking crisis looks to have been averted, though Fed says that it may cause a small recession. In May, the Fed hikes by 25bp as expected, though market is now viewing a likely pause in June, as CPI prints are steadying again to falling. The view is that more likely than not, the hot prices in February may have been a blip and that inflation is indeed coming down. As we get into June, the Fed does indeed pause, but Jerome Powell states that this is probably only a momentary respite and that the Fed anticipates that it will need to raise rates again before 2023 is over. All indications are that there are 2 more hikes to come. Also during this time, we got a scare with the US debt ceiling being breached but ultimately a deal to avert the crisis was passed between democrats and republicans in the US. Coming from around 3.5, the 10y UST ends June around 3.7 due to some risk aversion from the US debt crisis. Meanwhile local bonds found a lot of buyers, with dealers looking to load up on long duration especially. The 10yr 1069 started off at around 6.125 , bought as low as 5.8 before ending almost flat at around 6.

During this time, the VEI fixed income portfolio returned 3.4% in the 1H of 2023, mostly due to being defensive and taking advantage of short term rates going much higher. Much of our cash positions are now earning as high as 6% in deposits. However we have also taken the opportunity to scale into longer dated bonds, as our cash position is now lower as we have focused on buying on the 10yr and 12yr sector specifically, as these offer attractive yields versus expected inflation. Meanwhile our VEI equity portfolio has steadily been disposing of assets opportunistically, and was able to participate in a slight rally in the PCOMP. As of end June 2023, the VEI portfolio returned -0.62% vs the benchmark PSE index return of -1.50%.

The following summarizes the operating results of the Company's subsidiaries:

**Vantage Financial Corporation ("eBiz")**

As of June 2023, eBiz revenue from Money transfer increased by Php 22.16 million or 64.52% compared to as of June of last year. The operating expense of the company decreased by 4% or Php 6.5 million from Php 153.8 million to Php 147.3 million. The Company posted a net income of Php 15.1 million as of June 2023 which is lower versus Php 25 million net income from last year.

**Philequity Management, Inc. ("PEMI")**

For the second quarter of 2023, PEMI registered a net redemption amounting to P205 million. Subscriptions amounted to P79 million while redemptions amounted to P284 million. This was in contrast to the same period last year which saw a net subscription amounting to P45 million. Rising inflation and the threat of a global recession continued to take headlines. The Philippine Stock Exchange Index (PSEi) lost 31.61 points or 0.49% for the quarter on very low trading volumes. On the fixed income side, we saw a lot of demand in the newly auctioned 7 year local bond, garnering a coupon of 6%. All local bonds still traded much of the quarter above 6% with the 10yr at 6.125 and the 20yr at 6.525. Given the high interest rate environment, and considering the PSEi has moved sideways for the last few years, it is not surprising to see more action in the fixed income space. Both the Philequity Peso Bond Fund and the Philequity Dollar Income Fund were up for the quarter, gaining 0.37% and 0.19% respectively. The equity funds meanwhile were a mixed bag. The Philequity Fund was the best performer for the quarter, gaining 0.53% followed by the Philequity MSCI Philequity Philippine Index Fund which eked out a gain of 0.09%. The Philequity Dividend Yield Fund, Philequity Alpha One Fund and the Philequity PSE Index Fund all suffered losses for the quarter at -1.01%, -3.27% and -0.01% respectively.

Gross income was flat quarter on quarter at to PhP64.5 million as the performance of the stock market was also unchanged. General and administrative expenses increased by 54% to P4.1 million due to higher tax and licenses. Net income however was 3% higher versus the previous quarter at P48 million primarily due to higher interest income earned.

**Key Performance Indicators**

The Company sets certain performance measures to gauge its operating performance periodically to assess its overall state of corporate health. Listed below are the major performance measures, which the Company has identified as reliable performance indicators.

| | Formula | 30-Jun-23 | December 31, 2022 |
|---|---|---|---|
| Current Ratio | Current Asset/Current Liabilities | 4471.26% | 4165.53% |
| Acid Test Ratio | (Cash Eq + Marketable Securities + Receiva | 4460.06% | 4158.74% |
| Solvency Ratio | Net Income/Total Liabilities | 98.81% | -1.98% |
| Debt-to-Equity Ratio | Total Liabilities/Total Equity | 2.58% | 2.75% |
| Debt Ratio | Total Liabilities/Total Assets | 2.51% | 2.68% |
| Asset-to-Equity Ratio | Total Assets/Total Equity | 102.58% | 102.75% |
| Interest Rate Coverage Ratio | EBIT/Interest Expense | N/A | N/A |
| Return on Assets | Net Income/Average Total Asset | 2.51% | -0.05% |
| Return on Equity | Net Income/Average Total Equity | 2.58% | -0.06% |
| Net Profit Margin | Gross Profit/Net Income | 125.98% | 352.31% |

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

Income Statement items – six month period ending 30-June-2023 versus 30-June-2022

*64.52% increase in money transfer service*
Brought by higher volume of remittance transactions year on year.

*151.64% increase in interest income*
Due to increase of total amounts of placements and higher volume of placements.

*105.70% increase in trading gain/loss*
Due to the increase in market value of investment holdings.

*76.81% decrease in operating expenses*
Primarily due to cessation of contract with our business partners

*85.95% decrease in interest and bank charges*
Due to decrease of interest expense on loans to banks

Balance Sheet items – June, 2023 versus end 2022

*9.35% decrease in cash and cash equivalents*
Primarily due to higher MMP outstanding as of reporting date

*47.05% decrease in loans and receivables*
Primarily due to lesser receivable from Western Union

*57.66% increase in prepaid expenses and other current assets*
Largely from prepaid taxes and creditable withholding taxes.

*84.93% decrease in income tax payable*
Primarily due to lower taxable income

## Geographic Concentration of Investments

| | Number of Investors | Percentage of Investment | Number of Shares |
|---|---|---|---|
| Philippines | 592 | 99.53% | 4,179,755,699 |
| Foreign | 11 | 0.47% | 19,826,567 |

## 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.

## PART II – OTHER INFORMATION

### PFRS 9 – Financial Instruments: Recognition and Measurement

The implementation of PFRS 9 in 2018 resulted to a P1.2B impact on the Group's retained earnings as a result of reclassifying its investments from AFS to FVTPL considering that these financial instruments satisfy the criteria of FVTPL business model.

## 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 of __________ on ______________.

**VANTAGE EQUITIES, INC.**

Valentino Sy

**VALENTINO C. SY**
Chairman

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

Ma. Cabanit

**MA. ANGELICA D. CABANIT**
Compliance Officer

**JOSEPH L. ONG**
Treasurer

Jonathan P. Ong

**ATTY. JONATHAN P. ONG**
Corporate Secretary

| Name | |
|---|---|
| Valentino C. Sy | TIN: 122-335-536 |
| Edmundo Marco P. Bunyi, Jr. | TIN: 107-184-956 |
| Joseph L. Ong | TIN: 108-789-427 |
| Ma. Angelica D. Cabanit | TIN: 107-184-956 |
| Jonathan P. Ong | TIN: 162-906-632 |

AUG 11 2023

DOC NO. 11
PAGE NO. 4
BOOK NO. XI
SERIES OF 2023

ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF MANILA
APPOINTMENT 097/12/31/2023 MANILA
IBP NO. 181139 / 01/03/2023
PTR NO. 0861145 / 01/03/2023
ROLL NO. 29679, TIN NO. 172-528-620
MCLE COMP. NO. VII-0000165 VALID UNTIL APRIL 14, 2025
STA. CRUZ, MANILA

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

| | Unaudited | Audited |
|---|---|---|
| | **June 30, 2023** | December 31, 2022 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 6) | **4,172,015,810** | 4,602,128,820 |
| Loans and receivables (Note 7) | **263,677,599** | 497,955,076 |
| Financial assets at fair value through profit or loss (Note 8 | **7,085,769,822** | 6,136,599,508 |
| Prepaid expenses and other current assets (Note 9) | **28,922,274** | 18,344,827 |
| Total Current Assets | **11,550,385,505** | 11,255,028,231 |
| **Noncurrent Assets** | | |
| Available-for-sale investments (Note 10) | | |
| Investments in an associate | **119,228** | 119,228 |
| Amortized Cost | | |
| Property and equipment (Note 10) | **101,372,482** | 107,724,443 |
| Right Of Use – Assets | **17,099,927** | 25,162,329 |
| Deferred tax asset | **1,710,561** | 1,710,561 |
| Retirement asset (Note 11) | **530,490** | 530,490 |
| Other noncurrent assets (Note 11) | **34,399,807** | 36,365,066 |
| Total Noncurrent Assets | **155,232,495** | 171,612,118 |
| | **11,705,618,000** | 11,426,640,349 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and other current liabilities (Note 12) | **253,761,339** | 246,175,684 |
| Lease Liabilities - Current Portion | **3,240,795** | 15,238,314 |
| Income tax payable | **1,322,981** | 8,780,645 |
| Total Current Liabilities | **258,325,115** | 270,194,643 |
| **Noncurrent Liabilities** | | |
| Deferred tax liabilities | **10,388,899** | 10,388,899 |
| Lease Liabilities | **16,761,324** | 16,761,324 |
| Retirement liabilities (Note 15) | **8,862,394** | 8,862,394 |
| Total Noncurrent Liabilities | **36,012,617** | 36,012,617 |
| Total Liabilities | **294,337,732** | 306,207,260 |
| **Equity** | | |
| Equity attributable to equity holders of the Parent Company: | | |
| Capital stock (Note 23) | **4,335,181,766** | 4,335,181,766 |
| Cumulative net unrealized gain on changes in fair value | | |
| of FVOCI (Note 10) | **70,000** | 70,000 |
| Remeasurement gains on retirement plan (Note 22) | **11,425,504** | 11,425,504 |
| Retained earnings – Unappropriated | **6,468,485,845** | 6,223,877,092 |
| Treasury stock (Note 23) | **(190,460,934)** | (190,460,934) |
| | **10,624,702,180** | 10,380,093,428 |
| Non-controlling interests | **786,578,088** | 740,339,661 |
| Total Equity | **11,411,280,268** | **11,120,433,089** |
| | **11,705,618,000** | **11,426,640,349** |

**VANTAGE EQUITIES, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**

***(In Philippine Peso)***

| | For the Period Ended (Unaudited) | | For the Quarter Ended (Unaudited) | |
|---|---|---|---|---|
| | **June 30, 2023** | **June 30, 2022** | **June 30, 2023** | **June 30, 2022** |
| **REVENUES** | | | | |
| Money transfer service | **56,516,581** | 34,352,879 | **(2,034,257)** | (1,754,290) |
| Money changing | **35,128,959** | 39,605,760 | **12,737,046** | 21,099,333 |
| Interest income | **222,133,824** | 88,274,107 | **172,968,266** | 45,470,764 |
| Income from Mutual Fund | **119,424,734** | 129,998,244 | **56,509,527** | 52,380,402 |
| Trading Gain/(Loss) | **29,760,654** | (522,548,132) | **(339,239,237)** | (479,340,370) |
| Others | **67,951,818** | 65,963,820 | **33,229,048** | (39,316,927) |
| | **530,916,570** | (164,353,322) | **(65,829,607)** | (401,461,087) |
| **EXPENSES** | | | | |
| General and administrative expenses (Note 14) | **39,569,303** | 170,665,656 | **22,634,551** | 78,024,204 |
| Cost of services and sales | **164,500,944** | 45,694,160 | **88,151,073** | 29,644,511 |
| | **204,070,247** | 216,359,816 | **110,785,624** | 107,668,715 |
| **INCOME FROM OPERATIONS** | **326,846,323** | (380,713,137) | **(176,615,231)** | (509,129,802) |
| **OTHER INCOME (CHARGES)** | | | | |
| Interest and bank charges – net | **(797,525)** | (5,675,862) | **(525,487)** | (1,402,945) |
| Others | **13,542,652** | **140,351,496** | **34,357,829** | **140,351,496** |
| | **12,745,127** | 134,675,634 | **33,832,342** | 138,948,551 |
| **INCOME BEFORE INCOME TAX** | **339,591,450** | (246,037,503) | **(142,782,889)** | (370,181,251) |
| **PROVISION FOR INCOME TAX** | | | | |
| Current | **48,744,270)** | (66,165,263) | **9,096,026** | (66,895,358) |
| Deferred | - | **-** | **138,428** | **-** |
| | **48,744,270** | (66,165,263) | **9,234,454** | (66,895,358) |
| **NET INCOME (LOSS)** | **290,847,180** | (179,872,240) | **(152,017,343)** | (303,285,893) |
| Attributable to: | | | | |
| Equity holders of the parent | **244,608,753** | (209,534,292) | **(172,812,117)** | (300,454,717) |
| Minority interests | **46,238,427** | 29,662,052 | **20,794,774** | (2,831,175) |
| | **290,847,180** | (179,872,240) | **(152,017,343)** | (303,285,893) |
| **Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent** | **0.0582** | (0.0499) | **(0.0411)** | (0.0715) |

*See accompanying Notes to Financial Statements*

**VANTAGE EQUITIES, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | For the Period Ended (Unaudited) | |
|---|---|---|
| | **June 30, 2023** | June 30, 2022 |
| **CAPITAL STOCK** - 1 par value | | |
| Authorized - 5,000,000,000 shares | | |
| Issued and outstanding - 4,199,582,266 shares | | |
| Balance at beginning of year | **4,335,181,766** | 4,335,181,766 |
| Stock issuance cost of a subsidiary | **-** | - |
| Stock dividends issued | **-** | - |
| Balance at end of period | **4,335,181,766** | 4,335,181,766 |
| **VALUE OF AVAILABLE-FOR-SALE SECURITIES** | | |
| Balance at beginning of year | **70,000** | 70,000 |
| Reclassification of Financial Instruments | | |
| Unrealized Gain/(loss) | | |
| Balance at end of period | **70,000** | 70,000 |
| **REMEASUREMENT GAINS (LOSSES) ON RETIREMENT PLAN** | | |
| Balance at beginning of year | **11,425,504** | 8,243,954 |
| Comprehensive income | **-** | - |
| Balance at end of period | **11,425,504** | 8,243,954 |
| **RETAINED EARNINGS (DEFICIT)** | | |
| Balance at beginning of year | **6,223,877,092** | 6,344,497,909 |
| Net income (loss) | **244,608,753** | (179,872,240) |
| Share in Minority Interest | | 29,662,052 |
| Stock Dividend | | |
| Balance at end of period | **6,468,485,845** | 6,194,715,345 |
| **TREASURY SHARES (Note 17)** | **(190,460,934)** | (190,460,934) |
| **MINORITY INTEREST** | | |
| Balance at beginning of year | **740,339,661** | 676,254,510 |
| Total income and expenses recognized during the period | **46,238,427** | (29,662,052) |
| Balance at end of period | **786,578,088** | 646,164,834 |
| | **11,411,280,268** | 10,993,914,965 |

*See accompanying Notes to Financial Statements*

**VANTAGE EQUITIES, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

***(In Philippine Peso)***

| | For the Period Ended (Unaudited) | |
|---|---|---|
| | **June 30, 2023** | **June 30, 2022** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income (loss) before Tax | **339,591,450** | (246,037,503) |
| Trading Gains/Losses | **(29,760,654)** | 522,548,132 |
| Depreciation and amortization | **17,688,932** | 13,321,540 |
| Interest expense | **797,525** | 5,675,862 |
| Dividend income | **(18,686,393)** | 13,099,600 |
| Interest income | **(222,133,824)** | (88,274,107) |
| Operating income before working capital changes | **87,497,036** | 220,333,524 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase): | | |
| Receivable | **232,433,282** | 13,969,520 |
| Financial assets at fair value through profit or loss | **(919,409,660)** | - |
| Prepaid expenses and other current assets | **(10,577,447)** | (60,837,121) |
| Increase (decrease) in accounts payable and other current liabilities | **9,029,526** | 55,413,855 |
| Net cash provided by (used for) operations | **(602,471,135)** | 228,879,777 |
| Interest paid | - | (5,675,862) |
| Income tax paid | **(56,063,506)** | 42,088,295 |
| Dividends received | **18,654,993** | 12,690,322 |
| Interest received | **213,949,632** | 92,145,432 |
| Net cash provided by (used in) operating activities | **(426,068,444)** | 370,127,965 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Decrease (increase) in: | | |
| Property and equipment | **1,060,337** | (8,491,609) |
| Financial assets at fair value through profit or loss | - | 925,498,043 |
| Net Proceeds from issuance/redemption of units | - | 71,426,835 |
| Net cash provided by (used in) investing activities | **(1,060,337)** | 988,433,269 |
| **CASH FLOWS FROM FINANCING ACTIVITY** | | |
| Principal portion of lease liabilities (Note 22) | **(2,984,229)** | - |
| Increase/decrease in loans | - | - |
| Cash used in financing activities | **(2,984,229)** | - |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **(430,113,010)** | 1,358,561,234 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **4,602,128,820** | 3,681,446,990 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **4,172,015,810** | 5,040,008,224 |

*See accompanying Notes to Financial Statements*

# VANTAGE EQUITIES, INC.
**(Formerly iVantage Corporation)**
## 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 shares are publicly traded in the Philippine Stock Exchange (PSE).

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.

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 2023 | 2022 | 2021 |
|---|---|---|---|---|
| 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 | **68.67** | 68.15 | 68.37 |
| 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)*
**** Incorporated on December 15, 2017*

The Parent Company is the ultimate parent of the Group.

On November 11, 2017, the respective BOD of the corresponding Funds decided to shorten the corporate life of IC, PRF, PBF and PFCFF until December 31, 2017.

As of December 31, 2019, clearance for liquidation of these Funds is 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 eBusiness 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 March 31, 2022, the 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.

On November 11, 2017, the BOD decided to shorten the corporate life of the Fund until December 31, 2017. This was ratified by the stockholders on September 1, 2018.

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.

On November 11, 2017, the Board of Directors (BOD) decided to shorten the corporate life of the Fund until December 31, 2017. This was ratified by the stockholders on September 1, 2018.

PAOF

Philequity Alpha One Fund, Inc. (the Fund) 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.

PGF

Philequity Global Fund, Inc. (the Fund) 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 March 31, 2022, 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. The Fund just got its SEC permit to offer securities for sale last January 20, 2021

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 Resource Fund, Inc. (PRF)

- Philequity Strategic Growth Fund, Inc. (PSGF)
- Philequity Balanced Fund, Inc. (PBF)
- Philequity Foreign Currency Fixed Income Fund, Inc. (PFCFF)
- Philequity Dividend Yield Fund, Inc. (PDYF)
- Philequity MSCI Philippines Index Fund, Inc.(PMIF)
- Philequity Alpha One Fund, Inc.(PAOF)

## 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), 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. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement or reclassification of items in the financial statements. The Group adopted PFRS 9, *Financial Instruments* using the full retrospective approach.

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.

<u>Non-Controlling Interest</u>
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.

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018. Except as otherwise indicated, these changes in the accounting policies did not have any significant impact on the financial position or performance of the Group:

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Standard that has been adopted and that is deemed to have significant impact on the financial statements or performance of the Group is described below:

- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Group and Parent Company has adopted PFRS 9 using the full retrospective approach.

  *(a) Classification and Measurement*

Under PFRS 9, debt financial assets are classified and measured at fair value through profit or loss (FVTPL), amortized cost (AC), or fair value through other comprehensive income (FVTOCI). The classification is based on the Company's business model for managing the financial assets and whether the financial instrument's contractual cash flows represent "solely payments of principal and interests" or "SPPI" on the principal amount outstanding.
The assessment of the Company's business model was made as at January 1, 2016. The assessment of whether the instruments' contractual cash flows are SPPI was made based on the facts and circumstances as at the initial recognition of the financial assets.

*(b) Impairment*
The adoption of PFRS 9 has fundamentally changed the Group's measurement of impairment losses for its financial assets – from PAS 39's incurred loss approach to a forward-looking expected credit loss (ECL) approach. Under PFRS 9, the Group is required to provide ECL for financial assets at AC and other debt instruments classified as financial assets at FVTOCI. The allowance is based on the ECLs associated with the risk of default in the next twelve months unless there has been a significant increase in credit risk (SICR) since origination or the financial assets are impaired where lifetime ECL is provided.

Upon the adoption of PFRS 9, the Group assessed that its cash and cash equivalents, receivables and investment in amortized costs are considered low credit risk financial assets as of January 1, 2017. Accordingly, the Group assessed that the impact of recognizing 12-month ECL for these financial assets is not significant.

- PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with
customers. 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 principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs.

  The Group adopted PFRS 15 using the full retrospective method, effective January 1, 2017. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date.

  The Group's revenue from contracts with customers generally include service income, commission income, share in foreign exchange differential, money changing gains and income from business partners.

  The Group undertook a comprehensive analysis of the impact of the new revenue standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognized could differ under PFRS 15.

  For all of the Company's revenue streams, the nature and timing of satisfaction of the performance obligations, and, hence, the amount and timing of revenue recognized under PFRS 15, is the same as that under PAS 18.

  The adoption of PFRS 15 had no significant impact to the statements of financial position, statements of comprehensive income and statements of cash flows.

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 Dealing System (PDS) 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*
This account pertains to the unrealized foreign exchange gain earned by the Group from the maturity of their US$ denominated short-term deposits and the revaluation made for their NDF. 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 2023 and 2022, 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*

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 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 FVTOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets measured at AC.

*Contractual cash flows characteristics*

The Group assesses whether the cash flows from the financial asset represent 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 June 30, 2023 and December 31, 2022 , the Group has financial assets at FVTOCI amounting to ₱0.50 million included in ‘Other noncurrent assets’ in the statement of financial position.

*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 FVTOCI at initial recognition. The Fund’s financial assets at FVTPL include equity securities held for trading purposes and equity investments not designated as at FVTOCI.

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 Fund 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 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. Quoted market prices, when available, are used to determine the fair value of these financial instruments. If a financial asset at FVTPL has a bid and ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value. If quoted market prices are not available, their fair values are estimated based on market observable inputs. For all other financial instruments not listed in an active market, fair value is determined by using appropriate valuation techniques.

As of June 30, 2023 and December 31, 2022, 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 or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities 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 June 30, 2023 and December 31, 2022.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative is separated from the host contract and accounted for as derivative if all the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and

- the hybrid or combined instrument is not measured at fair value with fair value changes charged through profit or loss.

*Financial assets at amortized cost*
A debt financial asset is measured at amortized cost if (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. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the EIR. The amortization is included in 'Interest income' in profit or loss in the consolidated statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset.

The Group's financial assets at amortized cost consist of 'Cash and cash equivalents', 'Loans and receivables' and 'Investments at amortized costs'.

*Reclassifications of financial assets*
The 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 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. The classification of financial liabilities at initial recognition depends on the purpose for which the financial liabilities are incurred and their characteristics.

As of June 30, 2023 and December 31, 2022, the Group 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'.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
*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
*Expected credit loss*
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 Company also considers and 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' and 'Investments at amortized cost', 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.

*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.

<u>Investment in an Associate</u>
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 PEMI, 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

The Group 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 Group exercises judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized for revenues:

*Service income*

Service income comprises PEMI's management and other related income. Fees earned from management services provided by the Company 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 Funds' 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 over 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 seriesof distinct services that are substantially the same and have the same pattern of transfer.

Accordingly, the revenue on remittance services is recognized over 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.

*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.

*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.

*Trading and investment securities gains- net*
Trading and investment securities gains - net includes all gains and losses from changes in fair value of financial assets at FVPL, derivatives and gains and losses from disposal of AFS investments and financial assets at FVPL and other financial instruments. Revenue recognized from disposal of AFS equity investment 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. Interest on financial instruments is recognized based on the effective interest method of accounting.

*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 PAS 39, *Financial Instruments* and recorded as interest expense once 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 re-assessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

*Group as a lessee*
Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Fixed operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the term of the lease agreement.

Retirement Cost
e-Business 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.

<u>Income Taxes</u>

*Current Tax*

Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

*Deferred Tax*

Deferred tax is provided, using the liability method, on all temporary differences and carryforward benefits of excess 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 MCIT and NOLCO to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of MCIT and NOLCO can be utilized. Deferred income tax, however, is not recognized when it 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 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 period. 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.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related 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.

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 March 31, 2019 and December 31, 2018, 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, 2021*

- Amendments to PFRS 9, 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):

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

The Company shall also disclose information about:

- o The 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
- o Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Company is not required to restate prior periods.

*Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
  The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations,* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or Philippine-IFRIC 21, *Levies*, if incurred separately. It also clarified that contingent assets do not qualify for recognition at the acquisition date. The Company will apply these amendments prospectively for annual reporting periods beginning on or after
  January 1, 2022.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contract - Costs of Fulfilling a Contract*
  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach".

The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *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*
    The amendments permit a subsidiary, joint venture or associate that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition financial liabilities*
    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*
    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

*Effective beginning on or after January 1, 2023*

- PFRS 17, *Insurance Contracts*
  PFRS 17 provides updated information about the obligation, risks and performance of insurance contracts, increases transparency in financial information reported by insurance companies, and introduces consistent accounting for all insurance contracts based on a current measurement model. The standard is effective for annual periods beginning on or after January 1, 2023. Early application is permitted but only if the entity also applies PFRS 9 and PFRS 15.

- Amendments to PAS 1, *Classification of Liabilities as Current and Non-Current*
  The amendments clarify the following to specify the requirements for classifying liabilities as current or non-current:
  - What is meant by a right to defer settlement;
  - That a right to defer must exist at the end of the reporting period;

- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

*Deferred effectivity*

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

## 3. Significant Accounting Judgement and Estimates

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. *Determination of whether the Group is acting as a principal or an agent in its revenue transactions*

   The Group assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

   - whether the Group has primary responsibility for providing the goods and services;
   - whether the Group has inventory risk;
   - whether the Group has discretion in establishing prices; and
   - whether the Group bears the credit risk.

   If the Group has determined it is acting as a principal, revenue is recognized on a gross basis with the amount remitted to the other party being accounted for as part of costs and expenses.

   If the Group has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Group assessed that it is acting as an agent due to the following characteristics of its relationshipwith the Funds:

- The Group does not have significant ownership over the Funds.
- The Funds have the substantive and practical ability to exercise its kick-out rights held by the BOD. The Group can be terminated anytime without any grounds/cause and without payment of penalty by the majority vote of the BOD of the Funds or 2/3 votes of the outstanding capital.
- There are no interlocking directors between the Group and the Funds and only 1/7 BOD representation between the Funds and the Group.
- The remuneration agreement between the Group and the Funds are the customary arrangement for the services it renders and is negotiated on an arm's length basis.

b. *Determining the timing of satisfaction of performance obligations applicable after January 1, 2018*
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 Company renders the services, the customers simultaneously receives and consumes the benefits provided by the Company's performance of these services.

In measuring the revenue to be recognized over time, management assessed that output method faithfully depicts the Company's performance in transferring control of the services to the customers. Since the Company 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 Company's performance completed to date. Accordingly, the Company has applied the "right to invoice" practical expedient in measuring the revenue recognized over time.

c. *Contractual cash flow characteristics test*
In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

d. *Business model test*
The Group manages its financial assets based on business models that maintain adequate level of financial assets to match expected cash outflows and maintain adequate level of high quality liquid assets while maintaining a strategic portfolio of financial assets for trading activities.

The Group's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur. PFRS 9, however, emphasizes that if more than an infrequent number of sales are made out of a portfolio of financial assets carried at amortized cost and those sales are more than insignificant in value (either individually or in aggregate), the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

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.

b. *Credit losses on financial assets*
The Fund 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

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.

## 4. Fair Value of Financial Assets

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.

*Investments in amortized costs, financial assets and liabilities at FVTPL (except derivatives)*
Fair values are generally based on quoted market prices. For the Group's equity investments classified as financial assets at FVTPL, fair values are determined based on quoted closing prices or bid price in cases when the former is not available in the PSE for 2018 and 2017, respectively. For the Group's fixed income investments classified as financial assets at FVTPL, fair values are determined based quoted market prices, if available. If market prices are not readily available or if the securities are not traded in an active market, as in the case of fixed income investments classified as investment in amortized costs, fair values are estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. For the Group's UITFs and mutual funds classified as financial assets at FVTPL, fair values are estimated using published net asset value (NAV).

*Derivative instruments (included under financial assets and liabilities at FVPL)*
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.

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 March 31, 2022 and December 31, 2021, 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 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.

## 5. 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. Internet online-related products and services
This segment engages in the business of internet online-related products relating to database search engine, such as, but not limited to, conceptualizing, designing, illustrating, processing and editing web sites; to engage in other pre-production and post-production work on web sites in the internet; and to sell and market said products in the form of advertising of finished products in the domestic or export market.

d. Mutual fund management
This segment deals in the management of mutual funds.

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 Group mainly operates and generates revenue in the Philippines. Thus, geographical segment information is not presented.

The Group has no significant customers which contribute 10.00% or more of the consolidated revenues.

## 6. Cash and Cash Equivalents

This account consists of:

| | **June 30, 2023** | **December 31, 2022** |
|---|---|---|
| Cash on hand | **386,612,965** | 310,915,987 |
| Cash in banks | **1,469,947,251** | 1,279,909,136 |
| Short-term placements | **2,315,455,594** | 3,011,303,697 |
| **Total** | **4,172,015,810** | 4,602,128,820 |

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of one to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates.

## 7. Loans and receivables

This account consists of:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Due from: | | |
| Western Union | **110,048,064** | 369,506,301 |
| Broker | **619,930** | - |
| Business partners | **11,398,099** | 35,344,172 |
| Trade Receivables | **89,930,340** | 52,829,925 |
| Accrued interest | **45,677,759** | 37,493,567 |
| Receivable from related parties and employees | **5,303,997** | 2,224,123 |
| Others | **12,961,785** | 12,819,363 |
| | **275,939,974** | 510,217,451 |
| Less allowance for credit losses | **(12,262,375)** | (12,262,375) |
| **Total** | **263,677,599** | 497,955,076 |

Due from Western Union represents pay-outs of e-Business for fund transfers and remittance services, which were not yet reimbursed by Western Union as of June 30, 2023 and December 31, 2022.

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

The terms and conditions of loans and 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.

## 8. Financial Assets at FVPL

This account consists of investments in:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Quoted Bonds | **5,396,127,560** | 4,286,270,831 |
| Mutual Funds | **944,944,927** | 933,479,553 |
| Equities | **739,121,635** | 916,849,124 |
| Derivative assets | **5,575,700** | - |
| | **7,085,769,822** | 6,136,599,508 |

<u>Equity Securities</u>
Quoted equity securities pertain to investments in stocks listed in the PSE.

<u>Mutual Funds</u>
Mutual funds represent investment in an open-end mutual fund. These investments are valued at net asset value per share (NAVPS) which is computed by dividing the mutual funds' net assets

(total assets less total liabilities) by the total number of redeemable shares issued and outstanding as of reporting date.

Debt Securities
Debt Securities consists of government bonds, mostly FXTNs ,PSALM and RTBs, and corporate bonds.

*Derivative instruments*
These are outstanding currency forward contracts entered by the company.

Mutual Funds
Mutual funds represent investment in an open-end mutual fund. These investments are valued at net asset value per share (NAVPS) which is computed by dividing the mutual funds' net assets (total assets less total liabilities) by the total number of redeemable shares issued and outstanding as of reporting date.

## 9. Prepaid Expenses and Other Current Assets

This account consists of:

| | June 2023 | December 2022 |
|---|---|---|
| Input value added tax | 16,725,016 | 1,183,689 |
| Prepaid expenses | 5,386,518 | 12,505,163 |
| Others | 6,810,740 | 4,655,975 |
| | 28,922,274 | 18,344,827 |

Prepaid expenses comprise rent, insurance, taxes and uniforms.

## 10. Property and Equipment

Details of this account are presented below:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Cost | **575,578,123** | 574,517,786 |
| Less: Accumulated Depreciation | **474,205,641** | 466,793,343 |
| | **101,372,482** | 107,724,443 |

## 11. Other Noncurrent Assets

This account consists of:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Rental and other deposits | **23,329,066** | 23,080,091 |
| Software and website costs | **5,678,245** | 7,892,477 |
| Deferred input VAT | **1,587,513** | 1,587,513 |
| Goodwill | **3,654,985** | 3,654,985 |
| Financial assets at FVOCI | **500,000** | 500,000 |
| Others | **752,904** | 752,905 |
| | **35,502,713** | 37,467,971 |
| Allowance for credit and impairment losses | **(572,415)** | (572,415) |
| | **34,930,298** | 36,895,556 |

In 2001, the Parent Company sold its investment in Lucky Star at 96.59 million (a company incorporated to operate off-front on betting stations in the Philippines) since management believes that there is a significant uncertainty with respect to the recovery of this investment due to the Supreme Court decision to shut down Jai-alai operations. 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 credit losses. As collections are actually received, an equivalent amount of the allowance will be reversed and credited to income.

The goodwill recognized in the consolidated statement of financial position pertains to the excess of the acquisition cost of the Parent Company over the book value (BV) per share of the investment in PEMI in 1994. The Group performed its annual impairment test on December 31, 2016. The relationship between the investments' current BV per share (considered as the recoverable amount) and its original carrying value (CV) per share, among other factor, when reviewing for indicators of impairment. As of December 31, 2018, the current BV per share of PEMI is above the investment cost per share. There is no impairment loss recognized on goodwill as at 2019.

## 12. Accounts Payable and Other Current Liabilities

This account consists of:

| | June 2023 | December 2022 |
|---|---|---|
| Due to sub-agents and broke | **5,146,689** | 15,140,216 |
| Accured expenses | **233,824,960** | 92,122,041 |
| Trade payables | **(17,987,825)** | 120,293,711 |
| Output value added tax | **17,459,019** | 7,532,093 |
| Expanded withholding tax | **1,721,675** | 3,759,635 |
| Derivative liabilities | - | 5,020,950 |
| Others | **13,596,819** | 2,307,038 |
| | **253,761,339** | 246,175,684 |

Terms and conditions and 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.
- 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 include amounts due for purchase of government bonds.
- Other payables include withholding taxes payable, documentary stamp tax payable, merchant deposits, sundry credits and others.

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

## 13. Revenues

This account consists of:

| | **June 30, 2023** | June 30, 2022 |
|---|---|---|
| Money transfer service | **56,516,581** | 34,352,879 |
| Money changing | **35,128,959** | 39,605,760 |
| Interest income | **222,133,824** | 88,274,107 |
| Trading Gain/Loss | **29,760,654** | (522,548,132) |
| Income from Mutual Fund | **119,424,734** | 129,998,244 |
| Others | **67,951,818** | 65,963,820 |
| | **530,916,570** | (164,353,322) |

## 14. General and Administrative Expenses

This account consists of:

| | **June 30, 2023** | June 30, 2022 |
|---|---|---|
| Salaries, wages and allowances | **19,968,092** | 61,423,716 |
| Transportation and travel | **5,410,625** | 8,184,204 |
| Depreciation and amortization (Note 14) | **4,295,141** | 13,321,540 |
| Taxes and licenses | **2,895,753** | 10,310,942 |
| Office supplies | **611,623** | 3,170,777 |
| Professional fee | **472,071** | 2,206,640 |
| Representation | **227,094** | 612,371 |
| Outside services | **225,507** | 34,591,855 |
| Rent and utilities | - | 30,061,646 |
| Advertising | **22,322** | 588,632 |
| Others | **5,441,075** | 6,193,333 |
| | **39,569,303** | 170,665,656 |

## 15. Retirement Costs

The Parent Company and PEMI have unfunded, noncontributory defined benefit pension plans covering substantially all of their qualified employees. Vantage Financial Corp. has a funded, noncontributory defined benefit pension plan. The funds of the plan of Vantage Financial Corp are being administered and managed by the Trust & Investment Services Group of Union Bank of the Philippines.

## 16. Equity

The details of this account as of June 30, 2023 and December 31, 2022 are shown below:

| | **June 30, 2023** | | December 31, 2022 | |
|---|---|---|---|---|
| | **Shares** | **Amount** | Shares | Amount |
| Authorized shares (at par value*) | **5,000,000,000** | **5,000,000,000** | 5,000,000,000 | 5,000,000,000 |
| Issued shares | **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 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 |
|---|---|
| June 30, 2023 | 603 |
| December 31, 2022 | 603 |
| December 31, 2021 | 607 |
| December 31, 2020 | 611 |
| December 31, 2019 | 613 |

On May 19, 2015, the BOD of the Parent Company approved the declaration of stock dividends equivalent to a total of 2.10 billion representing 2,099,791,133 shares at 1.00 par value per share, payable to all stockholders of record as of January 8, 2016. The said dividends were distributed on February 3, 2016.

*Dividend declaration of subsidiaries*
On February 3, 2016, the BOD and two-thirds (2/3) of the outstanding capital of the PEMI approved the declaration of stock dividends equivalent to a total of 1,785,000 shares at 100.00 par value per share, payable to all stockholders of record as of February 15, 2016. The said dividends is paid on March 14, 2016.

On December 11, 2013, the BOD of e-Business approved the declaration of stock dividends worth 150.00 million to stockholders of record as of December 30 ,2013. Stock dividends were distributed on October 10, 2014.

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

*Increase in Authorized Capital Stock of Subsidiaries*
On June 20, 2017, the BOD and two-thirds (2/3) of the outstanding capital of Ebusiness Services, Inc. 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.

## 17. 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.

## 18. Basic/Diluted Earnings Per Share

| | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| (a) Net income (loss) attributable to equityholders of the Parent Company | **244,608,753** | (74,180,861) |
| (b) Weighted average outstanding shares | **4,199,582,266** | 4,199,582,266 |
| (c) Basic/Diluted earnings per share (a/b) | **0.0582** | (0.0177) |

# ANNEX E

MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS OF

**VANTAGE EQUITIES, INC.**

Held remotely on 28 October 2022 at 3:00p.m.

| | |
|---|---|
| TOTAL NUMBER OF SHARES OUTSTANDING | 4,199,582,266 |
| TOTAL NUMBER OF SHARES PRESENT/REPRESENTED and ENTITLED TO VOTE | 3,694,133,450 (88%) |

**MEMBERS OF THE BOARD OF DIRECTORS PRESENT**:

VALENTINO C. SY
EDMUNDO MARCO P. BUNYI, JR.
IGNACIO B. GIMENEZ
ROBERTO C. LORAYES
WILLY N. OCIER
JOSEPH L. ONG
WILSON L. SY
TIMOTHY BRYCE A. SY
KEVIN NEIL A. SY
DARLENE A. SY
GREGORIO T. YU
BERT C. HONTIVEROS
ANDY O. CO

**OFFICERS PRESENT**

ATTY. JONATHAN P. ONG - Corporate Secretary
MA. ANGELICA CABANIT - Compliance Officer

**OTHERS PRESENT**

SGV & CO. REPRESENTATIVES

**SHAREHOLDERS PRESENT**

Please see the attached breakdown of shareholders present in terms of mode of attendance (by proxy or remotely) and the percentage of the outstanding shares that they own.

**CALL TO ORDER**

The Chairman called the meeting to order at 3:00pm and presided over the same.

**RULES AND PROCEDURES FOR THE STOCKHOLDER'S MEETING VIA WEBCAST**

The Chairman requested the Corporate Secretary to enumerate the Rules and Procedures for the remote meeting. The Corporate Secretary enumerated the procedures for the stockholders meeting, which were also outlined in the website http://vantage.com.ph/2022ASM and in the Definitive Information Statement. The Corporate Secretary reported that stockholders were requested to submit their voting tickets and proxies, questions, comments and clarifications and suggestions on or before October 18, 2022. All votes cast would be validated and tabulated on October 19, 2022, and the results of the voting would be reported after each agenda item in the meeting. A moderator would monitor any questions or comments raised during the meeting to ensure that they were addressed.

**PROOF OF NOTICE OF MEETING AND CERTIFICATION OF QUORUM**

Upon request of the Chairman, the Corporate Secretary reported that notice of the meeting was sent to the stockholders of record as of September 29, 2022 in accordance with the Corporation's By-Laws. The Chairman requested the Corporate Secretary to append the certificate attesting to the sending of notices to the original of the Minutes of the Meeting.

Timothy Sy (Mar 10, 2023 21:05 GMT+8)

Based on the based on the votes validated on October 19, 2022, there were present and represented in the meeting Stockholders owning 3,694,133,450 voting shares, representing an attendance of 88% of the total outstanding capital stock of the Corporation. There was therefore a valid quorum for the transaction of the business at hand.

**APROVAL OF THE MINUTES OF THE PREVIOUS MEETING OF STOCKHOLDERS**

The Chairman asked if copies of the last Annual Stockholder's Meeting held on September 30, 2021 were made available to the stockholders before the start of the meeting. The Corporate Secretary reported that copies of the Minutes of the Meeting held on September 30, 2021 were furnished the stockholders prior to the start of the meeting, and was also made available on the website of the Corporation five (5) days after the last meeting.

The Corporate Secretary informed the Chairman that based on the tabulation of the votes cast on October 19, 2022, stockholders owning 3,694,133,450 voting shares, representing an attendance of 88% of the total outstanding capital stock of the Corporation, voted in favor of the approval of the Minutes of the last stockholders meeting. The following resolution was passed:

> "RESOLVED, that the Minutes of the Annual Meeting of the Stockholders of Vantage Equities, Inc. held on September 30, 2021 be approved."

**APPROVAL OF 2021 OPERATIONS AND RESULTS**

The Chairman informed the Board and the stockholders that copies of the Information Statement with the accompanying Annual Reports, the quarterly report for the second quarter of 2022 and the Audited Financial Statements of the Corporation for the year ended December 31, 2021 had been sent to the stockholders several weeks prior to the meeting.

He then called on the President to present the highlights of these reports.

The President presented his report on the highlights of the Corporation's consolidated financial performance for 2021 and H1 2022.

**VEI Balance Sheet Highlights (C0NSOLIDATED)**

| In millions | 2019 | 2020 | 2021 | H1 2022 |
|---|---|---|---|---|
| Current Assets | 10,576 | 10,929 | 11,560 | 11,458 |
| Total Assets | 10,891 | 11,168 | 11,759 | 11,729 |
| Total Liabilities | 660 | 519 | 632 | 735 |
| Total Equity | 10,231 | 10,649 | 11,127 | 10,994 |
| Book Value | 2.44 | 2.54 | 2.65 | 2.62 |

He reported that the total assets of the Company at end 2021 was close to P12B at P11.759B mostly coming from equities. Book Value per share was P2.65. It was mostly the same in H1 2022. Book Value per Share was slightly lower at P2.62.

**VEI Income Statement Highlights (CONSOLIDATED)**

| In millions | 2019 | 2020 | 2021 |
|---|---|---|---|
| Revenues | 1,403 | 986 | 976 |
| Net Income | 767 | 432 | 494 |
| Earnings per Share | .18 | .10 | .13 |

Net Revenue was close to P1B, while Net Income was close to half a billion at end 2021.

**VEI Segment Performance FY2021 (CONSOLIDATED)**

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| FY2021<br>In million pesos | Parent | VFC | PEMI | Consolidated |
|---|---|---|---|---|
| Revenue | 318 | 388 | 270 | 976 |
| Net Income | 309 | 43 | 144 | 492 |

VEI's performance came from the management of a portfolio of fixed Income and equities resulting in a net profit of P309M. VFC contributed a net profit of P43M, while PEMI contributed a net profit of P144M, resulting in a consolidated net profit of P492M.

**VEI Income Statement Highlights (CONSOLIDATED)**

| In millions | 2019 | 2020 | 2021 | H1 2022 |
|---|---|---|---|---|
| Revenues | 1,403 | 986 | 976 | (30) |
| Net Income | 767 | 432 | 494 | (180) |
| Earnings per Share | .18 | .10 | .13 | (0.05) |

Because of the unfavorable development in the local fixed income and equity markets, a consolidated net loss of P180M was registered for H1 2022.

**Segment Performance H1 2022**

| HI2022 | Parent | VFC | PEMI | Consolidated |
|---|---|---|---|---|
| Revenue | (361) | 192 | 139 | (30) |
| Net Income | (274) | 29 | 64 | (180) |

In terms of segment performance for H1 2022, the losses had emanated from the portfolio of marketable securities managed by VEI. VFC and PEMI were still able to contribute positive results.

**VEI INCOME STATEMENT HIGHLIGHTS (PARENT)**

| | 2019 | 2020 | 2021 | H1 2022 |
|---|---|---|---|---|
| Revenue | 565 | 351 | 329 | (361) |
| Net Income | 555 | 316 | 286 | (274) |

Mr. Timothy A. Sy then proceeded to discuss the trading portfolio of VEI.

Trading revenues declined by 6% from P351M in 2020 to P329M in 2021 largely due to lower trading income in 2021, particularly in equities.

Net Income was down 10% from P316M in 2020 to P286M in 2021. Revenue and Net Income were down P361M and P274M respectively in H1 2022.

**VEI Portfolio Contribution (PARENT)**

| In million pesos | 2019 | 2020 | 2021 | H1 2022 |
|---|---|---|---|---|
| Equity Portfolio | 24 | (60) | 154 | (305) |
| Fixed Income Portfolio | 550 | 406 | 91 | (32) |
| FX Gains/(Loss) & Other Gains | (9) | 5 | 84 | 72 |
| Total Portfolio Contribution | 565 | 351 | 329 | (265) |

The Equity portfolio contributed P154M to revenues in 2021. Fixed Income contributed P91M and Forex and Other Gains contributed P84M, resulting in a total portfolio contribution of P329M. The Equity portfolio was the largest contributor to losses in H1 2022, having registered a P305M loss. The Fixed Income portfolio (excluding cash and FX) registered a loss of P32M. FX and other Gains registered a P72M gain. Total portfolio contribution was a negative P265M for H1 2022.

**VEI Investment Portfolio (Parent)**

| At end period | 2019 | 2020 | 2021 | H1 2022 |
|---|---|---|---|---|

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| In billion pesos | | | | |
|---|---|---|---|---|
| Short-Term Investments | 1.0 | 1.3 | 1.3 | 2.5 |
| Equity Securities | 0.9 | 1.0 | 2.0 | 1.6 |
| Fixed Income Securities | 5.9 | 5.7 | 5.0 | 4.0 |
| Total Investment Portfolio | 7.8 | 8.0 | 8.3 | 8.1 |

The Equity position increased from P1.0B in 2020 to P2.0B in 2021 due to the Corporation's participation in various IPO's and REIT offerings. Fixed Income holdings was reduced from P5.7B to P5.0B as the Corporation started to take profits, particularly in the longer dated bond holdings as yields moved closer to all-time lows, but did but not move any lower.

A reduction in the bond portfolio resulted in increased cash holdings in H1 2022, which had increased to P2.5B from P1.3B in 2021 The Corporation also took some realized losses in the equity portfolio. As of H1 2022, the Equity book is now at P1.6B, while Fixed Income is at P4.0B. Total portfolio holding now stands at P8.1B.

**VEI Portfolio Return (Parent)**

2021 had been a volatile year because of Covid 19 and its Delta and Omicron variants and the resulting worldwide lockdowns. The US Transition from President Donald Trump to President Joe Biden, as well as the US Fed action on inflation, had also contributed to the volatility. As a result, the benchmark PSEi Index was flat and in negative territory for most of the year as Covid 19 and the resulting lockdowns weighed in on investor sentiment, and saw a large run up on bargain hunting towards the end of the year, resulting in a flat ending. The VEI portfolio managed to churn out 10% returns in 2021, out-performing the index as it started using excess cash early in the year to participate in new issues that came out.

The Fixed Income portfolio returned 2.1% for 2021 as the Corporation remained defensive, given that rates continued to remain at low absolute levels. It also started to closely monitor the actions of the US Fed on inflation as the 3-year yield fell to as low as 2.75% and the five year at 3.75%, but eventually moved higher to 3.65% and 3.75% respectively. The 10-year USD benchmark also went as high as 1.6% before ending the year at 1.4%. It had actually started 2021 at only 1%.

The US Fed became very aggressive against inflation inH1 2022. But inspite of a 50 and 75 bps hike, and talks of another 100-bps hike, inflation kept on heating up and traders started to price in recession. Because of this, the US and world markets fell into bear territory resulting in a (-) 14% return for the PSEi. The Equity portfolio also underperformed the index with a (-) 16% return. As the benchmark 10-year USD treasuries hit a high of 3.5%, Philippine rates also jumped higher. The 10-Year yields reached 7%, with the rest of the curb higher by 100-150 bps. As a result, the Fixed Income Portfolio managed to return a +1% due to a large defensive cash position. But this has since slowed down as the Corporation has begun to deploy excess cash because of market opportunities.

**VFC Income Statement Highlights**

| In million pesos | 2019 | 2020 | 2021 | H1 2022 |
|---|---|---|---|---|
| Net Revenue | 458 | 388 | 388 | 188 |
| Expenses | 406 | 360 | 347 | 163 |
| Net Income | 52 | 28 | 47 | 26 |

The President then reported that VFC had partnered with different service providers and was still primarily distributing the services of Western Union. This partnership had been complemented with the addition of Ria and Remitly this year. To date, there are 136 Company owned locations which are complemented by 400 plus sub-agents,

Net revenues were flat for 2021 at P388M, which was the same as in 2020. Net Income was higher by 68% because of the Forex contribution. There had been some FX opportunities in the market which the Company had taken advantage of.

The same was largely true for H1 2022. Revenues were lower because of the loss of a significant sub-agent which had been a large contributor to revenue. However, the impact of the loss had been insulated

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in part because of savings in the commissions that were ceded to this sub-agent, and the continued outperformance of Foreign Exchange Profit.

**VFC Remittance Volume Trend**

The volumes generated in 2021 and 2022 were largely a product of the huge impact of the Covid 19 Pandemic and the resulting lockdowns. H1 2022 saw the beginning of a recovery from this, and the trend is expected to improve as the situation normalizes. In the meantime, Management has tightened cost management to improve margins and avert actual losses from being incurred.

**VFC Volume Composition Trend**

Everything was down. However, because travel had started to normalize, there was a pick up in the ticketing line, which had been the hardest hit in the last 2 years. The trend is expected to strengthen for the rest of 2022 until next year.

**PEMI AUM and Customer Base**

Assets Under Management (AUM) increased to close to P36B as of end 2021. There was a slight decline in H1 2022 because of the decline in asset prices. It had been basically flat in terms of net sales by customers.

**PEMI Total AUM**

| In million pesos | 2020 | 2021 | HI 2022 |
|---|---|---|---|
| Philequity Fund | 10,657 | 10,758 | 9,235 |
| Philequity PSE Index Fund | 3,270 | 3,919 | 3,526 |
| Philequity Dividend Yield Fund | 2,240 | 2,481 | 2,105 |
| Philequity Peso Bond Fund | 291 | 312 | 317 |
| Philequity Dollar Income Fund | 274 | 224 | 235 |
| Philequity MSCI Phils Index Fund | 334 | 341 | 300 |
| Philequity Alpha One Fund | 107 | 330 | 327 |
| Privately Managed Funds | 11,718 | 17,452 | 15,231 |
| AUM | 29,341 | 35,818 | 31,275 |

The President reported that the flagship Philequity Fund, which had garnered the most insofar as the retail fund was concerned, was still the biggest Philequity fund contributor in 2021. But the contribution of privately managed funds was more evident as it reached P17.452B out of P35.818B. The trend was basically the same for H1 2022 with the same distribution.

**PEMI Income Statement Highlights**

| In million pesos | 2019 | 2020 | 2021 | H1 2022 |
|---|---|---|---|---|
| Revenues | 260 | 215 | 268 | 129 |
| Net Income | 149 | 112 | 144 | 64 |

PEMI had registered a Net Income of P144M in 2021 and P64M for H1 2022. It was still on track to improving the H1 2022 figure because this figure was better than last year's by 10%. There is still a possibility that the Income for 2021 will be matched if not exceeded.

Thereafter, the Corporate Secretary informed the Chairman that based on the tabulation of the votes cast on October 19, 2022, stockholders owning 3,694,133,450 voting shares, representing an attendance of 88% of the total outstanding capital stock of the Corporation, had voted in favor of the approval of the



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Annual Reports and the Audited Financial Statements of the Corporation for the year ended December 31, 202. The following resolution was passed:

> "RESOLVED, that the Report on Vantage Equities, Inc.'s Annual Reports, the quarterly report for the second quarter of 2022 and the Audited Financial Statements of the Corporation for the year ended December 31, 2021, be approved."

**RATIFICATION OF ALL ACTS OF THE BOARD OF DIRECTORS AND OFFICERS**

The Chairman presented all acts done by the directors and officers in the regular course of business from the date of the last stockholders meeting up to the present for ratification by the stockholders.

The Corporate Secretary informed the Chairman that based on the tabulation of the votes cast on October 19, 2022, stockholders owning 3,694,133,450 voting shares, representing an attendance of 88% of the total outstanding capital stock of the Corporation, voted in favor of the ratification. The following resolution was passed:

> "RESOLVED, that all acts of the Board of Directors and Officers of Vantage Equities, Inc. from the date of the last meeting up to the date of the present meeting be confirmed, ratified and approved."

**ELECTION OF DIRECTORS**

The Chairman presented the matter of the election of the members of the Board of Directors of the Corporation for the year 2022-2023.

The President then mentioned that the SEC had issued a rule in 2019 imposing a maximum 9-year term limit for independent directors. In this connection, he informed the body that Mr. Gregorio T. Yu had served his 9th year as independent director in 2021 and had thus reached the term limit.

However the Board, despite its best efforts, needed more time to vet a suitable replacement. Hence, the Board would like to secure shareholder approval to re-appoint Mr. Yu as independent director for at most 1 more year. In this way, the Board would be able to continue to maintain governance standards during the interim period.

The Chairman concurred with the request of the Board, through the President. As the holder of the proxy for 3,694,133,450 shareholders, the Chairman voted to approve the request to retain Mr. Yu as an independent director and elect him for another term to allow the Board and the shareholders to look for a comparable replacement for him. Thereafter, he requested the Secretary to announce the results of the votes cast for the election of directors.

The Corporate Secretary informed the Chairman that based on the tabulation of the votes cast on October 19, 2022, stockholders owning 3,694,133,450 voting shares, representing an attendance of 88% of the total outstanding capital stock of the corporation, had voted equally in favor of all thirteen (13) nominees for the Board of Directors.

| Directors | Votes |
|---|---|
| Valentino C. Sy | 3,694,133,450 |
| Edmundo Marco P. Bunyi, Jr. | 3,694,133,450 |
| Joseph L. Ong | 3,694,133,450 |
| Roberto Z. Lorayes | 3,694,133,450 |
| Willy N. Ocier | 3,694,133,450 |
| Wilson L. Sy | 3,694,133,450 |
| Timothy Bryce A. Sy | 3,694,133,450 |
| Kevin Neil A. Sy | 3,694,133,450 |
| Darlene A. Sy | 3,694,133,450 |
| Ignacio B. Gimenez | 3,694,133,450 |
| Gregorio T. Yu | 3,694,133,450 |
| Andy O. Co | 3,694,133,450 |
| Bert C. Hontiveros | 3,694,133,450 |

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In compliance with the requirements of Rule 38 of the Revised Implementing Rules of the Securities Regulation Code, Messrs. Gregorio T. Yu, Andy O. Co and Bert C. Hontiveros were elected as independent directors of the Corporation.

**APPOINTMENT OF EXTERNAL AUDITOR**

As recommended by the Audit Committee and endorsed by the Board of Directors, the President presented the reappointment of SyCip Gorres Velayo & Co. as the Corporation's external auditor for the year 2022.

The Corporate Secretary informed the Chairman that based on the tabulation of the votes cast on October 19, 2022, stockholders owning 3,694,133,450 voting shares, representing an attendance of 88% of the total outstanding capital stock of the corporation, had voted in favor of the reappointment of SyCip Gorres Velayo & Co. as the Corporation's external auditor for the year 2022. The following resolution was passed:

> "RESOLVED, that the reappointment of SyCip Gorres Velayo & Co. as the Corporation's external auditor for the year 2022, be approved.

**ADJOURNMENT**

There being no other matters to be discussed, the meeting was adjourned at 3:40 pm.

Attested by:

Valentino Sy (Mar 10, 2023 16:59 GMT+8)

**VALENTINO C. SY**
Chairman

**ATTY. JONATHAN P. ONG**
Corporate Secretary

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