COVER SHEET

SEC Registration Number

AS092-007059

Company Name

VANTAGE EQUITIES, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	250-8700	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
612		

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

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

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

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, 2020**

2. SEC Identification Number **AS-092-007059**

3. BIR Tax Identification No. **002-010-620**

4. Exact name of registrant as specified in its charter.
VANTAGE EQUITIES, INC.

5. Province, Country or other jurisdiction of Incorporation or Organization:
Philippines

6. [ ] (SEC Use Only)
Industry Classification Code

Address of Principal Office:
15TH Floor Phil. Stock Exchange, 5th Ave. cor 28th St. Bonifacio Global City, Taguig

7. Registrant's telephone number, including area code: **(632) 250-8700**

8. Former name, former address, and former fiscal year, if changed since last report
Not applicable

9. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, P1.00 par value	4,199,582,266

10. Are any or all of these securities listed on the Philippine Stock Exchange.
Yes [**X**] No [ ]

11. Check whether the registrant:

a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes [] No [**X**]

b) has been subject to such filing requirements for the past 90 days.
Yes [] No [**X**]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The Consolidated Financial Statements are filed as part of this Form 17-Q.

Item 2. Management's Discussion and Analysis or Plan of Operations

Financial Highlights

In Millions (PhP)		Unaudited 30-Sep-20	Audited 31-Dec-19	31-Dec-18
Balance Sheet				
	Assets	**10,806**	10,895	9,928
	Liabilities	**420**	664	579
	Stockholders' Equity	**10,386**	10,231	9,349
	Book Value per Share	**2.4731**	**2.4361**	**2.2262**
Income Statement				
	Revenues	**667**	1,498	785
	Expenses	**373**	-723	-686
	Other Income / (Charges)	**-150**	0	18
	Net Income	**144**	775	118
	Earnings per Share	**0.0343**	0.1846	0.0280

Results of Operations for the Quarter Ended September 30, 2020

For the 3Q20 most of the news was still following COVID cases here and abroad. In the Philippines, cases are spiking again, but government feels it has no choice but to continue gradually reopening the economy. Bayanihan 2 is passed, giving the government more funds to combat the disease and to help affected industries. NCR is moved back to MECQ for 15 days though as pressure from the healthcare sector forces Duterte's hand. Meanwhile, as expected, inflation remains subdued while BSP continues its accommodative stance to support the economy. 2Q GDP figures come out at -16.5% vs -9.4% expected as the Philippines officially enters recession.

In the local bond market, new 5Y RTB is issued and is swamped at the auction at 2.625. This is immediately bought down to 2.375 and 1064 is also now at the lows of 2.45%. However Diokno surprises by saying that BSP may be done easing for the year and disappoints most who were thinking that BSP would continue lowering RRR. This has yields backing up and causes traders to start locking in profits for the year. At its high for the quarter, the new 5yr RTB hits 2.90 after being auctioned at 2.625. At this point BTr starts rejecting bids at its auctions to stop yields from climbing further.

In equities, safe haven play has technology stocks continuing to rise and hit all time highs. Fed announces no new rate hikes until 2023 and says that inflation may not reach its 2% target for a very long time. UST 10y yield during this time was steady at around 0.60%. Meanwhile in the local market we continue to see lackluster volumes with little direction in the market

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

Vantage Financial Corporation ("eBiz")

In 3Q 2020, eBiz achieved Money Transfer volume of over 3.15 million transactions or USD 874 million versus USD 948 million in3Q 2019. Revenue from Money Transfer is 16% lower Y/Y to PHP 297 million. Other sources of revenue are the operations from Foreign Exchange and Ancillary Products. Revenue for this declined by 29% Y/Y to PHP 51 million in 3Q 2020 from PHP 72 million in 3Q 2019 due to significant decrease in ticketing transactions brought about by the community quarantine. Meanwhile, the Company's operating expenses is almost the same with same period last year at P109million. As of 3rd[t] quarter of 2020, the company posted a net income

ofP20 million versus P52 million last year, 62%lower . The stiff competition in the remittance business plus the national lockdown due to COVID-19 pandemic made a significant impact on the decline.

Philequity Management, Inc. ("PEMI")

For the third quarter of 2020, PEMI registered net sales amounting to P55 million, a 173% increase from the previous quarter. Subscriptions amounted P240 million, a 32% decrease from the previous quarter while redemptions amounted to P91 million, 69% decrease from the previous quarter. While net sales increased due to slower redemptions, we note that the continued COVID-19 pandemic has kept volatility high since the virus reached Philippine shores. In addition to this, while the Philippine Stock Exchange Index rebounded from its low in March, it continues to hover around the 6000-level and remains underwater, -25% year to date, making it the worst stock market in Asia. Assets under management decreased by 4% to P14.8 billion from the previous quarter as a result of marked to market valuations. We expect subscriptions to slightly pick up as the fourth quarter is a seasonally strong one for the company. However, as the pandemic continues to grapple the economy and affect capital markets, we do not expect strong sales compared to previous years. We expect assets under management to remain at these levels until there is a cure for COVID19 and we see a recovery in economic growth. However, with rising cases and a failure to contain the spread of the virus, there is a risk that assets prices may fall back to their lows.

Key Performance Indicators

The Company sets certain performance measures to gauge its operating performance periodically to assess its overall state of corporate health. Listed below are the major performance measures, which the Company has identified as reliable performance indicators.

	Formula	30-Sep-20	December 31, 2019
Current Ratio	Current Asset/Current Liabilities	2822.50%	1718.32%
Acid Test Ratio	(Cash Eq + Marketable Securities + Rec	2818.48%	1716.63%
Solvency Ratio	Net Income/Total Liabilities	34.31%	20.31%
Debt-to-Equity Ratio	Total Liabilities/Total Equity	4.05%	6.49%
Debt Ratio	Total Liabilities/Total Assets	3.89%	6.10%
Asset-to-Equity Ratio	Total Assets/Total Equity	104%	106.49%
Interest Rate Coverag	EBIT/Interest Expense	4921%	15370%
Return on Assets	Net Income/Average Total Asset	1.33%	1.04%
Return on Equity	Net Income/Average Total Equity	1.40%	1.27%
Net Profit Margin	Gross Profit/Net Income	258.85%	201.68%

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

Income Statement items – three month period ending 30-Sept-2020 versus 30-Sept-2019

17% decrease in money transfer service
Brought by lower volume of remittance transactions year on year due to pandemic

11% decrease in money changing
Brought by lower volume of remittance transactions resulting to decrease in money changing

17 %decrease in interest income
Effect of lesser investment in money market placements and lower interest rates

116% decrease in trading gain/loss
Due to continued decrease of market value of investment holdings as a result of the impact of pandemic on the economy
9% increase in other revenues
Due to decrease in dividend income

27%decrease in income from mutual funds
Lower assets under management hence decrease in management fees from mutual funds

25% decrease in cost of services and sales
From decrease in commission from money remittances

9% decrease general and administrative expense
Due to lower utility costs as a result of the implementation of work-from-home arrangement

2621% increase in interest and bank charges
Interest expense increase due to PFRS 16 implementation

89% decrease in other charges
Largely from revaluation loss of USD denominated assets

Balance Sheet items – September 2020 versus end 2019

15% increase in cash and cash equivalents
Primarily due to higher MMP outstanding as of reporting date

76% decrease in loans and receivables
Primarily due to lesser receivable from Western Union as of end of period

45% increase in prepaid expenses and other current assets
Largely from prepaid taxes and creditable withholding taxes.

12% decrease in PPE
Largely due to depreciation

41% decrease in ROU- Assets
Largely due to depreciation

10% increase in non-current assets
Due to acquisition of software

49% decrease in accounts payable and other current liabilities
Mostly from lesser payable to sub-agents and settlement of 2019 liabilities

440% increase in net assets attributable to shareholders
Increased subscription of units by investors

40% decrease in income tax payable
Due to remittance of 2019 corporate income tax

Geographic Concentration of Investments

	Number of Investors	Percentage of Investment	Number of Shares
Philippines	601	99.70%	4,186,692,449
Foreign	8	0.30%	12,889,817

Level of FATCA Compliance

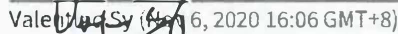
The fund has implemented standard procedures to be FATCA-compliant. Currently, the number of investors in the company qualifying as a US person is below 1% of the total investors.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of MAKATI on 11/13/2020.

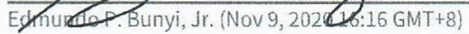
VANTAGE EQUITIES, INC. AND SUBSIDIARIES
Issuer

By:



Valentino Sy (Nov 6, 2020 16:06 GMT+8)

VALENTINO C. SY
Chairman

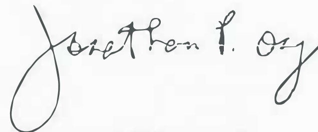


Edmundo P. Bunyi, Jr. (Nov 9, 2020 16:16 GMT+8)

EDMUNDO MARCO P. BUNYI JR.
[1]President and CEO

Angelica Cabanit (Nov 10, 2020 10:47 GMT+8)

MA. ANGELICA D. CABANIT
Compliance Officer



ATTY. JONATHAN L. ONG
Corporate Secretary

[1] *equivalent to Principal Executive Officer / Principal Operating Officer*

ACKNOWLEDGEMENT

REPUBLIC OF THE
PHILIPPINES) CITY ____)
S.S. MAKATI CITY

BEFORE ME, a Notary Public for and in the above jurisdiction, this____day of ______________, personally appeared: NOV 13 2020

Name	CTC No.	Date/Place Issued	TIN No.
VALENTINO C. SY	00874804	02/12/2020/Taguig City	122-335-536
EDMUNDO MARCO P. BUNYI JR.	14529563	02/03/2020/Taguig City	107-184-956
MA. ANGELICA D. CABANIT			117-484-974
ATTY. JONATHAN L. ONG			162-906-632

Known to me and by me known to be the same person who executed the foregoing document consisting of two pages including this page where this acknowledgement is written and acknowledged to me that the same is his own free and voluntary act and deed.

Witness my hand and notarial seal on the date and at the place first above written.

Doc. No. 101;
Page No. 22;
Book No. 52.
Series of 2020.

RUBEN M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2020
IBP NO. 097071 / CY 2019 APPT. NO. M 168
ROLL NO. 28547 MCLE-4 NO. 0006324/11 22 17
PTR NO. MKT 8117044/01-2-2020 MAKATI CITY

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

	Unaudited	Audited
	September 30, 2020	December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**2,879,849,018**	2,504,042,772
Loans and receivables (Note 8)	**206,253,819**	861,210,789
Financial assets at fair value through profit or loss (Note 9	**7,430,047,508**	7,200,714,038
Prepaid expenses and other current assets (Note 11)	**15,014,644**	10,373,714
Total Current Assets	**10,531,164,989**	10,576,341,313
Noncurrent Assets		
Investments in an associate (Note 12)	**119,228**	119,228
Property and equipment (Note 13)	**160,212,367**	181,433,855
Right Of Use - Assets	**37,589,758**	63,988,912
Deferred tax asset	**32,945,519**	32,945,519
Other noncurrent assets (Note 14)	**44,181,635**	40,050,769
Total Noncurrent Assets	**275,048,491**	318,538,283
	10,806,213,480	10,894,879,596
	-	
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 15)	**274,622,454**	536,990,994
Lease Liabilities - Current Portion	**8,437,908**	34,820,315
Net Assets Attributable to unitholders	**71,751,219**	13,289,080
Income tax payable	**18,303,044**	30,405,565
Total Current Liabilities	**373,114,625**	615,505,954
Noncurrent Liabilities		
Deferred tax liabilities (Note 25)	**3,577,604**	3,577,599
Lease Liabilities	**30,222,086**	31,833,573
Retirement liabilities (Note 22)	**13,450,798**	13,450,798
Total Noncurrent Liabilities	**47,250,488**	48,861,970
Total Liabilities	**420,365,113**	664,367,924
Equity		
Equity attributable to equity holders of the Parent Company:		
Capital stock (Note 23)	**4,335,181,766**	4,335,181,766
of available-for-sale investments (Note 10)	**70,000**	70,000
Remeasurement gains on retirement plan (Note 22)	**683,709**	683,709
Retained earnings - Unappropriated	**5,665,612,592**	5,528,299,898
Treasury stock (Note 23)	**(190,460,934)**	(190,460,934)
	9,811,087,133	9,673,774,439
Non-controlling interests	**574,761,234**	556,737,233
Total Equity	**10,385,848,367**	**10,230,511,672**
	10,806,213,480	10,894,879,596

VANTAGE EQUITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	For the Period Ended (Unaudited)		For the Quarter Ended (Unaudited)	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
REVENUES				
Money transfer service	**185,124,162**	223,216,960	**63,257,523**	72,209,523
Money changing	**122,643,802**	137,504,317	**41,002,937**	50,696,602
Interest income	**234,565,555**	281,927,346	**68,295,406**	96,573,826
Trading Gain/Loss	**(54,000,459)**	343,285,283	**(9,595,803)**	17,462,706
Income from Mutual Fund	**161,474,564**	206,066,045	**52,794,537**	68,254,872
Others	**17,389,433**	16,022,501	**6,017,550**	3,890,254
	667,197,058	1,208,022,452	**221,772,150**	309,087,782
EXPENSES				
General and administrative expenses (Note 15)	**291,773,795**	321,806,175	**97,326,047**	113,256,755
Cost of services and sales	**81,512,009**	108,681,678	**26,429,134**	40,225,609
	373,285,804	430,487,853	**123,755,181**	153,482,363
INCOME FROM OPERATIONS	**293,911,254**	777,534,599	**98,016,969**	155,605,419
OTHER INCOME (CHARGES)				
Interest and bank charges – net	**(3,917,242)**	(143,958)	**(1,142,153)**	-
Others	**(101,152,632)**	(53,442,226)	**(47,678,064)**	15,810,357
	(105,069,874)	(53,586,184)	**(48,820,217)**	15,810,357
Income/Expense	**188,841,380**	723,948,415	**49,196,752**	171,415,775
Extra-Ordinary Income/(Exp.)			-	
Impairment Loss	-		-	
INCOME BEFORE INCOME TAX	**188,841,380**	723,948,415	**49,196,752**	171,415,775
PROVISION FOR INCOME TAX				
Current	**44,629,501**	78,213,803	**13,876,708**	21,345,810
Deferred			-	
	44,629,501	78,213,803	**13,876,708**	21,345,810
NET INCOME (LOSS)	**144,211,879**	645,734,612	**35,320,044**	150,069,965
Attributable to:				
Equity holders of the parent	**136,806,019**	587,813,473	**30,567,230**	133,657,406
Minority interests	**7,405,860**	57,921,139	**4,752,814**	16,412,559
	144,211,879	645,734,612	**35,320,044**	150,069,965
to Equity Holders of the Parent	**0.0326**	0.1400	**0.0073**	0.0318

See accompanying Notes to Financial Statements

VANTAGE EQUITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	For the Period Ended (Unaudited)	
	September 30, 2020	September 30, 2019
CAPITAL STOCK - 1 par value		
Authorized - 5,000,000,000 shares		
Issued and outstanding - 4,199,582,266 shares		
Balance at beginning of year	**4,335,181,766**	4,335,181,766
Stock issuance cost of a subsidiary	-	-
Stock dividends issued	-	-
Balance at end of period	**4,335,181,766**	4,335,181,766
FAIR VALUE OF AVAILABLE-FOR-SALE SECURITIES		
Balance at beginning of year	**70,000**	70,000
Reclassification of Financial Instruments		
Unrealized Gain/(loss)		
Balance at end of period	**70,000**	**70,000**
PLAN		
Balance at beginning of year	**683,709**	8,235,116
Comprehensive income	-	-
Balance at end of period	**683,709**	8,235,116
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of year	**5,528,299,898**	4,827,884,863
Net income (loss)	**144,211,879**	645,734,612
Share in Minority Interest	**(7,405,860)**	(57,921,139)
Stock Redemptions (Subsidiary)	**506,675**	(13,639)
Balance at end of period	**5,665,612,592**	5,415,684,697
TREASURY SHARES (Note 17)	**(190,460,934)**	(190,460,934)
MINORITY INTEREST		
Balance at beginning of year	**556,737,233**	368,262,233
Additional non-controlling interests in subsidiaries	**10,618,141**	61,524,306
Total income and expenses recognized during the period	**7,405,860**	57,921,139
Balance at end of period	**574,761,234**	487,707,679
	10,385,848,367	10,056,418,323

See accompanying Notes to Financial Statements

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

	For the Period Ended (Unaudited)	
	September 30, 2020	September 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before Tax	**188,841,380**	723,948,415
Trading Gains/Losses -valuation	**207,886,180**	(259,985,487)
Depreciation and amortization	**54,323,583**	28,605,437
Loss (gain) on sale of property and equipment		(161,071)
Interest expense	**3,917,242**	143,958
Dividend income	**(8,249,926)**	(4,905,994)
Interest income	**(234,565,555)**	(281,927,346)
Operating income before working capital changes	**212,152,903**	205,717,913
Changes in operating assets and liabilities:	**-**	-
Decrease (increase):	**-**	-
Receivable	**641,580,761**	478,706,495
FVPL Securities	**(437,219,650)**	(3,448,240,454)
Prepaid expenses and other current assets	**(8,771,796)**	(12,405,551)
Increase (decrease) in accounts payable and other	**(289,879,188)**	(179,656,373)
Net cash provided by (used for) operations	**117,863,030**	(2,955,877,970)
Interest paid	**(3,917,242)**	(143,958)
Income tax paid	**(56,732,022)**	(86,200,600)
Dividends received	**8,273,376**	4,866,877
Interest received	**247,941,764**	264,395,657
Net cash provided by (used in) operating activities	**313,428,906**	(2,772,959,995)
CASH FLOWS FROM INVESTING ACTIVITIES	**-**	-
Decrease (increase) in:	**-**	-
Property and equipment	**(6,702,941)**	(28,341,167)
Decrease (increase) in Amortized Cost		21,683,599
Decrease (increase in) other assets	**-**	5,357,195
Net cash provided by (used in) investing activities	**(6,702,941)**	(1,300,373)
CASH FLOWS FROM FINANCING ACTIVITY	**-**	-
Net Proceeds from issuance/redemption of shares	**10,618,141**	61,527,538
Net Proceeds from issuance/redemption of units	**58,462,139**	
Increase/(decrease) in loans	**-**	
Cash used in financing activities	69,080,280	61,527,538
NET INCREASE (DECREASE) IN CASH AND CASH	**375,806,246**	(2,712,732,831)
CASH AND CASH EQUIVALENTS AT BEGINNING	2,504,042,772	5,332,343,013
CASH AND CASH EQUIVALENTS AT END OF	**2,879,849,018**	2,619,610,182

See accompanying Notes to 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 2020	2019	2018
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	–
Philequity Global Fund, Inc.(PGF)***	Philippines	**100.00**	100.00	–
Philequity MSCI Philippines Index Fund, Inc. (PMIF)	Philippines	**66.70**	69.18	100.00
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 September 30, 2020, clearance for liquidation of these Funds is pending with the SEC.

Vantage Financial Corporation (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, 2020, 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.

Philequity Balanced Fund (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.

Philequity Foreign Currency Fund (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.

Philequity Alpha One Fund Inc (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.

Philequity Global Fund (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, 2020, the Fund has not yet started its commercial operations pending the registration under the Philippine Investment Company Act (Republic Act No. 2629) as an open-end mutual fund company with the SEC.

Philequity MSCI Philippines Index Fund (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.

Philequity Management Inc (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)

The following government agency and private institutions also engaged PEMI to serve as fund manager for a certain portion of their funds:

- Government Service Insurance System (GSIS)
- Social Security Services (SSS)
- Home Development Mutual Fund (HDMF)
- Bangko Sentral ng Pilipinas Provident Fund (BSPPF)
- Unicapital Securities, Inc. (USI)
- De la Salle University, Inc. (DLSU)
- De la Salle University, Inc. - College of Saint Benilde (DLSU-CSB)

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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, 2020 and December 31, 2019 , 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 June 30, 2020 and December 31, 2019, 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 March 31, 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, 2020 and December 31, 2019, 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 and a variety of instances that may indicate unlikeliness to pay to determine if a counterparty has defaulted.

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

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

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

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

For non-credit-impaired financial instruments:

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

For credit-impaired financial instruments:
Financial instruments are classified as Stage 3 when there is objective evidence of impairment.

ECL parameters and methodologies
For financial assets such as “Receivables”, the Group applied the simplified approach using provision matrix that considers historical loss experience adjusted for current conditions and forward-looking inputs and assumptions. For ‘Cash and cash equivalents’ and ‘Investments at amortized cost’, the Group applied the general approach in measuring ECL that considers assessment of significant increase in credit risk and adjustments for forward-looking information.

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

Write-off policy
The Group writes off its financial assets when it has been established that all efforts to collect

and/or recover the loss has been exhausted. This may include the other party being insolvent, deceased or the obligation being unenforceable.

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.

<u>Income Taxes</u>
Current Tax
Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Tax
Deferred tax is provided, using the liability method, on all temporary differences and carryforward benefits of excess minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO) at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of MCIT and NOLCO to the extent that it is probable that taxable income will be available against which the

deductible temporary differences and carryforward benefits of MCIT and NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting period. Movements in deferred tax assets and liabilities arising from changes in tax rate are charged or credited to income for the year.

Deferred tax relating to items recognized directly in other comprehensive income are also recognized in other comprehensive income.

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

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

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

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

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

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

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

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective BOD and shareholders of the Parent Company and its subsidiaries

while stock dividends are deducted from retained earnings upon distribution. Dividends for the year that are approved after reporting are dealt with as subsequent events.

Basic/Diluted Earnings Per Share

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

Diluted EPS is calculated by dividing the net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive potential common shares. As of March 31, 2019 and December 31, 2018, the Parent Company does not have dilutive potential common shares.

Provisions

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

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

Contingent Liabilities and Contingent Assets

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

Events After the Reporting Period

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

Segment Reporting

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

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. 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 Group's financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  Under PFRS 9, a debt instrument can be measured at AC or at FVTOCI, provided that the contractual cash flows are SPPI and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group is currently assessing the impact of adopting PFRS 16. The Group expects that total assets and total liabilities will increase while total equity will decrease on adoption date.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of March 31, 2020 and December 31, 2018.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.
  A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The 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. 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 Financial Reporting Standards Council (FRSC) deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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.

4. **Fair Value of Financial Assets**

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

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

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

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

Investments in amortized costs, financial assets and liabilities at FVTPL (except derivatives)
Fair values are generally based on quoted market prices. For the Group's equity investments classified as financial assets at FVTPL, fair values are determined based on quoted closing prices or bid price in cases when the former is not available in the PSE for 2018 and 2017, respectively. For the Group's fixed income investments classified as financial assets at FVTPL, fair values are determined based quoted market prices, if available. If market prices are not readily available or if the securities are not traded in an active market, as in the case of fixed income investments classified as investment in amortized costs, fair values are estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. For the Group's UITFs and mutual funds classified as financial assets at FVTPL, fair values are estimated using published net asset value (NAV).

Derivative instruments (included under financial assets and liabilities at FVPL)
Fair values are calculated by reference to the prevailing interest differential and spot exchange rate as of the reporting date, taking into account the remaining term to maturity of the derivative instruments. For the stock warrants, fair values are determined based on quoted prices.

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, 2020 and December 31, 2019, 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.

6. Cash and Cash Equivalents

This account consists of:

	September 30, 2020	December 31, 2019
Cash on hand	**189,785,647**	354,687,189
Cash in banks	**1,100,084,498**	498,200,773
Short-term placements	**1,589,978,873**	1,651,154,810
Total	**2,879,849,018**	2,504,042,772

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of one to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates.

7. Loans and receivables

This account consists of:

	September 30, 2020	December 31, 2019
Due from:		
Western Union	**136,711,704**	778,453,587
Broker	**663,442**	459,392
Business partners	**23,717,630**	265,306
Accrued interest	**32,742,821**	46,119,029
Receivable from sale of investment	**82,592,600**	82,592,600
Receivable from related parties and employees	**2,498,621**	1,989,344
Others	**43,970,636**	68,214,478
	322,897,454	978,093,736
Less allowance for credit losses	**(116,643,635)**	(116,882,947)
Total	**206,253,819**	861,210,789

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. In 2019, P14.0M was proven to be uncollectible and was written off.

Aging of loans receivable is presented below:

No. of Days	Due from WU, Brokers, Subagents	Others	Total
Current (1-30 days)	195,670,776	10,583,043	206,253,819
31 – 60 days	-		-
61 – 90 days	-		-
Over 90 days		116,643,635	116,643,635
TOTAL	**195,670,776**	**127,226,678**	322,897,454

Due from Western Union represents pay-outs of Vantage Financial Corporation for fund transfers and remittance services, which were not yet reimbursed by Western Union as of September 30, 2020 and December 31, 2019.

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 broker is usually collectible within three days.
- Other receivables are all short-term in nature.

8. Financial Assets at FVPL

This account consists of investments in:

	September 30, 2020	December 31, 2019
Bonds	**6,294,744,989**	5,947,747,414
Mutual Funds	**675,788,572**	861,745,441
Equities	**444,041,582**	388,730,183
Derivatives	**15,472,365**	2,491,000
	7,430,047,508	7,200,714,038

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.

9. Prepaid Expenses and Other Current Assets

This account consists of:

	September 30, 2020	December 31, 2019
Prepaid expenses	**2,065,298**	1,253,612
Input value-added tax	**13,819,164**	11,188,921
Others	**1,817,370**	618,369
Less Allowance for Impairment	**(2,687,188)**	(2,687,188)
	15,014,644	10,373,714

Prepaid expenses comprise rent, insurance, taxes and condo dues.

10. Property and Equipment

Details of this account are presented below:

	September 30, 2020	December 31, 2019
Cost	**610,990,322**	562,002,698
Less: Accumulated Depreciation	**450,777,955**	380,568,843
	160,212,367	181,433,855

11. Other Noncurrent Assets

This account consists of:

	September 30, 2020	December 31, 2019
Rental and other deposits	**22,952,387**	22,794,002
Software and website - net	**14,065,174**	8,621,431
Others	8,837,059	10,296,088
	45,854,620	41,711,521
Less: Allowance for credit losses	**(1,672,985)**	(1,660,752)
	44,181,635	40,050,769

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, 2019. 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, 2019, the current BV per share of

PEMI is above the investment cost per share. There is no impairment loss recognized on goodwill as at 2020.

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12. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2020	December 31, 2019
Due to sub-agents and brokers	**42,920,480**	235,952,002
Accrued expenses	**147,468,081**	124,245,680
Trade	**37,596,431**	130,842,196
Output value added tax	**9,613,231**	22,384,298
Documentary stamp tax	**11,474,608**	14,860,493
Expanded withholding tax	**2,546,440**	4,430,828
Derivative liabilities	**18,416,074**	322,000
Others	**4,587,109**	3,953,497
	274,622,454	536,990,994

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 to business partners and suppliers
- Other payables include withholding taxes payable, documentary stamp tax payable, merchant deposits, sundry credits and others.

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

13. Net Assets Attributable to Unitholders of a Mutual Fund Subsidiary

This account pertains the net assets of PAOF consolidated in the financial statements of the Group.

Details of the net assets attrubutable to unitholders as follows

	Amounts
Assets	
Cash and Cash Equivalents	8,872,206
FVPL Assets	66,870,846
Other Receivables	673,483
Liabilities	
Accrued Expenses and other Liabilities	(264,914)
	76,151,621

14. Revenues

This account consists of:

	September 30, 2020	September 30, 2019
Money transfer service	185,124,162	223,216,960
Money changing	122,643,802	137,504,317
Interest income	234,565,555	281,927,346
Trading Gain/Loss	-54,000,459	343,285,283
Income from Mutual Fund	161,474,564	206,066,045
Others	17,389,433	16,022,501
	667,197,058	1,208,022,452

15. General and Administrative Expenses

This account consists of:

	September 30, 2020	September 30, 2019
Salaries, wages and allowances	**109,650,216**	112,944,921
Depreciation and Amortization	**54,323,583**	28,605,437
Outside services	**40,142,095**	48,980,904
Rent and utilities	**21,453,444**	62,139,646
Transportation and travel	**15,230,037**	13,059,691
Taxes and licenses	**12,990,222**	12,568,542
Professional fee	**8,867,961**	10,011,618
Rebate	**8,275,272**	10,303,152
Office supplies	**5,589,506**	6,401,512
Membership Fees and Dues	**3,472,951**	4,648,174
Repairs & Maintenance	**3,336,756**	4,789,395
Representation	**1,238,986**	2,039,481
Advertising	**298,561**	1,401,268
Others	**6,904,205**	3,912,434
	291,773,795	321,806,175

16. 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.

17. Equity

The details of this account as of September 30, 2020 and December 31, 2019 are shown below:

	Shares	**Amount**	Shares	Amount

Authorized shares (at par value*)	**5,000,000,000**	**5,000,000,000**	5,000,000,000	5,000,000,000
Issued shares	**4,335,181,766**	**4,335,181,766**	4,335,181,766	4,335,181,766
Treasury stock	**(135,599,500)**	**(190,460,934)**	(135,599,500)	(190,460,934)
Outstanding shares	**4,199,582,266**	**4,144,720,832**	4,199,582,266	4,144,720,832

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

a. Authorized Shares

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

b. Stock Dividends

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

c. Number of Shareholders

Year End	Number of shareholders
December 31, 2019	613
December 31, 2018	616

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.

18. **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.

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

		September 30, 2020	December 31, 2019
(a)	Net income (loss) attributable to equity holders of the Parent Company	**P136,806,019**	P700,415,03
(b)	Weighted average outstanding shares	**4,199,582,266**	4,199,582,266
(c)	Basic/Diluted earnings per share (a/b)	**0.0326**	0.1668