

# COVER SHEET

SEC Registration Number

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

Company Name

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

S I D I A R I E S

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

1 5 t h F l o o r , P h i l i p p i n e S t o c k

E x c h a n g e T o w e r , 2 8 t h S t . C o r n e r

5 t h A v e . , B o n i f a c i o G l o b a l C i t y

, T a g u i g C i t y , M e t r o M a n i l a

Form Type

1 7 - Q

Department requiring the report

Secondary License Type, If Applicable

## COMPANY INFORMATION

Company's Email Address

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

Company's Telephone Number/s

250-8700

Mobile Number

09175954785

No. of Stockholders

609

Annual Meeting  
Month/Day

09/30

Fiscal Year  
Month/Day

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Ma. Angelica Cabanit

Email Address

angelica.cabanit@philequit  
y.net

Telephone Number/s

8250-8741

Mobile Number

0917-590-7176

Contact Person's Address

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

**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.

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SECURITIES REGULATION CODE AND SRC RULE 17(2)(b)  
THEREUNDER**

1. For the quarterly period ended **September 30, 2021**
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<br>Common Stock Outstanding |
|--------------------------------------|---|
| <b>Common Stock, P1.00 par value</b> | <b>4,199,582,266</b>                            |
10. Are any or all of these securities listed on the Philippine Stock Exchange.  
Yes  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
- b) has been subject to such filing requirements for the past 90 days.  
Yes  No

## 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-Sep-21	Audited 31-Dec-20	Audited 31-Dec-19
<b>Balance Sheet</b>			
Assets	11,703	11,168	10,891
Liabilities	729	504	661
Stockholders' Equity	10,974	10,663	10,231
Book Value per Share	2.6131	2.5392	2.4361
<b>Income Statement</b>			
Revenues	712	1,038	1,498
Expenses	-340	-616	-723
Other Income / (Charges)	-47	4	0
Net Income	324	426	775
Earnings per Share	0.0773	0.1015	0.1846

#### Results of Operations for the Quarter Ended September 30, 2021

3Q21 started ominously with confirmed transmission of infectious Delta variant in the Philippines just as Government is easing restrictions. True enough, NCR has to go back into hard lockdown as delta cases spike to over 20k per day, straining hospital capacity again. Meanwhile, oil prices also skyrocket during this time, clearing \$80/bbl on optimism that the US is recovering. This has inflation expectations picking up. Also the Fed is highly expected to start its tapering in November as telegraphed by Jerome Powell. The debate is whether interest rate hikes will also follow, though the Fed has repeatedly said that they believe inflation is transitory and rate hikes are not necessary. Here in the Philippines, higher inflation is confirmed as we are nearing 5% on higher food and oil prices. We also got some good news with 2Q GDP rising 11.8%

In the local bond market, markets were tracking the spike in the 10y UST due to higher inflation expectations. The 10y UST benchmark actually fell to as low as 1.15 at the height of Delta cases in the US, but some good US economic data and guidance from the Fed on tapering had the yield steadily move higher to as high as 1.55. BTR was able to reissue 10yr 10-66 at 3.915 but local bonds mainly followed the UST move higher. By the end of the quarter we see 10-66 at 4.65 traded.

In equities, the announcement of another hard lockdown has PSEi crashing 3% in a day. This is broadly in line with the US equities move as they too see a selloff at the height of the Delta surge. UST yield spike has US equities also down as technology stocks are sold off. However towards the end of the quarter we see some relief as we see the Delta surge abate and here in the Philippines we look forward to easing of restrictions.

The following summarizes the operating results of the Company’s subsidiaries:

#### Vantage Financial Corporation (“eBiz”)

In 3Q 2021, eBiz achieved Money Transfer volume of over 2.3 million transactions or USD 826 million versus USD 874 million in 3Q 2020. Revenue from Money Transfer is 20% lower Y/Y to PHP240 million. Other sources of revenue are the operations from Foreign Exchange and Ancillary Products. Revenue for this went up by 83% Y/Y to PHP 94 million in 3Q 2021 from PHP 51.5 million in 3Q 2020 due to significant increase in income from FX transactions. Meanwhile, the Company’s operating expenses is P227 million versus P251 million SPLY. As of 3rd quarter of 2021, the company posted a net income of P52.1 million versus P20 million last year, 160% increase.

## Philequity Management, Inc. (“PEMI”)

For the third quarter of 2021, PEMI registered net sales amounting to P65 million, a 168% increase from the previous quarter. Subscriptions amounted P365 million, down 7% from last quarter while redemptions amounted to P300 million, down 19% from last quarter. It looks like the worst is behind us as COVID-19 cases have significantly dropped from last quarter. The Philippine Stock Exchange finally saw foreign buying after almost two years of net foreign outflows—21 consecutive months to be exact. The local bourse gained 50.97 points or close to 1% for the quarter after stumbling to a low of 6,164.89 last May 24. However, the PSEi is still down 2.62% for the year. Assets under management for the mutual funds increased by P560 million or 3% to P17.9 billion. This was primarily due to the increase of the Philippine Stock Exchange Index which bounced back from last quarter. We expect subscriptions to pick up heading towards the end of year as the economy reopens from COVID19.

## 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	September 30, 2021	December 31, 2020
Current Ratio	Current Asset/Current Liabilities	1598.18%	1864.01%
Acid Test Ratio	(Cash Eq + Marketable Securities + Receivables )/ Current Liabilities	1594.13%	1862.18%
Solvency Ratio	Net Income/Total Liabilities	44.48%	116.66%
Debt-to-Equity Ratio	Total Liabilities/Total Equity	6.65%	6.49%
Debt Ratio	Total Liabilities/Total Assets	6.10%	6.10%
Asset-to-Equity Ratio	Total Assets/Total Equity	106.65%	106.49%
Interest Rate Coverage	EBIT/Interest Expense	N/A	N/A
Return on Assets	Net Income/Average Total Asset	2.84%	7.44%
Return on Equity	Net Income/Average Total Equity	3.00%	7.92%
Net Profit Margin	Gross Profit/Net Income	114.52%	124.04%
Book Value Per Share	(Total Shareholder Equity – Preferred Equity)/No. of Outstanding Shares	2.61	2.54

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

### Income Statement items – six month period ending 30-September-2021 versus 30-September-2020

#### *24% decrease in money transfer service*

Brought by lower volume of remittance transactions year on year

#### *40%decrease in interest income*

Effect of lesser investment in money market placements and lower interest rates

#### *191% increase in trading gain/loss*

Due to increase in market value of investment holdings.

#### *773% Increase in other income*

From signing bonus received from business partner and gains on foreign exchange transactions

*25 % decrease in depreciation and amortization*  
Due to impact of PFRS16 and lower depreciation

*44% decrease in interest and bank charges*  
Lower charges by bank

Balance Sheet items – September, 2021 versus end 2020

*39% increase in cash and cash equivalents*  
Primarily due to higher MMP outstanding as of reporting date

*58% decrease in loans and receivables*  
Primarily due to lesser receivable from Western Union

*629% increase in prepaid expenses and other current assets*  
Largely from prepaid taxes and creditable withholding taxes.

*17% decrease in non-current assets*  
Due to amortization of software

*180% increase in net assets attributable to shareholders*  
Increased subscription of units by investors

*55% increase in income tax payable*  
Higher tax due

**Geographic Concentration of Investments**

	<b>Number of Investors</b>	<b>Percentage of Investment</b>	<b>Number of Shares</b>
Philippines	598	99.58%	4,181,891,699
Foreign	11	0.42%	17,690,567

**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**

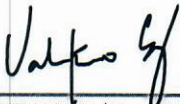
The implementation of PFRS 9 in 2018 resulted to a P1.2B impact on the Group’s retained earnings as a result of reclassifying its investments from AFS to FVTPL considering that these financial instruments satisfy the criteria of FVTPL business model.

**SIGNATURES**

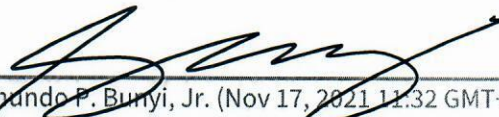
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_.

**VANTAGE EQUITIES, INC.**

By:

  
\_\_\_\_\_  
VALENTINO SY (Nov 17, 2021 12:50 GMT+8)


**VALENTINO C. SY**  
Chairman

  
\_\_\_\_\_  
Edmundo P. Bunyi, Jr. (Nov 17, 2021 11:32 GMT+8)

**EDMUNDO MARCO P. BUNYI, JR.**  
President and CEO<sup>gr</sup>

  
\_\_\_\_\_  
Angelica Cabanit (Nov 18, 2021 13:25 GMT+8)

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

  
\_\_\_\_\_  
Joseph Ong (Nov 17, 2021 15:12 GMT+8)

**JOSEPH L. ONG**  
Treasurer

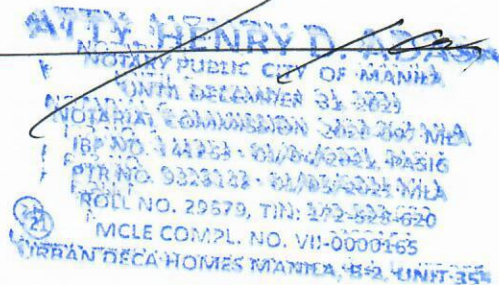


**ATTY. JONATHAN P. ONG**  
Corporate Secretary

NOV 18 2021  
SUBSCRIBED AND SWORN TO BEFORE ME THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ 20 \_\_\_\_\_ IN THE CITY OF MAKATI, AFFIANT EMPLOYING TO ME HIS/HER \_\_\_\_\_ WITH NO. \_\_\_\_\_ ISSUED ON \_\_\_\_\_ VALID UNTIL \_\_\_\_\_ ISSUED AT \_\_\_\_\_

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

DOC. NO. 19  
PAGE NO. 5  
BOOK NO. 14  
SERIES OF 707

  
**ATTY. HENRY D. ASUNCION**  
NOTARY PUBLIC CITY OF MANILA  
NOTARY REGISTRATION NO. 31-3333  
NOTARIAL COMMISSION 3124 2107 NIA  
BP NO. 14753 - 01/04/2001 PASIG  
PTR NO. 9323122 - 01/04/2001 NIA  
ROLL NO. 29579, TIN: 102-824620  
MCLE COMPL. NO. VII-0000165  
URBAN DECA HOMES MANILA, B-2 UNIT-354

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

	Unaudited	Audited
	September 30, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 6)	4,469,914,858	3,219,805,034
Loans and receivables (Note 7)	243,679,619	574,234,132
Financial assets at fair value through profit or loss (Note 8)	6,761,128,609	7,130,825,537
Prepaid expenses and other current assets (Note 9)	29,127,183	3,993,305
<b>Total Current Assets</b>	<b>11,503,850,269</b>	<b>10,928,858,008</b>
<b>Noncurrent Assets</b>		
Available-for-sale investments (Note 10)		
Investments in an associate	119,228	119,228
Property and equipment (Note 10)	133,562,133	152,635,871
Right Of Use - Assets	14,293,771	27,531,404
Deferred tax asset	12,871,460	13,552,209
Other noncurrent assets (Note 11)	38,599,991	45,128,010
<b>Total Noncurrent Assets</b>	<b>199,446,583</b>	<b>238,966,722</b>
	<b>11,703,296,852</b>	<b>11,167,824,730</b>
	-	
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 12)	372,190,551	365,403,523
Lease Liabilities - Current Portion	9,250,219	21,083,238
Net Assets Attributable to unitholders	274,677,323	82,966,013
Income tax payable	59,108,202	18,315,095
<b>Total Current Liabilities</b>	<b>715,226,296</b>	<b>487,767,869</b>
<b>Noncurrent Liabilities</b>		
Lease Liabilities	6,415,819	8,858,065
Retirement liabilities (Note 15)	7,795,436	7,795,135
<b>Total Noncurrent Liabilities</b>	<b>14,211,255</b>	<b>16,653,200</b>
<b>Total Liabilities</b>	<b>729,437,551</b>	<b>504,421,069</b>
<b>Equity</b>		
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)	6,285,325	6,285,325
Retained earnings - Unappropriated	6,170,249,451	5,912,712,787
Treasury stock (Note 23)	(190,460,934)	(190,460,934)
	<b>10,321,325,608</b>	<b>10,063,788,944</b>
Non-controlling interests	652,533,694	599,614,717
<b>Total Equity</b>	<b>10,973,859,302</b>	<b>10,663,403,661</b>
	<b>11,703,296,852</b>	<b>11,167,824,730</b>

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

	For the Period Ended (Unaudited)		For the Quarter Ended (Unaudited)	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>REVENUES</b>				
Money transfer service	140,473,950	185,124,162	93,692,529	130,665,650
Money changing	48,323,905	122,643,802	33,287,841	54,843,408
Interest income	142,167,276	234,565,555	96,680,229	155,039,951
Trading Gain/Loss	48,831,545	(54,000,459)	(210,796,107)	(454,559,318)
Income from Mutual Fund	179,993,359	161,474,564	120,034,469	110,661,060
Others	151,772,461	17,389,433	115,840,701	47,731,354
	<b>711,562,497</b>	<b>667,197,058</b>	<b>248,739,662</b>	<b>44,382,105</b>
<b>EXPENSES</b>				
General and administrative expenses (Note 14)	219,101,787	237,450,212	150,509,284	165,690,140
Cost of services and sales	79,948,375	81,512,009	53,534,257	59,065,434
Depreciation and amortization	40,993,812	54,323,583	27,619,004	37,058,167
	<b>340,043,974</b>	<b>373,285,804</b>	<b>231,662,545</b>	<b>261,813,741</b>
<b>INCOME FROM OPERATIONS</b>	<b>371,518,523</b>	<b>293,911,254</b>	<b>17,077,117</b>	<b>(217,431,636)</b>
<b>OTHER INCOME (CHARGES)</b>				
Interest and bank charges – net	(2,203,554)	(3,917,242)	(1,739,034)	(2,693,210)
Others	2,173,543	(101,152,632)	93,612,649	(50,066,421)
	<b>(30,011)</b>	<b>(105,069,874)</b>	<b>91,873,615</b>	<b>(52,759,631)</b>
<b>Income/Expense</b>	<b>371,488,512</b>	<b>188,841,380</b>	<b>108,950,732</b>	<b>(270,191,267)</b>
Extra-Ordinary Income/(Exp.)	-	-	-	-
Impairment Loss	-	-	-	-
<b>INCOME BEFORE INCOME TAX</b>	<b>371,488,512</b>	<b>188,841,380</b>	<b>108,950,732</b>	<b>(270,191,267)</b>
<b>PROVISION FOR INCOME TAX</b>				
Current	47,067,740	44,629,501	24,822,621	29,195,758
Deferred	-	-	-	-
	<b>47,067,740</b>	<b>44,629,501</b>	<b>24,822,621</b>	<b>29,195,758</b>
<b>NET INCOME (LOSS)</b>	<b>324,420,772</b>	<b>144,211,879</b>	<b>84,128,111</b>	<b>(299,387,025)</b>
Attributable to:				
Equity holders of the parent	286,173,049	136,806,019	68,306,232	(280,842,642)
Minority interests	38,247,723	7,405,860	15,821,878	(18,544,384)
	<b>324,420,772</b>	<b>144,211,879</b>	<b>84,128,111</b>	<b>(299,387,026)</b>
<b>Attributable to Equity Holders of the Parent</b>	<b>0.0681</b>	<b>0.0326</b>	<b>0.0163</b>	<b>(0.0669)</b>

*See accompanying Notes to Financial Statements*



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

For the Period Ended (Unaudited)  
**September 30, 2021**      September 30, 2020

<b>CAPITAL STOCK</b> - 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	-	-
<b>Balance at end of period</b>	<b>4,335,181,766</b>	<b>4,335,181,766</b>
<b>VALUE OF AVAILABLE-FOR-SALE SECURITIES</b>		
Balance at beginning of year	70,000	70,000
Reclassification of Financial Instruments		
Unrealized Gain/(loss)		
<b>Balance at end of period</b>	<b>70,000</b>	<b>70,000</b>
<b>REMEASUREMENT GAINS (LOSSES) ON RETIREMENT PLAN</b>		
Balance at beginning of year	6,285,325	683,709
Comprehensive income	-	-
<b>Balance at end of period</b>	<b>6,285,325</b>	<b>683,709</b>
<b>RETAINED EARNINGS (DEFICIT)</b>		
Balance at beginning of year	5,912,712,787	5,528,299,898
Net income (loss)	324,420,772	144,211,879
Share in Minority Interest	(38,247,723)	(7,405,860)
Stock Redemptions (Subsidiary)	(28,636,385)	506,675
<b>Balance at end of period</b>	<b>6,170,249,451</b>	<b>5,665,612,592</b>
<b>TREASURY SHARES (Note 17)</b>	<b>(190,460,934)</b>	<b>(190,460,934)</b>
<b>MINORITY INTEREST</b>		
Balance at beginning of year	599,614,717	556,737,233
Additional non-controlling interests in subsidiaries	14,671,255	10,618,141
Total income and expenses recognized during the period	38,247,723	7,405,860
<b>Balance at end of period</b>	<b>652,533,695</b>	<b>574,761,234</b>
	<b>10,973,859,302</b>	<b>10,385,848,367</b>

*See accompanying Notes to Financial Statements*

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

	<b>For the Period Ended (Unaudited)</b>	
	<b>September 30, 2021</b>	<b>September 30, 2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before Tax	371,488,512	188,841,380
Trading Gains/Losses	(48,831,545)	207,886,180
Depreciation and amortization	40,993,812	54,323,583
Interest expense	2,203,554	3,917,242
Dividend income	10,237,197	(8,249,926)
Interest income	(142,167,276)	(234,565,555)
Operating income before working capital changes	233,924,254	212,152,903
Changes in operating assets and liabilities:		
Decrease (increase):	-	-
Receivable	319,198,011	641,580,761
Prepaid expenses and other current assets	(17,925,110)	(8,771,796)
Increase (decrease) in accounts payable and other	(7,487,935)	(289,879,188)
Net cash provided by (used for) operations	527,709,218	555,082,681
Interest paid	(2,203,554)	(3,917,242)
Income tax paid	(6,274,633)	(56,732,022)
Dividends received	10,403,992	8,273,376
Interest received	153,356,983	247,941,764
Net cash provided by (used in) operating activities	682,992,006	750,648,557
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in:	-	-
Property and equipment	(32,311,371)	(6,702,941)
Decrease (increase) in FVPL/HTM	421,683,008	(437,219,650)
Net Proceeds from issuance/redemption of shares	(13,965,130)	10,618,141
Net Proceeds from issuance/redemption of units	191,711,310	58,462,139
Decrease (increase in) other assets	-	-
Net cash provided by (used in) investing activities	567,117,818	(374,842,310)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Increase/(decrease) in loans	-	-
Cash used in financing activities	-	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH</b>	<b>1,250,109,824</b>	<b>375,806,247</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>	<b>3,219,805,034</b>	<b>2,504,042,772</b>
<b>CASH AND CASH EQUIVALENTS AT END OF</b>	<b>4,469,914,858</b>	<b>2,879,849,019</b>

*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		
		2021	2020	2019
Vantage Financial Corporation (Formerly VFC Services, Inc.) (VFC)	Philippines	100.00	100.00	100.00
eBIZ Financial Services, Inc. (eBIZ Financial)*	Philippines	100.00	100.00	100.00
iCurrencies, Inc. (iCurrencies)	Philippines	100.00	100.00	100.00
Philequity Balanced Fund, Inc. (PBF)	Philippines	100.00	100.00	100.00
Philequity Foreign Currency Fixed Income Fund, Inc. (PFCFF)	Philippines	100.00	100.00	100.00
Philequity Alpha One Fund, Inc.(PAOF)**	Philippines	100.00	100.00	100.00
Philequity Global Fund, Inc.(PGF)***	Philippines	100.00	100.00	100.00
Philequity MSCI Philippines Index Fund, Inc. (PMIF)	Philippines	66.96	68.57	69.18
Philequity Management, Inc. (PEMI)	Philippines	51.00	51.00	51.00

\*Indirectly owned through VFC

\*\* Incorporated on February 13, 2019

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

\*\*\* 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 September 30, 2021, 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 September 30, 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. 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)

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## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), 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.

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

#### Classification and subsequent measurement of financial instruments

##### *Financial assets*

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 September 30, 2021 and December 31, 2020, the Group has financial assets at FVTOCI amounting to ₱0.57 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 September 30, 2021 and December 31, 2020, the Group's financial assets at FVTPL consists of investments in corporate bonds, government securities, equity securities, mutual funds and derivate assets.

#### *Derivatives classified as FVTPL*

Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into 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 September 30, 2019 and December 31, 2018.

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 September 30, 2021 and December 31, 2020, 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’.

#### 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

##### *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 a variety of instances that may indicate unlikelihood 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.

#### Investment in an Associate

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 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.

### *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.

### Income Taxes

#### *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 June 30, 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):

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

The Company shall also disclose information about:

- 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
- 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.

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### 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 relationship with 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.

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## 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 on 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.

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## 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 September 30, 2021 and December 31, 2020, the Group's maximum exposure to credit risk is equal to the carrying values of its financial assets since it does not hold any collateral or other credit enhancements that will mitigate credit risk exposure.

The fair values of financial assets at 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.

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## 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.

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## 6. Cash and Cash Equivalents

This account consists of:

This account consists of:

	September 30, 2021	December 31, 2020
Cash on hand	170,536,482	468,686,325
Cash in banks	2,890,142,316	1,655,863,360
Short-term placements	1,409,236,060	1,095,255,349
<b>Total</b>	<b>4,469,914,858</b>	<b>3,219,805,034</b>

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.

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## 7. Loans and receivables

This account consists of:

	September 30, 2021	December 31, 2020
Due from:		
Western Union	102,562,222	470,513,806
Broker		16,287,834
Business partners	69,562,185	9,702,394
Accrued interest	25,815,292	37,005,000
Receivable from sale of investment	38,592,600	38,592,600
Receivable from related parties and employees	1,714,499	1,532,331
Trade Receivables	78,076,456	73,483,114
	<u>316,323,254</u>	<u>647,117,079</u>
Less allowance for credit losses	(72,643,635)	(72,882,947)
<b>Total</b>	<u>243,679,619</u>	<u>574,234,132</u>

Aging of loans receivable is presented below:

No. of Days	Due from WU, Brokers, Subagents and Affiliates	Others	Total
Current (1-30 days)	199,654,198	116,669,056	<b>316,323,254</b>
31 – 60 days	-		-
61 – 90 days	-		-
Over 90 days	-		-
<b>TOTAL</b>	<b>199,654,198</b>	<b>116,669,056</b>	<b>316,323,254</b>

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 September 30, 2021 and December 31, 2020.

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.
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## 8. Financial Assets at FVPL

This account consists of investments in:

	September 30, 2021	December 31, 2020
Quoted		
Bonds	4,768,813,752	5,709,677,848
Mutual Funds	921,177,956	912,120,746
Equities	1,071,136,901	507,345,643
Derivatives	-	1,681,300
	<b>6,761,128,609</b>	<b>7,130,825,537</b>

### Equity Securities

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

### 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.

### 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.

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## 9. Prepaid Expenses and Other Current Assets

This account consists of:

	September 30, 2021	December 31, 2020
Prepaid expenses	3,075,064	1,324,291
Input value-added tax	26,256,185	3,455,342
Others	1,246,505	1,900,860
Less Allowance for Impairment	<b>(1,450,571)</b>	<b>(2,687,188)</b>
	<b>29,127,183</b>	<b>3,993,305</b>

Prepaid expenses comprise rent, insurance, taxes and uniforms.



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## 10. Property and Equipment

Details of this account are presented below:

	September 30, 2021	December 31, 2020
Cost	615,741,890	570,008,726
Less: Accumulated Depreciation	482,179,757	417,372,855
	<u>133,562,133</u>	<u>152,635,871</u>

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## 11. Other Noncurrent Assets

This account consists of:

Other Non Current Assets	September 30, 2021	December 31, 2020
Rental and other deposits	22,907,649	23,200,661
Software and website - net	11,333,619	15,834,000
Others	7,268,326	7,754,101
	<u>41,509,594</u>	<u>46,788,762</u>
Less: Allowance for credit losses	(2,909,603)	(1,660,752)
	<u>38,599,991</u>	<u>45,128,010</u>

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 investment's 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.

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## 12. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2021	December 31, 2020
Due to sub-agents and brokers	106,361,245	128,597,170
Accrued expenses	195,017,144	133,976,840
Trade	18,605,586	64,907,022
Output value added tax	10,914,391	12,368,529
Documentary stamp tax	-326,905	14,486,384
Expanded withholding tax	6,476,777	5,056,339
Derivative liabilities	29,140,353	3,378,309
Others	6,001,961	2,632,930
	<b>372,190,551</b>	<b>365,403,523</b>

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.

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## 13. Revenues

This account consists of:

	September 30, 2021	September 30, 2020
Money transfer service	140,473,950	185,124,162
Money changing	48,323,905	122,643,802
Interest income	142,167,276	234,565,555
Trading Gain/Loss	48,831,545	-54,000,459
Income from Mutual Fund	179,993,359	161,474,564
Others	151,772,461	17,389,433
	<b>711,562,497</b>	<b>667,197,058</b>

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#### 14. General and Administrative Expenses

This account consists of:

	September 30, 2021	September 30, 2020
Salaries, wages and allowances	106,076,409	109,650,216
Outside services	45,064,851	40,142,095
Rent and utilities	26,174,792	21,453,444
Taxes and licenses	9,845,570	12,990,222
Office supplies	4,508,447	5,589,506
Transportation and travel	11,644,231	15,230,037
Professional fee	3,761,526	1,854,388
Representation	713,658	1,238,986
Advertising	113,828	298,561
Others	11,198,475	29,002,756
	<b>219,101,787</b>	<b>237,450,212</b>

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#### 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.

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#### 16. Equity

The details of this account as of September 30, 2021 and December 31, 2020 are shown below:

	September 30, 2021		December 31, 2020	
	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

<u>Year End</u>	<u>Number of shareholders</u>
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.

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## 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.

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**18. Basic/Diluted Earnings Per Share**

	<b>September 30,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
(a) Net income (loss) attributable to equity holders of the Parent Company	<b>286,173,049</b>	P384,412,889
(b) Weighted average outstanding shares	<b>4,199,582,266</b>	4,199,582,266
(c) Basic/Diluted earnings per share (a/b)	<b>0.06814</b>	0.0915