C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 2 0 0 1 1 7 7 0 8

C O M P A N Y   N A M E

X U R P A S   I N C .

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

U n i t   8 0 4   A n t e l   2 0 0 0   C o r p O r a t e
C e n t r e ,   1 2 1   V a l e r o   S t . ,   S a l c e d
o   V i l l A g e ,   B r g y .   B e l - A i r ,   M a k a
t i   C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	S E C	N / A

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

Company's Email Address	Company's Telephone Number	Mobile Number
info@xurpas.com	8889-6426	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
26	2nd Monday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alexander D. Corpuz	mar@xurpas.com	8889-6426	N/A

CONTACT PERSON's ADDRESS

Unit 804 Antel 2000 Corporate Centre, 121 Valero St., Salcedo Village, Brgy. Bel-Air, Makati City

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

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

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS"

The management of **XURPAS INC.** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

NICO JOSE S. NOLLEDO
Chairman of the Board

ALEXANDER D. CORPUZ
President/ Chief Finance Officer

FERNANDO JUDE GARCIA
Treasurer/ Chief Technology Officer

Signed this MAY 16 2022

Republic of the Philippines)
TAGUIG CITY) S.S.

SUBSCRIBED AND SWORN TO before me, a Notary Public for and in TAGUIG CITY this May 16, 2022, affiants personally appeared and exhibiting to me their validly issued government ID with following details:

Name	Government Issued Identification Card No.	Place Issued / Expiry Date
Nico Jose S. Nolledo	N03-94-163989	LTO / 09-12-2022
Alexander D. Corpuz	P5670777A	DFA NCR East / 01-17-2028
Fernando Jude F. Garcia	N02-93-214861	LTO / 08-30/2024

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Series of 2022.

EDRIAN M. APAYA
PTR No. 8131748/01-04-2022/Pasig City
IBP No. 178878/01-04-22/ Masbati City
Roll No. 64655
MCLE Compliance VI-0025830; 04-16-2019
Unit 704, The Infinity Building
26th Street, Bonifacio Global City, Taguig City
Email address:emapaya@gorricetalaw.com
Telephone No. 5196892
Appointment No. 79 (2020-2021) – Taguig City
Commission extended until 30 June 2022

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
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INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
Xurpas Inc.
Unit 804 Antel 2000 Corporate Centre
121 Valero St., Salcedo Village, Brgy. Bel-Air
Makati City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the accompanying parent company financial statements of Xurpas Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the parent company financial statements, which indicates that the Parent Company has deficit of ₱2,925.92 million and ₱2,874.63 million as of December 31, 2021 and 2020, respectively, and net operating cash outflow of ₱39.66 million and ₱69.91 million for the years ended December 31, 2021 and 2020, respectively. As at and for the year ended December 31, 2021, the Parent Company incurred net losses of ₱54.55 million and its current liabilities exceeded its current assets by ₱73.63 million. As stated in Note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 26 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Parent Company. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Dolmar C. Montañez.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 112004-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025
PTR No. 8854339, January 3, 2022, Makati City

May 16, 2022

XURPAS INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash (Notes 4 and 21)	**₱16,970,600**	₱59,536,284
Accounts and other receivables (Notes 5, 17 and 21)	**271,226,086**	260,951,944
Other current assets (Notes 6 and 21)	**4,953,330**	6,268,559
Total Current Assets	**293,150,016**	326,756,787
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 7 and 21)	**600,000**	500,000
Investment in and advances to associates (Note 8)	**347,622,016**	347,622,016
Investment in subsidiaries (Note 9)	**68,535,991**	68,535,991
Property and equipment (Note 10)	**1,546,993**	1,680,768
Right-of-use Asset (Note 16)	**1,174,941**	–
Other noncurrent assets (Note 6)	**13,843,314**	14,984,460
Total Noncurrent Assets	**433,323,255**	433,323,235
	₱726,473,271	₱760,080,022
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 11, 17 and 21)	**₱222,201,890**	₱212,435,212
Advances from stockholders (Notes 17 and 21)	**143,563,235**	88,784,053
Current portion of lease liabilities (Note 16)	**1,019,202**	–
Total Current Liabilities	**366,784,327**	301,219,265
Noncurrent Liabilities		
Pension liability (Note 19)	**19,027,074**	26,180,286
Deferred tax liabilities - net (Note 18)	**4,266**	–
Lease liabilities - net of current portion (Note 16)	**172,802**	–
Advances from stockholders - net of current portion (Notes 17 and 21)	–	49,302,723
Total Noncurrent Liabilities	**19,204,142**	75,483,009
Total Liabilities	**385,988,469**	376,702,274
Equity		
Capital stock (Note 20)	**193,492,586**	193,492,586
Additional paid-in capital (Note 20)	**3,577,903,563**	3,577,903,563
Deficit (Note 20)	**(2,925,915,057)**	(2,874,632,257)
Net unrealized loss on financial assets at FVOCI (Note 7)	**(44,094,956)**	(44,194,956)
Equity reserve (Notes 9 and 20)	**(358,497,432)**	(358,497,432)
Treasury stock (Note 20)	**(99,700,819)**	(99,700,819)
Remeasurement gain (loss) on defined benefit plan (Note 19)	**(2,703,083)**	(10,992,937)
Total Equity	**340,484,802**	383,377,748
	₱726,473,271	₱760,080,022

See accompanying Notes to Parent Company Financial Statements.

XURPAS INC.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
REVENUES		
Service income (Note 12)	**₱63,790,986**	₱131,313,348
Management fees (Note 17)	**15,326,107**	45,131,202
	79,117,093	176,444,550
COST OF SERVICES (Note 13)	**(69,685,155)**	(62,803,012)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	**(52,357,165)**	(67,994,049)
FINANCE COSTS - NET (Note 15)	**(7,429,616)**	(6,779,367)
OTHER INCOME (CHARGES) - NET (Note 15)	**(4,194,092)**	19,175,708
INCOME (LOSS) BEFORE INCOME TAX	**(54,548,935)**	58,043,830
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18)	**(3,266,135)**	2,760,094
NET INCOME (LOSS)	**(51,282,800)**	55,283,736
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified to profit or loss in subsequent periods:		
Unrealized gain on financial assets at FVOCI - net of tax (Note 7)	**100,000**	42,000
Actuarial gain (loss) on pension liability (Note 19)	**8,289,854**	(3,122,721)
	8,389,854	(3,080,721)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱42,892,946)**	₱52,203,015

See accompanying Notes to Parent Company Financial Statements.

XURPAS INC.
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

Year Ended December 31, 2021

	Capital Stock (Note 20)	**Additional Paid-in Capital** (Note 20)	**Retained Earnings - Appropriated** (Note 20)	**Retained Earnings - Unappropriated** (Note 20)	**Net Unrealized Loss on Financial Assets at FVOCI - net of tax** (Notes 7 and 18)	**Remeasurement Gain (Loss) on Defined Benefit Plan** (Note 19)	**Equity Reserve** (Notes 9 and 20)	**Treasury shares** (Note 20)	**Total Equity**
Balances at beginning of year	**₱193,492,586**	**₱3,577,903,563**	**₱115,464,275**	**(₱2,990,096,532)**	**(₱44,194,956)**	**(₱10,992,937)**	**(₱358,497,432)**	**(₱99,700,819)**	**₱383,377,748**
Net loss	–	–	–	**(51,282,800)**	–	–	–	–	**(51,282,800)**
Other comprehensive income	–	–	–	–	**100,000**	**8,289,854**	–	–	**8,389,854**
Total comprehensive income (loss)	–	–	–	**(51,282,800)**	**100,000**	**8,289,854**	–	–	**(42,892,946)**
Balances at end of year	**₱193,492,586**	**₱3,577,903,563**	**₱115,464,275**	**(₱3,041,379,332)**	**(₱44,094,956)**	**(₱2,703,083)**	**(₱358,497,432)**	**(₱99,700,819)**	**₱340,484,802**

Year Ended December 31, 2020

	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Retained Earnings - Appropriated (Note 20)	Retained Earnings - Unappropriated (Note 20)	Net Unrealized Loss on Financial Assets at FVOCI - net of tax (Notes 7 and 18)	Remeasurement Loss on Defined Benefit Plan (Note 19)	Equity Reserve (Notes 9 and 20)	Treasury shares (Note 20)	Total Equity
Balances at beginning of year	₱193,492,586	₱3,585,092,296	₱115,464,275	(₱3,045,380,268)	(₱44,254,956)	(₱7,870,216)	(₱358,497,432)	(₱107,418,911)	₱330,627,374
Reissuance of treasury shares	–	(7,188,733)	–	–	–	–	–	7,718,092	529,359
Net income	–	–	–	55,283,736	–	–	–	–	55,283,736
Other comprehensive income (loss)	–	–	–	–	42,000	(3,122,721)	–	–	(3,080,721)
Total comprehensive income (loss)	–	–	–	55,283,736	42,000	(3,122,721)	–	–	52,203,015
Effect of recognition of deferred tax asset					18,000				18,000
Balances at end of year	₱193,492,586	₱3,577,903,563	₱115,464,275	(₱2,990,096,532)	(₱44,194,956)	(₱10,992,937)	(₱358,497,432)	(₱99,700,819)	₱383,377,748

See accompanying Notes to Parent Company Financial Statements.

XURPAS INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱54,548,935)**	₱58,043,830
Adjustments for:		
Provision for impairment losses (Note 14)	**10,349,741**	19,899,695
Unrealized foreign currency exchange loss (gain) (Note 15)	**6,784,974**	(15,695,876)
Interest expense (Notes 15 and 17)	**7,460,911**	7,397,963
Pension expense (Note 19)	**3,899,927**	3,019,257
Depreciation and amortization (Notes 13, 14 and 16)	**1,958,821**	7,391,280
Loss on disposal of investment in subsidiary (Notes 9 and 15)	**−**	4,734,765
Gain from reversal of long outstanding payables (Notes 15 and 17)	**(978,919)**	(1,462,540)
Gain on disposal of property and equipment (Notes 10 and 15)	**(259,858)**	(38,068)
Interest income (Notes 4 and 15)	**(31,295)**	(618,596)
Operating income (loss) before changes in working capital	**(25,364,633)**	82,671,710
Decrease (increase) in:		
Accounts and other receivables - net	**(20,623,883)**	(72,028,971)
Other assets	**3,116,747**	6,927,738
Increase (decrease) in accounts and other payables	**3,330,662**	(84,499,878)
Net cash used in operations	**(39,541,107)**	(66,929,401)
Interest received	**31,295**	618,596
Interest paid	**−**	(839,285)
Income taxes paid, including creditable withholding taxes (Note 18)	**(153,256)**	(2,760,094)
Net cash used in operating activities	**(39,663,068)**	(69,910,184)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment (Note 10)	**264,350**	47,397
Additions to property and equipment (Note 10)	**(990,294)**	(1,072,865)
Net cash used in investing activities	**(725,944)**	(1,025,468)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease liability (Note 16)	**(868,156)**	(866,970)
NET DECREASE IN CASH	**(41,257,168)**	(71,802,622)
EFFECT OF CHANGE IN FOREIGN EXCHANGE RATE	**(1,308,516)**	748,923
CASH AT BEGINNING OF YEAR	**59,536,284**	130,589,983
CASH AT END OF YEAR (Note 4)	**₱16,970,600**	₱59,536,284

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information

Xurpas Inc. (the Parent Company or Xurpas) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 26, 2001. The principal activities of the Parent Company are to develop, produce, sell, buy or otherwise deal in products, goods or services in connection with the transmission, receiving, or exchange of voice, data, video or any form or kind of communication whatsoever.

Prior to 2021, the Parent Company's registered office address and principal place of business is at 7th Floor, Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City. On March 31, 2021, the Board of Directors (BOD) of the Parent Company approved the transfer of the principal place of business of the Parent Company to Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Brgy. Bel-Air, Makati City.

On December 2, 2014, the Parent Company's shares of stock were listed in the Philippine Stock Exchange (PSE).

The Parent Company has deficit of ₱2,925.92 million and ₱2,874.63 million as of December 31, 2021 and 2020, respectively, and net operating cash outflow of ₱39.66 million and ₱69.91 million for the years ended December 31, 2021 and 2020, respectively. As at and for the year ended December 31, 2021, the Parent Company incurred net losses of ₱54.55 million and its current liabilities exceeded its current assets by ₱73.63 million. These conditions indicate a material uncertainty exists that may cast significant doubt on the Parent Company's ability to continue as a going concern and therefore, the Parent Company may not be able to realize its assets and discharge its liabilities in the normal course of business. Management assessed that the Parent Company will be able to maintain its positive cash position and settle its liabilities as they fall due through future actions such as continuous venture into new revenue potentials, cost cutting measures, and equity funding to support liquidity.

Management does not have plans to liquidate and continues to believe that the Parent Company is in a unique position being one of the few technology companies that can assist companies in their digital transformation initiatives and develop marketing promotions for consumer and enterprise businesses.

Planned acquisition of Wavemaker Group Inc.
In 2019, the Parent Company's BOD approved the acquisition of 100% equity interest in Wavemaker US Fund Management Holdings, LLC, a venture capital management firm based in Los Angeles, California, United States of America. In 2020, the parties agreed to purchase Wavemaker Group, Inc. instead of Wavemaker US Fund Management Holdings, LLC, a limited liability company. Wavemaker Group Inc. is a fund management entity duly incorporated under the laws of Delaware, United States of America, that primarily invests in companies that focuses on high technology industries.

On September 20, 2020, the Parent Company's BOD approved the purchase of 100% of Wavemaker Group Inc. at a purchase price of approximately ₱170.00 million which shall be paid in cash upon completion of the transaction. The Stock Purchase Agreement for the said acquisition has already been signed by the Parties. Notwithstanding the execution of the definitive agreements, the Parent Company's acquisition of Wavemaker Group Inc. is conditioned on receipt of stockholders' approval. The Parent Company is also waiting for certain regulatory confirmations prior to proceeding with the transaction. Accordingly, the trading of the Parent Company's shares with the PSE has been suspended pending receipt of the regulatory clearances.

On December 22, 2021, the parties mutually agreed to terminate the Subscription Agreement, Stock Purchase Agreement and such other agreements due to failure to close the transaction by December 31, 2020.

The accompanying parent company financial statements were approved and authorized for issue by the BOD on May 16, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying parent company financial statements have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI) which have been measured at fair value. The parent company financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All amounts were rounded off to the nearest peso, except when otherwise indicated.

Statement of Compliance

The accompanying parent company financial statements as at December 31, 2021 and 2020 and for the years then ended have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

The Parent Company also prepares and issues consolidated financial statements presented in compliance with PFRSs which can be obtained from the Parent Company's registered address.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the parent company financial statements are consistent with those of the previous financial year except for amended PFRS and improvements to PFRS which were adopted beginning January 1, 2021. Adoption of these amendments did not have any significant impact on the parent company financial position or performance unless otherwise indicated.

- Amendments to PFRS 16, *Leases, COVID-19-related Rent Concessions beyond June 30, 2021*

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

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

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

This amendment is not applicable to the Parent Company as there are no rent concessions granted to the Parent Company as a lessee.

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

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Parent Company shall also disclose information about:
  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing the transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Parent Company is not required to restate prior periods.

Standards and Interpretation Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its parent company financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

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

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

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

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

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Parent Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

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

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Parent Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent Company.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgements, Disclosure Initiative – Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, Classification of Liabilities as Current or Non-current The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Parent Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- 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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

The new standard is not applicable to the Parent Company since it has no activities that are predominantly connected with insurance or issue insurance contracts.

Deferred effectivity

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. 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 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.

Current and Noncurrent Classification
The Parent Company presents assets and liabilities in the parent company statement of financial position based on current / noncurrent classification. An asset is current when it is:
- 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 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 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.

The Parent Company classifies all other liabilities as noncurrent.

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

Cash
Cash includes cash on hand and in banks. Cash in bank earns interest based on the prevailing bank deposit rates.

Fair Value Measurement
Fair value is the estimated 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 by the Parent Company.

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

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

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy (see Note 21).

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

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

a. Financial assets
Initial recognition of financial instrument
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*. Refer to the accounting policies on revenue recognition.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost
The Parent Company measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Parent Company's financial assets at amortized cost includes "Cash", "Accounts and other receivables" and "Rental deposit" under "Other noncurrent assets".

Financial assets at FVOCI (debt instruments)
The Parent Company measures debt instruments at FVOCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- 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.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income (OCI). Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Parent Company has not designated any financial assets under this category.

Financial assets at FVOCI (equity instruments)
Upon initial recognition, the Parent Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32,

Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Parent Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Parent Company elected to classify irrevocably its quoted and unquoted equity investments under this category.

Financial assets at FVPL
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the parent company statement of financial position at fair value with net changes in fair value recognized in the profit or loss.

This category includes listed equity investments which the Parent Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in profit or loss when the right of payment has been established.

The Parent Company has designated its unquoted debt instruments under this category.

<u>Derecognition</u>
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the parent company statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or;
- The Parent Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Impairment of Financial Assets

The Parent Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For cash, the Parent Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to below credit risk investments. It is the Parent Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

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

For other financial assets such as receivable from related parties, nontrade receivables, interest receivables, advances to employees and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-month (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The key inputs in the model include the Parent Company's definition of default and historical data of three years for the origination, maturity date and default date. The Parent Company considers accounts receivables in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company.

Determining the stage for impairment

At each reporting date, the Parent Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Parent Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Parent Company considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

Write-off
A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. If a write-off is later recovered, the recovery is recognized in profit or loss to the extent of the carrying amount that would have been determined had no impairment loss been recognized.

b. Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Parent Company's financial liabilities include "Accounts and other payables" (except "Taxes payable", "Deferred output VAT" and statutory payables included in "Other payables" which are covered by other accounting standard) and "Loans payable".

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL
Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Parent Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Parent Company has not designated any financial liability as at FVPL.

Other Financial Liabilities
Issued financial instruments or their components, which are not designated at FVPL, are classified as accounts payable and accrued expenses where the substance of the contractual arrangement results in the Parent Company having an obligation either to deliver cash or another financial asset to the

holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effect of restatement of foreign currency-denominated liabilities is recognized in profit or loss.

This accounting policy applies to the Parent Company's "Accounts and other payables" (except "Taxes payable", "Deferred output VAT" and statutory payables included as "Other payables"), "Loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the parent company 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.

Investments in Subsidiaries and Investments and advances to Associates
The Parent Company's investments in its subsidiaries and associates are accounted for under the cost method and are carried at cost less accumulated provisions for impairment losses, if any, and any long-term interests that, in substance, form part of the entity's net investment in the associate. A subsidiary is an entity over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An associate is an entity in which the Parent Company has a significant influence and which is neither a subsidiary nor a joint venture.

The Parent Company recognizes dividend income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

The Parent Company reduces the carrying value of its investment based on average acquisition cost per share (historical cost) when the Parent Company disposes the investment or the investee reacquires its own equity instruments from the Parent Company. Any gain or loss from disposal of an investment is recognized in profit or loss.

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 comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its

intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. It excludes the cost of day-to-day servicing.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Parent Company and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the property and equipment which are as follows:

	Years
Information Technology (IT) equipment	4
Office equipment	4
Furniture and fixtures	4
Leasehold improvements	4 years or lease term, whichever is shorter

The estimated residual values, useful life and depreciation and amortization method are reviewed at least annually to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

If there is an indication that there has been a significant change in depreciation and amortization rate or the useful lives, the depreciation of that property and equipment is revised prospectively to reflect the new expectations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Impairment of Nonfinancial Assets
The Parent Company assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal 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. When the carrying amount of an asset 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 profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial 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 or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation 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.

Investments in Subsidiaries and Associates
The Parent Company also determines at each reporting date whether there is any objective evidence that the investments in subsidiaries and associates are impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the associate and recognizes the difference in profit or loss.

In assessing impairment indicators, the Parent Company considers, as a minimum, the following indicators: (a) dividends exceeding the total comprehensive income of the associate in the period the dividend is declared; or (b) the carrying amount of the investment in the parent company financial statements exceeding the carrying amount of the associate's net assets, including goodwill.

For investment in subsidiaries, a test of impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each cash-generating unit (CGU) (or group of CGUs). Where the recoverable amount of the CGUs is less than its carrying amount, an impairment loss is recognized.

Equity
Capital stock and additional paid-in capital
Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital".

The Parent Company incurred various costs in issuing its own equity instruments. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Parent Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings (deficit)
Retained earnings (deficit) represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policy and other capital adjustments.

Unappropriated retained earnings
Unappropriated retained earnings represent the portion of retained earnings that is free and can be declared as dividends to stockholders.

Appropriated retained earnings
Appropriated retained earnings represent the portion of retained earnings which has been restricted and therefore is not available for dividend declaration.

Equity reserve
Equity reserve represents a portion of equity against which payments to a former shareholder of a subsidiary was charged (see Note 9).

<u>Revenue Recognition</u>
Revenue from contracts with customers is measured based on the consideration to which the Parent Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Parent Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue is recognized when the Parent Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

Service income
Service income consists of revenue from Value Added Services (VAS) and Business Process Outsourcing (BPO). BPO is further subdivided into IT staffing, custom software development.

Value-Added Services (VAS) or mobile content development services pertain to the Parent Company's short services of mobile content application for telephone, internet, mobile and other forms of communication. Service income is recognized at a point in time when the services are rendered in accordance with the terms of the contract.

IT staffing is a business segment where the Parent Company deploys resources to clients to fulfill their IT requirements. Revenue is recognized at a point in time, that is when services are rendered to the customers during the period.

Custom software development are services offered to customers that are produced in the Company's premises. Revenue is recognized over time and at a point in time. In measuring the progress of its performance obligation over time for custom software development, the Parent Company uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the IT specialists.

Management fees
The Company recognizes management fee for income received for general managerial services rendered to its related parties. Management fees are recognized over time since its customers simultaneously receives and consumes the benefits provided by the Company upon performance of the services.

For the years ended December 31, 2021 and 2020, the Parent Company has no variable consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Interest Income
Interest income is recognized as it accrues using the effective interest method.

Other Income
Other income is recognized as it accrues.

Cost and Expenses
"Cost of services" and "General and administrative expenses" are expenditures that arise in the course of the ordinary operations of the Parent Company. The following specific recognition criteria must also be met before costs and expenses are recognized:

Cost of services
Cost that includes all expenses associated with the specific sale of services. Cost of services include outsourced services, salaries, wages and employee benefits, segment fee and network costs and other expenses related to services. Such costs are recognized when the related sales have been recognized.

General and administrative expenses
General and administrative expenses constitute expenses of administering the business and are recognized in profit or loss as incurred.

Leases
The Parent Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Parent Company as lessee
Except for short-term leases, the Parent Company applies a single recognition and measurement approach for all leases. The Parent Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Office space	1.5 to 2.5 years

If ownership of the leased asset transfers to the Parent Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in 'Impairment of nonfinancial assets' section.

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

In calculating the present value of lease payments, the Parent Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred tax

Deferred tax is provided using the balance sheet method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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 future taxable profit will be available to allow 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 profit will allow the deferred tax assets to be recovered.

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

- When the deferred tax liability from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year 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 financial reporting date. Movements in deferred tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

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

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

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- Where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- Receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the parent company statement of financial position.

Pension Liability

The net pension 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).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in the parent company statements of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

Share-based Payment Transactions

Certain employees of the Parent Company receive remuneration (bonuses) in the form of share-based payment transactions from the Parent Company, whereby the employees are issued treasury shares in exchange for the rendered services (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value of the shares at the date the shares are granted. This is recognized as salaries, wages and employee benefits expense in profit or loss when vested.

Foreign Currency Transactions

The parent company financial statements are presented in Philippine Peso, which is also the Parent Company's functional currency. The Philippine peso is the currency of the primary economic environment in which the Parent Company operates.

Transactions denominated in foreign currencies are initially recorded in Philippine Peso at the exchange rate based on the Bangko Sentral ng Pilipinas (BSP) rate at the date of transaction. Foreign currency-denominated monetary assets and liabilities are retranslated at the closing BSP rate at reporting date. Exchange gains or losses arising from foreign currency transactions are recognized in profit or loss.

Segment Reporting

The Parent Company's operating business are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 22 to the parent company financial statements.

Provisions
Provisions are recognized when the entity 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 pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events up to date when the parent company financial statements are authorized for issue that provide additional information about the Parent Company's position at the reporting period (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material. Information on events after the reporting period is presented in Note 25 to the parent company financial statements.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying parent company financial statements in compliance with PFRS requires management to make judgments and estimates that affect the amounts reported in the parent company financial statements and accompanying notes. The judgments and estimates used in the accompanying parent company financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the parent company financial statements. 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 parent company 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
In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements:

a. *Assumption of going concern*
The use of the going assumption involves management making judgments, at a particular point in time, about the future outcome of events or condition that are inherently uncertain. The Parent Company has no plans to liquidate. Management believes that it will be able to maintain its positive cash position and settle its liabilities as they fall due through future actions such as continuous venture into new revenue potentials, cost cutting measures, and equity funding to

support liquidity. Accordingly, the parent company financial statements are prepared on a going concern basis.

b. *Determination of control over investment in subsidiaries*
The Parent Company determined that it has control over its subsidiaries by considering, among others, its power over 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. The following were also considered:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Parent Company's voting rights and potential voting rights

c. *Existence of significant influence over associates*
The Parent Company determined that it exercises significant influence over its associates (see Note 8) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee) and board representation.

Management's Use of Estimates
The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date, that has 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. *Realizability of deferred tax assets*
The Parent Company reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets 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. Significant management estimate is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Parent Company did not recognize deferred tax assets on deductible temporary differences amounting to ₱346.12 million and ₱439.59 million as at December 31, 2021 and 2020, respectively (see Note 18).

b. *Provision for expected credit losses*
The Parent Company uses a provision matrix to calculate ECLs for accounts and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

The provision matrix is initially based on the Parent Company's historical observed default rates. The Parent Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information, including impact of COVID-19. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Parent Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of December 31, 2021 and 2020, allowance for impairment loss on accounts and other receivables amounted to ₱112.27 million and ₱102.82 million, respectively (see Note 5).

c. *Evaluation of nonfinancial assets for impairment*
The Parent Company reviews its nonfinancial assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in the asset's market value or net realizable value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends including the impact of COVID-19.

Based on management's assessment, its nonfinancial assets are recoverable as of December 31, 2021 and 2020. The carrying values of the Company's nonfinancial assets follow:

	2021	2020
Other current assets (Note 6)	**₱4,953,330**	₱6,268,559
Investment in associates (Note 8)*	**325,537,430**	325,537,430
Investment in subsidiaries (Note 9)	**68,535,991**	68,535,991
Property and equipment (Note 10)	**1,546,993**	1,680,768
Right-of-use asset (Note 16)	**1,174,941**	–
Other noncurrent assets (Note 6)	**13,843,314**	14,984,460
	₱415,591,999	₱417,007,208

**This excludes advances to affiliate*

Allowance for impairment losses on investment in associates amounted to ₱252.02 million as of December 31, 2021 and 2020 (see Note 8). Allowance for impairment losses on investment in subsidiaries amounted to ₱2,187.04 million as of December 31, 2021 and 2020 (see Note 9).

4. Cash

This account consists of:

	2021	2020
Cash on hand	**₱27,188**	₱27,044
Cash in banks	**16,943,412**	59,509,240
	₱16,970,600	₱59,536,284

Cash in banks earn interest at the prevailing bank deposit rates.

Interest income earned from cash in banks amounted to ₱0.03 million and ₱0.62 million in 2021 and 2020, respectively (see Note 15).

There are no restrictions on the Parent Company's cash balances as of December 31, 2021 and 2020.

5. Accounts and Other Receivables

This account consists of:

	2021	2020
Receivable from related parties (Note 17)	**₱315,763,533**	₱317,905,523
Trade receivables		
Third parties	**5,434,245**	24,571,114
Related parties (Note 17)	**54,583,179**	13,241,460
Nontrade receivable	**7,208,250**	7,208,250
Other receivables	**503,207**	847,188
	383,492,414	363,773,535
Less: Allowance for impairment losses	**112,266,328**	102,821,591
	₱271,226,086	₱260,951,944

Trade receivables arise from software development services, IT staffing and mobile content development services. These are noninterest-bearing and are generally settled on a 30- to 60-day term.

Nontrade receivable pertains to advances to Einsights Pte. Ltd., a third party, which is due and demandable.

Other receivables are noninterest-bearing and are generally collectible within one year.

The table below shows the movements in the allowance for impairment losses of accounts and other receivables:

	2021	2020
Balance at beginning of year	**₱102,821,591**	₱85,478,278
Provision (Note 14)	**10,349,741**	19,899,695
Write-off and others	**(905,004)**	(2,556,382)
Balance at end of year	**₱112,266,328**	₱102,821,591

As of December 31, 2021 and 2020, the allowance for impairment losses pertains to:

	2021	2020
Receivable from related parties (Note 17)	**₱102,702,000**	₱94,960,081
Trade receivables	**2,356,078**	653,260
Nontrade receivable	**7,208,250**	7,208,250
	₱112,266,328	₱102,821,591

6. **Other Assets**

Other current assets
This account consists of:

	2021	2020
Creditable withholding taxes	**₱2,518,183**	₱506,328
Prepaid expenses	**1,278,496**	785,616
Input VAT	**1,156,651**	3,628,095
Rental deposits	**–**	1,348,520
	₱4,953,330	₱6,268,559

Creditable withholding taxes refer to income taxes withheld by customers of the Parent Company that can be applied against income tax liability in the future.

Prepaid expenses mainly pertain to deposits to network companies for the internet subscription of the Parent Company.

Input VAT represents VAT imposed on the Parent Company by its suppliers for the acquired goods and services already paid.

Other noncurrent assets
This account consists of:

	2021	2020
Deferred input VAT	**₱12,407,914**	₱12,103,415
Developed software	**1,159,953**	2,881,045
Rental deposits	**260,447**	–
Deposit receivable	**15,000**	–
	₱13,843,314	₱14,984,460

Deferred input VAT represents input VAT related to unpaid balances for the services availed by the Parent Company. These will be recognized as input VAT and applied against output VAT upon payment. Any remaining balance is recoverable in the future periods.

Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment.

The amortization expense of developed software recognized in "Depreciation and amortization" under "Cost of services" in the parent company statements of comprehensive income amounted to ₱1.72 million and ₱3.89 million in 2021 and 2020, respectively (see Note 13).

Rental deposits represent deposits for office and parking space which are refundable after the contract term.

7. Financial Assets at Fair Value through Other Comprehensive Income and at Fair Value through Profit or Loss

This account consists of:

	2021	2020
Financial assets at FVOCI		
Quoted equity investment		
Club Punta Fuego	**₱600,000**	₱500,000
Unquoted equity investment	–	–
Financial assets at FVPL		
Unquoted debt investments	–	–
	₱600,000	₱500,000

The rollforward analysis of financial assets at FVOCI follow:

	2021	2020
Balance at beginning of year	**₱500,000**	₱440,000
Unrealized gain (loss) on financial assets at FVOCI	**100,000**	42,000
Effect of recognition of deferred tax asset (Note 18)	–	18,000
Balance at end of year	**₱600,000**	₱500,000

The rollforward analysis of accumulated net unrealized loss on financial assets at FVOCI follow:

	2021	2020
Balance at beginning of year	**(₱44,194,956)**	(₱44,254,956)
Unrealized gain (loss) on financial assets at FVOCI	**100,000**	42,000
Effect of recognition of deferred tax asset (Note 18)	–	18,000
Balance at end of year	**(₱44,094,956)**	(₱44,194,956)

Unrealized gain (loss) on financial assets at FVOCI is recognized under "Other comprehensive income" in the parent company statements of comprehensive income.

The quoted shares are categorized under the Level 2 of the fair value hierarchy. The unquoted equity and debt investments are categorized under Level 3 (see Note 21).

Quoted equity investment
Quoted equity instrument consists of investment in golf club shares.

Unquoted equity investment
In April 2015, the Parent Company acquired 666,666 shares of Series A Preferred Stock of Zowdow Inc. ("Zowdow") at a purchase price of $1.50 per share for a total investment of US$999,999 or ₱44.24 million. The Parent Company holds a 3.56% ownership of Zowdow on a fully-diluted basis. As of December 31, 2021 and 2020, the unquoted equity investment classified as financial assets at FVOCI has nil carrying amount.

Unquoted debt investments
The Parent Company has convertible promissory notes and bonds receivable as of December 31, 2021 and 2020:

	2021	2020
Unquoted debt investments		
MatchMe Pte. Ltd.	**₱52,495,000**	₱52,495,000
Altitude Games Pte. Ltd.	**28,856,000**	28,856,000
Einsights Pte. Ltd.	**23,475,000**	23,475,000
Pico Candy Pte. Ltd.	**3,602,123**	3,602,123
	108,428,123	108,428,123
Less: Remeasurement loss	**(108,428,123)**	(108,428,123)
Balance at end of year	**₱–**	₱–

8. **Investment in and Advances to Associates**

The Parent Company's investment in associates are accounted for under the cost method of accounting, adjusted for impairment losses, if any. The Parent Company determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the associate company and recognizes the difference in profit or loss.

In assessing impairment indicators, the Parent Company considers, as a minimum, the following indicators: (a) dividends exceeding the total comprehensive income of the associate in the period the dividend is declared; or (b) the carrying amount of the investment in the parent company financial statements exceeding the carrying amount of the associate's net assets, including goodwill.

The related percentages of ownership are shown below:

	Percentages of Ownership		Carrying Amount	
	2021	2020	**2021**	2020
Investment in associates				
Micro Benefits Limited	**23.53%**	23.53%	**₱469,780,137**	₱469,780,137
MatchMe Pte. Ltd.	**29.10**	29.10	**63,577,019**	63,577,019
Altitude Games Pte. Ltd.	**21.17**	21.17	**33,008,920**	33,008,920
PT Sembilan Digital Investama	**49.00**	49.00	**10,983,350**	10,983,350
Altitude Games Inc.	**21.17**	21.17	**211,656**	211,656
			577,561,082	577,561,082
Less: Allowance for impairment loss			**252,023,652**	252,023,652
			325,537,430	325,537,430
Advances to associate			**22,084,586**	22,084,586
			₱347,622,016	₱347,622,016

Micro Benefits Limited
On March 9, 2016, the Parent Company acquired 718,333 new Series C Preferred Shares equivalent to a 23.53% stake in Micro Benefits Limited (“Micro Benefits”) for US$10.00 million. Micro Benefits, a company registered in Hong Kong, is engaged in the business of providing employee benefits to Chinese workers through its operating company, Micro Benefits Financial Consulting (Suzhou) Co. Ltd. located in China.

In 2019, indicators of impairment were identified by management, as a result, an impairment test was carried out for investment in Micro Benefits where it showed that an impairment provision must be recognized. In determining the provision, the recoverable amount was determined based on value-in-use (“VIU”) calculations. The VIU was derived from cash flow projections over a period of five years based on the 2019 financial budgets and calculated terminal value.

Using the projections for five years and applying a terminal value thereafter, the Parent Company calculated a recoverable amount of ₱281.55 million. Consequently, the Parent Company recognized a provision for impairment loss of its investment in Micro Benefits amounting to ₱188.23 million. The key assumptions used to which the fair value is most sensitive to are discount rates, including cost of debt and cost of capital, and growth rates.

In 2020 and 2021, the Parent Company has not recognized additional impairment on its investment in Micro Benefits.

Micro Benefits’ registered office address is at 11th Floor, Club Lusitano, 16 Ice House Street, Central, Hong Kong.

MatchMe Pte. Ltd.
In 2015 and 2018, MatchMe Pte. Ltd. (“MatchMe”) acquired an aggregate of 1,547,729 ordinary shares or 29.10% interest in MatchMe, an international game development company based in Singapore, for a total consideration amounting to ₱63.58 million.

MatchMe incurred recurring losses for the past four years and attained capital deficiency position as of December 31, 2019. In 2019, MatchMe became dormant. On these bases, the Parent Company recognized full impairment loss on its investment in MatchMe amounting to ₱63.58 million in 2019.

MatchMe’s registered office address is at 100 Cecil Street #10-01/02 the Globe, Singapore.

Altitude Games Pte. Ltd.
As at December 31, 2020 and 2019, the Parent Company owns 21.17% ownership in Altitude Games Pte. Ltd. (“Altitude Games”), a Singaporean IT company engaged in computer game development and publishing. The Parent Company acquired a total of 24.69 million shares with par value of US$0.01 per share for a total consideration of US$740,800 or US$0.03 per share.

Altitude Games’ registered office address is at 16 Raffles Quay, #33-03, Hong Leong Building, Singapore.

PT Sembilan Digital Investama
On March 26, 2015, the Parent Company acquired 147 shares representing 49% shareholdings in PT Sembilan Digital Investama (“SDI”) amounting to ₱10.98 million. The acquisition gave the Parent Company access to PT Ninelives Interactive (“Ninelives”), a mobile content and distribution company in Indonesia, which SDI owns.

As of December 31, 2021 and 2020, the Parent Company has advances to SDI amounting to ₱22.08 million to fund its mobile content and distribution services.

SDI's registered office address is at Jl. Pos Pengumben Raya No. 01 RT 010 RW 03, Kel Srengseng, Jakarta Barat.

Altitude Games Inc.
On July 22, 2015, the Parent Company subscribed to 211,656 shares of stock or 21.17% shareholdings in Altitude Games Inc. ("Altitude Philippines"), an affiliate of Altitude Games. Altitude Philippines is engaged in the business of development, design, sale and distribution of games and applications.

In 2019, the Parent Company provided full impairment loss amounting to ₱0.21 million on its investment in Altitude Philippines based on recurring losses and capital deficiency position.

Altitude Philippines' registered office address is at Unit A51 5th Floor Zeta II Bldg, Salcedo St. Legaspi Village, Makati City.

As at December 31, 2021 and 2020, there are no capital commitments relating to the Parent Company's interests in its associates.

9. Investment in Subsidiaries

The Parent Company's investment in subsidiaries are accounted for under the cost method of accounting, adjusted for impairment losses, if any, and the related percentages of ownership are shown below:

	Percentages of Ownership		**Carrying Amount**	
	2021	2020	**2021**	2020
Art of Click Pte. Ltd	**100.00%**	100.00%	**₱1,959,810,316**	₱1,959,810,316
Storm Technologies, Inc.	**51.31**	51.31	**202,723,635**	202,723,635
Xeleb Technologies Inc.	**100.00**	100.00	**68,085,646**	68,085,646
Seer Technologies, Inc.	**70.00**	70.00	**18,000,000**	18,000,000
Xurpas Enterprise Inc.	**100.00**	100.00	**5,000,000**	5,000,000
ODX Pte. Ltd.	**100.00**	100.00	**1,955,769**	1,955,769
			2,255,575,366	2,255,575,366
Less: Allowance for impairment losses			**2,187,039,375**	2,187,039,375
			₱68,535,991	₱68,535,991

Art of Click Pte. Ltd. ("AOC")
On October 6, 2016, the Parent Company executed a Share Purchase Agreement for the acquisition of 100.00% shares of AOC, for an aggregate consideration of ₱1.40 billion in cash and in Parent Company's shares. In 2017, there were amendments to the Share Purchase Agreement to finalize the purchase price and manner of payment from partly in cash and Xurpas shares to solely in cash. As of December 31, 2020 and 2019, the cost of investment in AOC amounted to ₱1,959.81 million. AOC is a Singaporean start-up firm established in 2011 that specializes on mobile marketing solutions for advertisers, publishers, app developers, and other operators. The investment in AOC is fully impaired as of December 31, 2021 and 2020.

On March 30, 2021, the Board of Directors of Xurpas Inc. approved the suspension of business operations of AOC.

AOC's registered office address and principal place of business is at 883 North Bridge Road #15-04 Southbank, Singapore.

Storm Technologies, Inc. ("Storm Tech")
As of December 31, 2021 and 2020, the Parent Company's investment in Storm Tech, a human resource consultancy firm, amounted to ₱202.72 million equivalent to 51.31% equity ownership. Allowance for impairment loss on investment in Storm Tech amounted to ₱146.48 million as of December 31, 2021 and 2020.

Storm Tech's registered office address and principal place of business is at 602 Centerpoint Building, Julia Vargas St. Corner Garnet Road, Ortigas Center, Pasig City.

Xeleb Technologies Inc. ("Xeleb Tech")
As of December 31, 2018, the Parent Company's investment in Xeleb Tech amounted to ₱64.09 million equivalent to 67% equity ownership. In 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33% stake in Xeleb Tech from its minority stakeholders for a total consideration of ₱4.00 million. This resulted in 100% ownership of Parent Company in Xeleb Tech.

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb Tech. As a result of management's decision to dissolve Xeleb Tech, the Parent Company recognized impairment loss amounting to ₱68.09 million in 2019.

As at December 31, 2021, Xeleb Tech has yet to apply for the approval of government regulatory agencies for its dissolution.

Xeleb Technologies, Inc. was organized to primarily engage in the business of mobile content development. Xeleb Tech's registered office address and principal place of business is Unit 2501, The Trade and Financial Tower, 32nd St. cor. 7th Ave., Taguig City.

Seer Technologies, Inc. ("Seer)
On June 25, 2015, the Parent Company acquired 70,000 common shares representing 70.00% stake holdings in Seer, a software consultancy and design company, at a price of ₱18.00 million. Allowance for impairment loss on investment in Seer amounted to ₱12.66 million as of December 31, 2021 and 2020.

Seer's registered office address and principal place of business is Unit 2801, The Trade and Financial Tower, 32nd St. cor. 7th Ave., Taguig City.

Xurpas Enterprise Inc. ("Xurpas Enterprise")
On March 23, 2016, the Parent Company incorporated Xurpas Enterprise. Xurpas Enterprise is primarily engaged in software development including designing, upgrading and marketing all kinds of IT systems or parts thereof and other related services.

Xurpas Enterprise's registered office address and principal place of business is Unit 804 Antel 2000 Corporate Centre, 121 Valero St., Salcedo Village, Brgy. Bel-Air, Makati City .

ODX Pte. Ltd. ("ODX")
On April 27, 2018, the Parent Company incorporated a wholly-owned subsidiary in Singapore, ODX, with the following principal activities: 1) other information technology and computer service activities (e.g., disaster recovery services) and 2) development of software for interactive digital media (except games).

ODX's platform, which will be an open data marketplace using blockchain technology, is under development. ODX has not started commercial operations as of December 31, 2021. ODX's registered office address is 25 North Bridge Road #08-01 EFG Bank Building, Singapore.

CTX Technologies Inc. ("CTX")
On October 16, 2018, the Parent Company incorporated a wholly-owned subsidiary, CTX, an entity engaged as a remittance and transfer company, to operate as a virtual currency exchange.

On March 30, 2020, the Parent Company and the other stockholder of CTX, entered into a Deed of Absolute Sale for the sale of 8,000,000 shares equivalent to 80% interest in CTX for a total amount of ₱4.00 million. On September 30, 2020, the same parties entered into another Deed of Absolute Sale for the sale of the remaining 1,999,995 shares for a total amount of ₱1.27 million. The purchase price totaling to ₱5.27 million was offset against Parent Company's payable to the same stockholder. Loss on sale of subsidiary recognized under "Other income (charges) - net" amounted to ₱4.73 million in 2020 (see Note 15).

CTX's registered office address is Unit 804 Antel 2000 Corporate Centre, 121 Valero St., Salcedo Village, Brgy. Bel-Air, Makati City.

10. Property and Equipment

Rollforward of this account is as follows:

2021

	IT Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Cost					
Balances at beginning of year	**₱9,368,480**	**₱12,222,834**	**₱2,636,383**	**₱2,552,342**	**₱26,780,039**
Additions	**666,401**	**323,893**	**–**	**–**	**990,294**
Disposals	**(43,125)**	**–**	**(337,887)**	**(610,188)**	**(991,200)**
Balances at end of year	**9,991,756**	**12,546,727**	**2,298,496**	**1,942,154**	**26,779,133**
Accumulated Depreciation and Amortization					
Balances at beginning of year	**8,021,590**	**12,200,246**	**2,412,677**	**2,464,758**	**25,099,271**
Depreciation and amortization (Note 14)	**777,216**	**146,780**	**151,970**	**43,611**	**1,119,577**
Disposals	**(38,633)**	**–**	**(337,887)**	**(610,188)**	**(986,708)**
Balances at end of year	**8,760,173**	**12,347,026**	**2,226,760**	**1,898,181**	**25,232,140**
Net Book Value	**₱1,231,583**	**₱199,701**	**₱71,736**	**₱43,973**	**₱1,546,993**

2020

	IT Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Cost					
Balances at beginning of year	₱8,403,195	₱12,222,834	₱2,603,406	₱2,552,342	₱25,781,777
Additions	1,010,067	–	62,798	–	1,072,865
Disposals	(44,782)	–	(29,821)	–	(74,603)
Balances at end of year	9,368,480	12,222,834	2,636,383	2,552,342	26,780,039
Accumulated Depreciation and Amortization					
Balances at beginning of year	6,622,482	11,825,911	1,857,098	2,098,607	22,404,098
Depreciation and amortization (Note 14)	1,434,561	374,335	585,400	366,151	2,760,447
Disposals	(35,453)	–	(29,821)	–	(65,274)
Balances at end of year	8,021,590	12,200,246	2,412,677	2,464,758	25,099,271
Net Book Value	₱1,346,890	₱22,588	₱223,706	₱87,584	₱1,680,768

The Parent Company disposed property and equipment with cost amounting to ₱0.99 million and ₱0.07 million in 2021 and 2020, respectively, resulting to a gain of ₱0.26 million and ₱0.04 million recognized under "Other income (charges) - net" (see Note 15).

Depreciation and amortization in 2021 and 2020 charged under "General and administrative expenses" amounted to ₱1.12 million and ₱2.76 million, respectively (see Note 14).

There was no capitalized interest as at December 31, 2021 and 2020.

There were no property and equipment pledged as collateral as at December 31, 2021 and 2020.

11. Accounts and Other Payables

This account consists of:

	2021	2020
Trade payables		
Related parties (Note 17)	**₱109,341,740**	₱92,105,601
Third parties	**4,384,808**	13,219,392
Payable to related parties (Note 17)	**73,783,615**	73,893,919
Interest payable (Notes 15 and 17)	**19,223,045**	11,808,109
Deferred output VAT	**6,764,354**	5,081,053
Accrued expenses		
Professional fees (Note 14)	**3,479,706**	2,882,880
Others	**75,000**	123,078
Taxes payable	**1,381,700**	1,400,633
Notes payable (Note 17)	**1,361,505**	1,287,114
Payable to directors and officers (Note 17)	**117,678**	117,678
Other payables (Note 17)	**2,288,739**	10,515,755
	₱222,201,890	₱212,435,212

Trade payables represent the unpaid subcontracted services and other cost of services to third parties and related parties. These are noninterest-bearing and are normally settled within one year.

Deferred output VAT represents deferral of output VAT related to trade receivables for the services rendered by the Parent Company. These will be recognized as output VAT upon receipt of payment.

Accrued expenses mainly consist of accruals of professional fees and rent. These are noninterest-bearing and are normally settled within one year.

Taxes payable include expanded withholding tax on payment to suppliers and withholding tax on employees' compensation which are settled within one year.

The Company reclassified the current portion of the 2020 advances from stockholders amounting to ₱88.78 million from "Accounts and other payables" to "Advances from stockholders" to conform to the 2021 presentation. The statement of financial position as at the beginning of the earliest period presented is not presented as the reclassifications amount to ₱99.04 million and have no impact on total current liabilities as of January 1, 2020.

Other payables consist of payable to an employee of a subsidiary and statutory payables to SSS, Philhealth and HDMF. It also consists of provision for probable loss amounting to ₱2.5 million as of December 31, 2020. These are noninterest-bearing and are normally settled within one year.

12. **Service Income**

This account consists of:

	2021	2020
Related parties (Note 17)		
Custom software development services	**₱–**	₱79,016,134
IT staffing	**19,749,999**	21,012,296
Third parties		
Custom software development services	**10,792,141**	16,223,289
Mobile content development services	**33,248,846**	15,061,629
	₱63,790,986	₱131,313,348

13. **Cost of Services**

This account consists of:

	2021	2020
Salaries, wages and employee benefits	**₱37,863,354**	₱34,009,704
Outsourced services (Note 17)	**27,280,222**	21,836,971
Depreciation and amortization (Note 6)	**1,721,092**	3,889,008
Web hosting	**1,606,387**	1,743,119
Rent (Note 16)	**932,985**	871,661
Commissions	**137,607**	64,823
Utilities	**118,360**	175,976
Segment fee and network costs	**25,148**	211,750
	₱69,685,155	₱62,803,012

14. **General and Administrative Expenses**

This account consists of:

	2021	2020
Salaries, wages and employee benefits	**₱18,964,258**	₱17,633,978
Professional fees	**12,439,509**	14,419,689
Provision for impairment losses (Notes 5, 8 and 9)	**10,349,741**	19,899,695
Directors' fees (Note 17)	**1,465,000**	2,670,000
Depreciation and amortization (Note 10 and 16)	**1,958,821**	3,502,272
Taxes and licenses	**767,604**	2,095,594
Dues and subscription	**674,529**	480,199
Advertising and promotions	**633,515**	326,048
Entertainment, amusement and recreation	**408,000**	345,785
Outsourced services (Note 17)	**270,607**	295,941
Communication	**266,932**	159,029
Seminars and trainings	**215,414**	98,058
Rent (Note 16)	**103,665**	96,851
(Forward)		

	2021	2020
Repairs and maintenance	**₱96,050**	₱229,167
Office supplies	**88,359**	59,549
Transportation and travel	**52,872**	196,795
Utilities	**10,583**	17,372
Miscellaneous	**3,591,706**	5,468,027
	₱52,357,165	₱67,994,049

Miscellaneous expense include penalties and other provision for probable losses.

15. Finance Costs and Other Income (Charges)

Finance costs - net consists of:

	2021	2020
Interest expense (Notes 11 and 17)	**(₱7,460,911)**	(₱7,397,963)
Interest income (Notes 4 and 17)	**31,295**	618,596
	(₱7,429,616)	(₱6,779,367)

Other income (charges) - net consists of:

	2021	2020
Gain from reversal of long outstanding payables (Note 17)	**₱978,919**	₱1,462,540
Gain on disposal of property and equipment (Note 10)	**259,858**	38,068
Foreign exchange gains (losses) - net	**(6,784,974)**	15,697,749
Bank charges	**(322,141)**	(223,161)
Loss on disposal of investment in subsidiary (Note 9)	**–**	(4,734,765)
Other income	**1,674,246**	6,935,277
	(₱4,194,092)	₱19,175,708

Other income includes rent charged to XEI and Seer amounting to ₱1.08 million in 2021 and allocated overhead costs to ODX amounting to ₱6.89 million in 2020.

16. Lease Commitments

The Parent Company entered into various lease agreements with third parties for the office spaces it occupies. Leases have terms ranging from one to three years and renewable subject to new terms and conditions to be mutually agreed upon by both parties.

a. In March 2021, the Parent Company, the Parent Company entered into a non-cancellable lease contract with Milestone Petroleum Marketing Corporation for the lease of an office unit in Antel Corporate Center for a period of two (2) years which commenced on March 1, 2021 and expires on February 28, 2023. The applicable rate per month is ₱86,816. The lease contract may be renewed upon the terms and conditions mutually agreed by both parties with an escalation rate of 4.00% per year.

b. The Parent Company entered into a non-cancellable lease contract with Gervel, Inc. for the lease of 7th floor office space for a period of three (3) years which commenced on April 1, 2017 and terminated on March 21, 2020. The applicable rate per month is ₱0.27 million and a corresponding annual increase of 4.00%.

   In March 2020, the Company renewed its lease contract for a period of one (1) year which commenced on April 1, 2020 and terminated on March 31, 2021. The applicable rate per month is ₱0.33 million. The lease contract may be renewed in writing by mutual agreement of the parties.

As at December 31, 2021 and 2020, the future minimum lease payments under non-cancellable operating leases within one year amounted to ₱1.04 million and ₱0.99 million, respectively.

Set out below is the carrying amount of right-of-use asset recognized and its movement during the year:

	2021	2020
Cost		
Balance at beginning and	**₱8,901,896**	₱8,901,896
Addition	**2,014,185**	–
Termination of lease contract	**(8,901,896)**	–
Balance at end of year	**2,014,185**	8,901,896
Accumulated Depreciation		
Balance at beginning of year	**8,901,896**	8,160,071
Depreciation (Note 14)	**839,244**	741,825
Termination of lease contract	**(8,901,896)**	–
Balance at end of year	**839,244**	8,901,896
Net Book Value	**₱1,174,941**	₱–

The rollforward analysis of lease liability follows:

	2021	2020
Balance at beginning of year	**₱–**	₱861,023
Addition	**2,014,185**	–
Accretion of interest	**45,975**	5,947
Payments	**(868,156)**	(866,970)
Balance at end of year	**₱1,192,004**	₱–
Current lease liabilities	**₱1,019,202**	₱–
Noncurrent lease liabilities	**₱172,802**	₱–

The following are the amounts recognized in the parent company statement of comprehensive income:

	2021	2020
Depreciation expense of right-of-use asset	**₱839,244**	₱741,825
Accretion of interest expense on lease liability	**45,976**	5,947
Rent expense charged on short-term lease under:		
Cost of services (Note 13)	**932,985**	871,661
General and administrative expenses (Note 14)	**103,665**	96,851
	₱1,921,870	₱1,716,284

17. Related Party Transactions

The Parent Company, in the normal course of business, has entered in transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control, or the party is an associate or a joint venture.

Terms and conditions of transactions with related parties
There have been no guarantees provided or received for any related party receivables and payables. Except as otherwise indicated, these accounts are noninterest-bearing, generally unsecured and shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. Impairment assessment is undertaken through examination of the financial position of the related party and market in which the related party operates.

Material related party transactions ("RPT")
This refers to any related party transaction, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Parent Company's total consolidated assets based on its latest audited financial statements. All material related party transactions are subject to the review by the RPT Committee.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the related party transactions policy.

Details of transactions with related parties and their outstanding balances as at December 31, 2021 and 2020 follow:

			Amount/Volume		Outstanding Balance			
					2021		2020	
	Terms	Conditions	2021	2020	Receivables (Note 5)	Payables (Note 11)	Receivables (Note 5)	Payables (Note 11)
Subsidiaries								
Notes payable (a)	Noninterest-bearing	Unsecured	**₱–**	₱–	**₱–**	**₱1,361,505**	₱–	₱1,287,114
Service revenue (b-c)	Noninterest-bearing	Unsecured, with impairment	**17,640,216**	29,037,268	**22,430,257**	**–**	12,804,660	–
Management services (d)	Noninterest-bearing	Unsecured, with impairment	**13,034,367**	44,741,202	**29,741,077**	**–**	15,142,587	–
Outsourced services (e-i)	Noninterest-bearing	Unsecured	**2,474,483**	12,524,917	**–**	**109,341,740**	–	92,105,601
Advances (j)	Noninterest-bearing	Unsecured, with impairment	**20,492,878**	39,553,843	**185,806,739**	**19,276,231**	173,264,090	25,789,489
Advances (k-l)	Noninterest-bearing	Unsecured	**16,739,560**	–	**–**	**53,060,491**	–	51,675,405
Advances (m)	Interest-bearing	Unsecured, with impairment	**–**	–	**108,250,000**	**–**	108,250,000	–
Interest (m)	Noninterest-bearing	Unsecured, with impairment	**–**	–	**10,305,798**	**–**	10,305,798	–
Associates								
Advances (a)	Noninterest-bearing	Unsecured, with impairment	**514,149**	565,146	**11,400,996**	**–**	10,943,048	–
Stockholders								
Payable to directors and officers (a-b, d)	Interest-bearing	Unsecured	**–**	–	**–**	**143,563,235**	–	138,086,776
Interest (a-b)	Noninterest-bearing	Unsecured	**7,414,936**	7,392,016	**–**	**19,223,045**	–	11,808,109
Payable to directors and officers (c, e)	Noninterest-bearing	Unsecured	**1,465,000**	2,670,000	**–**	**1,318,500**	–	2,187,000
Advances (f)	Noninterest-bearing	Unsecured	**–**	–	**–**	**117,678**	–	117,678
Affiliate								
Management services (a)	Noninterest-bearing	Unsecured, with impairment	**2,291,740**	390,000	**1,822,968**	**–**	436,800	–
Service revenue	Noninterest-bearing	Unsecured, with impairment	**525,783**	–	**588,877**	**–**	–	–
Advances (c)	Noninterest-bearing	Unsecured, no impairment	**726,890**	1,063,017	**–**	**128,393**	–	755,283
					₱370,346,712	**₱347,390,818***	₱331,146,983	₱323,812,455

**includes Advances from Stockholders presented separately in the Statements of Financial Position*

The significant transactions with related parties follow:

Subsidiaries:

a. On September 15, 2017, the Parent Company issued a promissory note to AOC amounting to US$1,350,000 or ₱67.40 million.

   As at December 31, 2021 and 2020, the Parent Company has outstanding payable to AOC amounting to ₱1.36 million and ₱1.29 million, respectively (see Note 11).

b. In 2021 and 2020, the Parent Company entered into service agreements with its subsidiaries, XEI and Seer, wherein the former will provide talents and resources to develop and implement the various projects of XEI and Seer. In relation to this, outstanding trade receivable as of December 31, 2021 and 2020 amounted to ₱22.43 million and ₱2.80 million. Meanwhile, total service income recognized for the year ended December 31, 2021 and 2020 amounted to ₱17.64 million and ₱20.62 million, respectively (see Note 12).

c. In 2020, the Parent Company entered into a service agreement with CTX for the research and development services. Total service revenue recognized in relation to this transaction amounted to ₱8.02 million.

d. In 2021 and 2020, the Parent Company entered into agreements with its subsidiaries, XEI, Seer, and ODX wherein the Parent Company agreed to perform financial, legal, human resources, sales and marketing support, administrative support and technical services for a fee. In relation to this, the Parent Company has outstanding receivable amounting to ₱29.74 million and ₱15.14 million as of December 31, 2021 and 2020 respectively. Recognized management fees revenue in 2021 and 2020 amounted to ₱13.03 million and ₱44.74 million, respectively.

e. As at December 31, 2021 and 2020, the Parent Company has an outstanding payable to Xeleb amounting to ₱44.31 million presented under "Accounts and other payables" (see Note 11).

f. As at December 31, 2021 and 2020, the Parent Company has an outstanding payable to Xeleb Technologies amounting to ₱29.31 million presented under "Accounts and other payables" (see Note 11).

g. The Parent Company availed software development services from Xurpas Enterprise. Total outsourced services recognized by the Parent Company under "Cost of Services" amounted to ₱2.47 million and ₱12.52 million in 2021 and 2020, respectively (see Note 13).

   As at December 31, 2021 and 2020, the Parent Company has an outstanding payable to Xurpas Enterprise amounting to ₱21.26 million and ₱18.49 million, respectively, presented under "Accounts and other payables" (see Note 11).

h. In 2019, the Parent Company availed management services of AOC. As at December 31, 2021 and 2020, the Parent Company has an outstanding payable to AOC amounting to ₱14.46 million and ₱13.91 million, respectively.

i. Advances to subsidiaries include payments to and in behalf of Xurpas Enterprise, AOC, Seer, ODX, Xeleb and Xeleb Technologies for their operational expenditures. Total outstanding advances amounted to ₱185.81 million and ₱173.26 million as at December 31, 2021 and 2020, respectively. The Parent Company recognized allowance for impairment loss amounting to ₱73.58 million and ₱66.09 million as of December 31, 2021 and 2020, respectively.

The Parent Company has advances to Xurpas Enterprise amounting to ₱19.28 million as at December 31, 2021 and 2020 for the reimbursements of expenses incurred in relation to the cost of manpower of AOC (see Note 11).

In 2020, the Parent Company collected receivable on behalf of Seer amounting to ₱6.51 million which was recognized by the parent under "Other payables" (see Note 11).

j. The Parent Company received advances from ODX to finance the research and development expenditures for ODX Platform, and its overall business development. A service agreement was entered into by the parties in 2019 and commenced with the project development phase of the ODX Platform. In 2021 and 2020, service revenue recognized in relation to the service agreement amounted to ₱1.58 million and ₱61.83 million, respectively.

   Total advances extended by ODX to the Parent Company as of December 31, 2021 and 2020 amounted to ₱48.51 million and ₱33.22 million, respectively (see Note 11).

k. As at December 31, 2021 and 2020, the Parent Company has outstanding payable to Xeleb Tech amounting to ₱4.55 million for the purchase of property and equipment and intangible assets.

l. As of December 31, 2021 and 2020, advances to subsidiaries include short-term, interest-bearing loans to Storm Tech. Total outstanding advances amounted to ₱108.25 million as at December 31, 2021 and 2020. These are subject to interest rate of 3.75% to 8.00% per annum.

   In 2020, the BOD of the Parent Company approved to waive all loan interests of Storm Tech starting January 1, 2020.

   The Parent Company recognized allowance for impairment loss amounting to ₱23.63 million as of December 31, 2021 and 2020.

   As at December 31, 2021 and 2020, outstanding interest receivable amounted to ₱10.31 million (see Note 5).

Associates:

a. Advances to associates include payments to and in behalf of Altitude Games, and Ninelives for their operational expenditures. Total outstanding advances amounted to ₱11.40 million and ₱10.94 million as at December 31, 2021 and 2020, respectively. The Parent Company recognized allowance for impairment loss amounting to ₱5.49 million and ₱5.23 million as of December 31, 2021 and 2020, respectively (see Note 8).

Stockholders:

a. In 2017, the Parent Company entered into a loan agreement with its directors amounting to US$1,945,758 or ₱97.15 million subject to 5% interest rate per annum. In 2021 and 2020, the Parent Company recognized interest expense amounting to ₱4.54 million and ₱4.59 million, respectively (see Note 15). As at December 31, 2021 and 2020, outstanding loans and interest payable amounted to ₱94.26 million and ₱13.96 million, respectively, and ₱88.78 million and ₱9.26 million, respectively (see Note 11).

b. On April 29, 2019, the Parent Company entered into a loan agreement with its directors amounting to ₱150.00 million subject to 5.50% interest rate per annum. In 2021 and 2020, the Parent Company recognized interest expense amounting to ₱2.70 million and ₱2.81 million, respectively, under "Other income (charges) - net" in its parent company statements of comprehensive income (see Note 15).

As at December 31, 2021 and 2020, outstanding loans and interest payable pertaining to this transaction amounted to ₱49.30 million and ₱5.25 million, respectively, and ₱49.31 million and ₱2.55 million, respectively (see Note 11).

The Company reclassified the current portion of the 2020 advances from stockholders amounting to ₱88.78 million from "Accounts and other payables" to "Advances from stockholders" to conform to the 2021 presentation. The statement of financial position as at the beginning of the earliest period presented is not presented as the reclassifications amount to ₱99.04 million and have no impact on total current liabilities as of January 1, 2020.

c. In March and September 2020, the Parent Company sold its 100% ownership in CTX to Mr. Garcia, a stockholder, for a total amount of ₱5.27 million which was offset against the advances from the stockholder (see Note 9).

d. Payable to directors and officers also pertain to directors' fees amounting to ₱1.47 million and ₱2.67 million in 2021 and 2020, respectively (see Note 14).

   Outstanding payable amounted to ₱1.32 million and ₱2.19 million as at December 31, 2021 and 2020, respectively (see Note 11).

e. Advances from stockholders pertain to cash advances for operational and corporate-related expenses paid by a stockholder in behalf of the Parent Company. These are noninterest-bearing and are due and demandable.

Affiliate:

a. The Parent Company entered into an agreement with CTX wherein the Parent Company agreed to perform financial, legal, human resources, sales and marketing support, administrative support and technical services for a fee. In relation to this, outstanding trade receivable and total service income recognized as at and for the years ended December 31, 2021 and 2020 amounted to ₱1.82 million and ₱2.29 million, respectively, and ₱0.44 million and ₱0.39 million, respectively (see Note 5).

   Advances from affiliate pertain to payments made by CTX to the Parent Company for operational purposes subject to future liquidation. Outstanding payable as at December 31, 2021 and 2020 amounted to ₱0.13 million and ₱0.76 million, respectively (see Note 11).

Key management compensation
Compensation of key management personnel amounted to ₱11.76 million and ₱10.24 million in 2021 and 2020, respectively.

Compensation of key management personnel by benefit type follows:

	2021	2020
Short-term employee benefits	**₱8,790,358**	₱8,790,358
Post-employment benefits	**2,969,622**	1,452,198
	₱11,759,980	₱10,242,556

18. **Income Tax**

Provision for (benefit from) income tax consists of the following:

	2021	2020
Current	**(₱513,218)**	₱2,641,492
Final	**6,102**	118,602
Deferred	**(2,759,019)**	–
	(₱3,266,135)	₱2,760,094

The current provision for income tax expense in 2021 and 2020 represents MCIT. The 2021 benefit from income tax includes the impact of the change in tax rate.

The component of Parent Company's net deferred taxes are as follows:

	2021	2020
Deferred tax assets on:		
Right of use assets	**₱293,735**	₱–
NOLCO	–	₱4,563,294
Unrealized loss on financial assets at FVOCI	–	18,000
	3,057,020	4,581,294
Deferred tax liabilities on:		
Lease liabilities	**298,001**	–
Unrealized foreign exchange gain	–	4,563,294
Unrealized gain on financial assets at FVOCI	–	18,000
	298,001	4,581,294
	2,759,019	–
Presented in OCI		
Deferred tax liabilities on actuarial gain	**(2,763,285)**	–
Net deferred tax liabilities	**(₱4,266)**	₱–

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. Below are the Parent Company's deductible temporary differences for which no deferred tax assets are recognized since management believes that there are no sufficient taxable profits against which the deferred tax assets can be utilized:

	2021	2020
NOLCO	**₱131,436,822**	₱238,637,927
Allowance for impairment losses	**112,266,327**	102,821,591
Accrued expenses	**84,281,060**	81,272,650
Pension liability	**14,980,340**	13,843,698
MCIT	**3,160,446**	3,013,290
	₱346,124,995	₱439,589,156

Below are the remaining amounts of the deductible temporary differences related to items recorded under other comprehensive income for which no deferred tax assets are recognized:

	2021	2020
Net unrealized loss on financial assets as FVOCI	**₱44,094,956**	₱44,194,956
Remeasurement loss on defined benefit plan	**2,703,083**	10,992,937
	₱46,798,039	₱55,187,893

The unexpired excess of MCIT over RCIT is available for offset against future income tax payable over a period of three years, details of which follow:

Year Incurred	Beginning	Applied/ Expired	End	Year of Expiration
2021	₱147,155	₱–	₱147,155	2024
2020	2,641,492	–	2,641,492	2023
2019	371,799	–	371,799	2022
	₱3,160,446	₱–	₱3,160,446	

The carryforward of NOLCO that can be claimed as deduction from future taxable income or used as deduction against income tax liabilities over a period of three (3) years follow:

Year Incurred	Beginning	Applied/Expired	End	Year of Expiration
2021	₱29,257,987	₱–	₱29,257,987	2026
2019	102,178,835	–	102,178,835	2022
2018	151,670,071	(151,670,071)	–	2021
	₱283,106,893	(₱151,670,071)	₱131,436,822	

As of December 31, 2021, the Parent Company has incurred NOLCO amounting to ₱29.26 million which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act.

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the parent company statements of comprehensive income follows:

	2021	2020
Statutory income tax	**(₱13,637,234)**	₱17,413,149
Tax effects of:		
Change in unrecognized deferred tax assets	**10,487,143**	(17,121,008)
Nondeductible expenses	**541,783**	2,534,929
Recognition of right of use asset and lease liabilities	**4,266**	–
Interest income already subjected to final tax	**(1,722)**	(66,976)
Adjustment of prior year income tax provision due to change in tax rate	**(660,371)**	–
Effective income tax	**(₱3,266,135)**	₱2,760,094

Corporate Recovery and Tax Incentives for Enterprises Act
On March 26, 2021, President Rodrigo Duterte signed into law the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company.

- Effective July 1, 2020, RCIT rate is reduced from 30.00% to 25.00% for domestic corporations.
- MCIT rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30.00% RCIT / 2.00% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower minimum corporate income tax rate of 1.5% effective July 1, 2020

- Based on the provisions of Revenue Regulations (RR) No. 05-2021 dated April 08, 2021 issued by the BIR, the prorated MCIT rate of the Company for CY2020 is 1.5%. This resulted in lower provision for current income tax for the year ended December 31, 2020, and higher creditable withholding taxes as of December 31, 2020 by ₱0.66 million. The revised amounts was reflected in the Company's 2020 annual income tax return. For financial reporting purposes, these changes are recognized in the 2021 financial statements in accordance with PIC Q&A 2020-07.

- There is no impact in the recognized provision for deferred tax for the year then ended December 31, 2020 since no deferred tax assets were recognized in excess of the recognized deferred tax liabilities in 2020.

19. Pension Liability

The Parent Company does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement benefit equal to 22.5 days' pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement.

The principal actuarial assumptions used to determine the cost of pension benefits with respect to the discount rate and salary increase rate were based on historical and projected rates. Annual cost is determined using the projected unit credit actuarial valuation method.

The components of pension expense (included in salaries, wages and employee benefits under "General and administrative expenses" or under "Other charges - net") in the parent company statements of comprehensive income are as follows:

	2021	2020
Current service cost	**₱2,839,625**	₱1,909,135
Interest cost on benefit obligation	**1,060,302**	1,110,122
	₱3,899,927	₱3,019,257

Changes in the present value of the defined benefit obligation follow:

	2021	2020
Balance at beginning of year	**₱26,180,286**	₱20,038,308
Current service cost	**2,839,625**	1,909,135
Interest cost on benefit obligation	**1,060,302**	1,110,122
Actuarial loss	**(11,053,139)**	3,122,721
Balance at end of year	**₱19,027,074**	₱26,180,286

Actuarial loss on defined benefit obligation recorded under "Remeasurement loss on defined benefit plan" in the parent company statements of changes in equity is as follows:

	2021	2020
Balance at beginning of year	**₱10,992,937**	₱7,870,216
Actuarial loss (gain) – net of tax	**(8,289,854)**	3,122,721
Balance at end of year	**₱2,703,083**	₱10,992,937

The assumptions used to determine pension benefits of the Parent Company are as follows:

	2021	2020
Discount rate	**5.17%**	4.05%
Salary projection rate	**5.00%**	5.00%

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

		Effect on DBO Increase (decrease)	
		2021	2020
Discount rate	(+) 1.0%	**(₱2,320,528)**	(₱3,577,562)
	(−) 1.0%	**2,803,435**	4,335,872
(Forward)			
Salary increase rate	(+) 1.0%	**₱2,779,313**	₱4,248,188
	(−) 1.0%	**(2,344,275)**	(3,579,122)

The weighted average duration of defined benefit obligation at the end of the reporting period is 13.5 years and 15.1 years in 2021 and 2020, respectively.

Shown below is the maturity analysis of the retirement benefit payments up to ten years:

	2021	2020
Less than 1 year	**₱1,968,841**	₱1,852,961
More than 1 year to 5 years	**5,229,196**	−
More than 5 years to 10 years	**5,999,815**	11,765,289
	₱13,197,852	₱13,618,250

20. **Equity**

The details of the Parent Company's capital stock follow:

	2021	2020
Authorized shares	**5,000,000,000**	5,000,000,000
Par value per share	**₱0.10**	₱0.10
Issued shares	**1,934,925,852**	1,934,925,852
Treasury shares	**62,128,975**	62,128,975
Value of shares issued	**₱193,492,586**	₱193,492,586
Value of treasury shares	**(₱99,700,819)**	(₱99,700,819)

The Parent Company is a corporation and shall have a perpetual existence unless its Articles of Incorporation provides otherwise.

In accordance with Revised Securities Regulation Code Rule No. 68, Annex 68-K, below is the summary of the Parent Company's track record of registration of securities as of December 31:

				2021	2020
	Number of shares registered	Issue/offer price	Date of approval	**Number of holders of securities as of December 31**	Number of holders of securities as of December 31
Common shares	344,000,000	₱3.97 issue price	November 13, 2014	**26**	24

The balance of additional paid-in capital (APIC) as of December 31, 2021 and 2020 represents the excess of the subscription price over paid-up capital.

In 2020, APIC reduced as a result of reissuance of treasury shares by the amount of ₱7.19 million.

Retained Earnings

Appropriations

Appropriated retained earnings which relates to buyback program of common shares in 2016 amounted to ₱115.46 million as of December 31, 2021 and 2020.

Dividend declaration

The Parent Company has no dividend declarations made in 2021 and 2020.

Equity Reserve

In 2017, a reserve amounting to ₱358.50 million was recognized for the payment resulting from amendments in the purchase price and the acquisition of the Parent Company's own shares related the acquisition of AOC.

Treasury Stock

On April 8, 2019, the Parent Company issued 415,000 shares taken from its treasury shares for a price of ₱1.23 per share.

On July 14, 2019, the Parent Company issued 475,000 shares taken from its treasury shares for a price of ₱1.16 per share.

On July 24, 2020, the Parent Company issued 966,667 shares taken from its treasury shares for a price of ₱0.57 per share.

As of December 31, 2021 and 2020, the Parent Company has 62,128,975 treasury shares amounting to ₱99.70 million.

Employee Stock Option Plan
The Parent Company's BOD, on January 20, 2016, and the stockholders, on May 11, 2016, approved the Employee Stock Option Plan (the Plan) of the Parent Company. Full time and regular employees of the Parent Company and those deemed qualified by the Compensation and Remuneration Committee from the names recommended by the Executive Committee are eligible to participate in the Plan. As at December 31, 2021, the Plan has been on hold for approval of SEC and PSE.

Capital Management
The primary objective of the Parent Company's capital management is to improve its credit rating and capital ratios in order to support its business operations and maximize shareholder value.

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

The Parent Company's sources of capital follow:

	2021	2020
Capital stock	**₱193,492,586**	₱193,492,586
Additional paid-in capital	**3,577,903,563**	3,577,903,563
Deficit	**(2,928,678,342)**	(2,874,632,257)
	₱842,717,807	₱896,763,892

The Parent Company is subject to certain capital requirement as a listed entity. The Parent Company regards its equity as its primary source of capital. No changes were made in the capital management policies in 2021 and 2020.

21. **Financial Instruments**

Fair Value Information
The methods and assumptions used by the Parent Company in estimating fair value of the financial instruments are as follows:

- Cash, accounts and other receivables, rental deposit, accounts and other payables (excluding "Taxes payable", "Deferred output VAT" and statutory payables included as "Other payables") - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments.

- Financial assets at FVOCI (quoted equity investment) - Fair value is based on quoted prices published in the market.

- Financial assets at FVOCI (unquoted equity investments) - Fair values are based on the latest selling price available.

- Financial assets at FVPL (unquoted debt investments) - Fair values are based on the comparable prices adjusted for specific market factors such as nature, industry, location and market recovery rates.

- Advances from stockholders - Fair value is estimated using the discounted cash flow methodology using the applicable risk-free rates for similar types of loans adjusted for credit spread. The discount rate used is 3.26% and 5.27% in 2020 and 2019, respectively.

The fair values and carrying values of financial assets at FVOCI and advances from stockholders are as follows:

	2021		2020	
	Carrying Value	**Carrying Value**	Fair Value	Fair Value
Financial asset				
Financial assets at fair value through other comprehensive income	**₱600,000**	**₱600,000**	₱500,000	₱500,000
Financial liability				
Advances from stockholders	**143,147,371**	**143,147,371**	138,204,454	136,158,143

Fair Value Hierarchy

The Parent Company uses the following three-level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Quoted FVOCI instruments amounting to ₱0.60 million and ₱0.50 million as of December 31, 2021 and 2020 were classified under Level 2 (see Note 7).

As at December 31, 2021 and 2020, there have been no reclassifications from Level 1 to Level 2 or 3 categories.

Financial Risk Management and Objectives and Policies

The Parent Company's principal financial instruments comprise of cash, accounts and other receivables, financial assets at FVOCI, and accounts and other payables (excluding accrued expenses, taxes payable, deferred output VAT and statutory payables) which arise directly from operations. The main purpose of these financial instruments is to finance the Parent Company's operations and to earn additional income on excess funds.

Exposure to credit risk and liquidity risk arise in the normal course of the Parent Company's business activities. The main objectives of the Parent Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

There were no changes in the Parent Company's risk management objectives and policies in 2021 and 2020.

The Parent Company's risk management policies are summarized below:

Credit Risk
Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Parent Company by failing to discharge an obligation.

The Parent Company's credit risk is primarily attributable to cash in banks and accounts and other receivables. Credit risk management involves monitoring its exposure to credit risk on a continuous basis.
There being no collaterals or credit enhancements attached to the Company's financial assets, the carrying value of its financial assets approximates the maximum exposure to credit risk as at December 31, 2021 and 2020.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate based on days past due of all customers as they have similar loss patterns. The expected credit loss rate ranges from 0.44% to 11.60% that resulted in the ECL of ₱112.27 million and ₱102.82 million as of December 31, 2021 and 2020, respectively.

The Parent Company's credit risk exposure on its accounts and other receivables using provision matrix are as follows (amounts in millions):

December 31, 2021

	Trade receivables						**Receivable from related parties**	**Nontrade Receivable**
	Current	**< 30 days**	**30-60 days**	**61-90 days**	**> 90 days**	**Total**		
ECL rate	**0.44%**	**2.25%**	**4.50%**	**7.73%**	**11.60%**		**0-100%**	**100%**
Estimated total gross carrying amount at default	**₱39.35**	**₱0.89**	**₱0.03**	**₱0.03**	**₱19.72**	**₱60.02**	**₱315.76**	**₱7.21**
ECL	**₱0.16**	**₱0.02**	**₱–**	**₱–**	**₱2.17**	**₱2.35**	**₱102.71**	**₱7.21**

December 31, 2020

	Trade receivables						Receivable from related parties	Nontrade Receivable
	Current	< 30 days	30-60 days	61-91 days	> 90 days	Total		
ECL rate	1.57%	9.81%	19.23%	31.00%	41.06%		0-100%	100%
Estimated total gross carrying amount at default	₱21.33	₱1.61	₱13.63	₱–	₱1.25	₱37.82	₱317.45	₱7.21
ECL	₱0.29	₱0.01	₱0.04	₱–	₱0.32	₱0.65	₱94.96	₱7.21

The credit quality of the financial assets was determined as follows:

Cash in banks - based on the nature of the counterparty and the Parent Company's rating procedure. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.

Accounts and other receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three defaults in payment; and low grade pertains to receivables with more than three defaults in payment.

Liquidity Risk
Liquidity risk is the risk that the Parent Company will be unable to meet its obligations as they fall due. The Parent Company seeks to manage its liquidity risk to be able to meet its operating cash flow requirement, finance capital expenditures and service maturing debts. To cover its short-term funding requirements, the Parent Company intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Parent Company can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables to manage liquidity.

The table summarizes the maturity profile of the Parent Company's financial assets and liabilities as at December 31, 2021 and 2020 based on contractual undiscounted payments:

December 31, 2021

	<1 year	**>1 to <5 years**	**>5 years**	**Total**
Financial Assets				
Cash in banks	**₱16,943,412**	**₱–**	**₱–**	**₱16,943,412**
Accounts and other receivables				
Receivable from related parties	**315,763,533**	–	–	**315,763,533**
Trade receivables - net	**60,017,424**	–	–	**60,017,424**
Notes receivable	**7,208,250**			**7,208,250**
Other receivables	**503,207**	–	–	**503,207**
Financial assets at FVOCI	–	**600,000**	–	**600,000**
Other noncurrent assets				
Rental deposits	–	**260,447**	–	**260,447**
Total undiscounted financial assets	**400,435,826**	**860,447**	–	**401,296,273**
Financial Liabilities				
Accounts and other payables				
Trade payables	**113,726,548**	–	–	**113,726,548**
Payable to related parties	**73,783,615**	–	–	**73,783,615**
Interest payable	**19,223,045**	–	–	**19,223,045**
Other payable	**2,594,910**	–	–	**2,594,910**
Accrued expenses	**3,554,706**	–	–	**3,554,706**
Payable to directors and officers	**117,678**	–	–	**117,678**
Notes payable	**1,361,505**	–	–	**1,361,505**
Advances from stockholders	**143,563,235**	–	–	**143,563,235**
Lease liabilities	**1,041,787**	**173,631**	–	**1,215,418**
Total undiscounted financial liabilities	**358,967,029**	–	–	**359,140,660**
Liquidity gap	**₱41,468,797**	**₱686,816**	**₱–**	**₱42,155,613**

December 31, 2020

	<1 year	>1 to <5 years	>5 years	Total
Financial Assets				
Cash	₱59,509,240	₱–	₱–	₱59,509,240
Accounts and other receivables				
Receivable from related parties	317,905,523	–	–	317,905,523
Trade receivables - net	37,159,314	–	–	37,159,314
Notes receivable	7,208,250			7,208,250
Other receivables	847,188	–	–	847,188
Other current assets				
Rental deposits	1,348,520			1,348,520
Financial assets at FVOCI	–	500,000	–	500,000
Total undiscounted financial assets	423,978,035	500,000	–	424,478,035

(Forward)

	<1 year	>1 to <5 years	>5 years	Total
Financial Liabilities				
Accounts and other payables				
Trade payables	105,324,993	–	–	105,324,993
Advances from stockholders	88,784,053	52,891,015	–	141,675,068
Payable to related parties	73,893,919	–	–	73,893,919
Interest payable	11,808,109	–	–	11,808,109
Other payable	10,426,453	–	–	10,426,453
(Forward)				
Accrued expenses	3,005,958	–	–	3,005,958
Notes payable	1,287,114	–	–	1,287,114
Payable to directors and officers	117,678	–	–	117,678
Total undiscounted financial liabilities	294,648,277	52,891,015	–	347,539,292
Liquidity gap	₱129,329,758	(₱52,391,015)	₱–	₱76,938,743

Foreign Currency Risk

The Parent Company's exposure to foreign exchange rate is minimal as concentration of business is denominated in Philippine peso.

The table below summarizes the Parent Company's exposure to foreign exchange risk as of December 31, 2021 and 2020. The applicable exchange rates were US$1.00 to ₱50.99 and S$1.00 to ₱37.55 in 2021 and US$1.00 to ₱48.02 and S$1.00 to ₱36.12 in 2020.

	2021		2020	
	Original Currency	**Peso equivalent**	Original Currency	Peso equivalent
Asset				
Cash in bank (USD)	**276,554**	**₱14,104,047**	347,204	₱16,678,295
Liabilities				
Accounts and other payables				
Payable to related party(USD)	**955,479**	**48,513,486**	691,487	33,216,279
Payable to related party (SGD)	**385,164**	**14,464,715**	385,164	13,912,121
Advances from stockholders (USD)	**2,120,099**	**108,228,769**	1,848,282	88,784,053
Notes payable (USD)	**26,815**	**1,361,505**	26,815	1,287,114
		172,568,475		137,199,567
Net foreign currency denominated financial instruments		**(₱158,464,428)**		(₱120,521,272)

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-foreign currency exchange rate, with all variables held constant, of the Parent Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Parent Company's equity.

	2021		2020	
	+1%	**-1%**	+1%	-1%
USD	**(₱914,228)**	**₱1,955,355**	(₱1,067,088)	₱1,065,115
SGD	**(144,651)**	**144,644**	(139,121)	(139,121)

There is no other impact on the Parent Company's equity other than those already affecting the net income.

Equity Price Risk

Equity price risk is the risk that the financial assets whose values will fluctuate as a result of changes in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in market. As of December 31, 2021 and 2020, the Parent Company has minimal exposure in equity price risk since the Parent Company's financial asset at FVOCI amounted only to ₱0.60 million and ₱0.50 million, respectively. Moreover, the Parent Company's financial asset at FVOCI are generally perceived as not highly susceptible to the equity price risk since the shares are issued by stable companies and are not subjected to other than temporary decline.

There is no impact on the Parent Company's equity other than those already affecting net income.

22. Segment Reporting

The Parent Company's operating business are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets.

In 2021, the industry segments where the Parent Company operates follow:

- Mobile consumer services - includes VAS and mobile content development
- Enterprise services - includes custom software development and IT staff augmentation

The following tables regarding business segment revenue and profit information:

	2021		
	Mobile Consumer Services	**Enterprise Services**	**Total**
Revenues	**₱33,248,846**	**₱45,868,247**	**₱79,117,093**
Cost and expenses	**(41,347,085)**	**(79,727,745)**	**(121,074,830)**
Finance cost and other income	**(1,465,304)**	**(11,125,894)**	**(12,591,198)**
Income before income tax	**(9,563,543)**	**(44,985,392)**	**(54,548,935)**
Provision for (benefit from) income tax	**87,835**	**(3,353,970)**	**(3,266,135)**
Net income	**(₱9,651,378)**	**(₱41,631,422)**	**(₱51,282,800)**

	2020		
	Mobile Consumer Services	Enterprise Services	Total
Revenues	₱15,061,628	₱161,382,922	₱176,444,550
Cost and expenses	(26,470,182)	(104,326,879)	(130,797,061)
Finance cost and other income	2,883,458	9,512,883	12,396,341
Income before income tax	(8,525,096)	66,568,926	58,043,830
Provision for income tax	(405,384)	3,165,478	2,760,094
Net income	(₱8,119,712)	₱63,403,448	₱55,283,736

The following tables present business segment assets and liabilities:

	2021		
	Mobile Consumer Services	**Enterprise Services**	**Total**
Segment assets	**₱78,440,951**	**₱648,037,516**	**₱726,478,467**
Segment liabilities	**₱100,591,252**	**₱285,397,217**	**₱385,988,469**

	2020		
	Mobile Consumer Services	Enterprise Services	Total
Segment assets	₱90,543,794	₱669,536,228	₱760,080,022
Segment liabilities	₱230,395,275	₱146,306,999	₱376,702,274

23. **Notes to Parent Company Statements of Cash Flows**

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2021	**Cash flows**	**Non-cash changes**	**December 31, 2021**
Lease liability	**₱–**	**(₱868,156)**	**₱2,060,161**	**₱1,192,005**
Advances from stockholders	**138,086,776**	**–**	**4,942,917**	**143,147,371**
Total liabilities from financing activities	**₱138,086,776**	**(₱868,156)**	**₱7,003,078**	**₱144,339,376**

	January 1, 2020	Cash flows	Non-cash changes	December 31, 2020
Lease liability	₱861,023	(₱866,970)	₱5,947	₱–
Advances from stockholders	157,822,528	–	(19,735,752)	138,086,776
Total liabilities from financing activities	₱158,683,551	(₱866,970)	(₱19,729,805)	₱138,086,776

The noncash investing and financing activity of the Parent Company are as follows:

- Unrealized gain on foreign exchange revaluation of advances from stockholders amounted to ₱5.06 million and ₱5.01 million in 2021 and 2020, respectively.
- The Parent Company sold its 100% ownership in CTX to a stockholder for ₱5.01 million which was offset against advances from stockholders in 2020.
- Unrealized gain on financial assets at FVOCI amounted to ₱100,000 and ₱42,000 in 2021 and 2020, respectively. In 2020, net unrealized loss on financial assets at FVOCI decreased by ₱18,000 as a result of the recognition of deferred tax asset.

24. **Other Matter**

COVID-19 Outbreak

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions to the Company's business activities. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines, management believes that the impact of COVID-19 situation moving forward remains fluid and evolving, and therefore, it is difficult to quantify its impact to the financial position, performance and cash flow of the Parent Company subsequent to December 31, 2021.

The Company continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Company. Measures currently undertaken by the Company to mitigate the risks of COVID-19 pandemic on its operations include work-from-home arrangements, proper and frequent sanitation of office premises, cancellation of large group meetings in person, an internal ban on foreign business travel, and the practice of social distancing through remote communication, and full use of digital technology for different aspects of the operations, wherever applicable and useful, among others.

25. Events after the Reporting Date

On January 20, 2022, the Parent Company's BOD approved the issuance of common shares to Mr. Nico Jose S. Nolledo, a founder and currently the Chairman of the board, in exchange of ₱100.00 million capital infusion. Total number of shares issued is at 181,818,182 for 0.55 per share. The transaction was executed on March 21, 2022.

The Parent company considers this event as a non-adjusting subsequent event, accordingly, no adjustments have been made to the consolidated financial statements as of and for the year ended December 31, 2021.

26. Supplementary Information Required Under Revenue Regulations 15-2010

Revenue Regulations (RR) No. 15-2010 are promulgated to amend certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of parent company financial statements accompanying tax returns. In addition to the disclosures mandated under PFRS, RR No. 15-2010 requires disclosures regarding information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company also reported and/or paid the following types of taxes for 2021:

<u>Value-added tax</u>

Output VAT

The Parent Company is a VAT-registered company with VAT output tax declaration based on the net receipts on sales of services as follows:

	Net Sales/Receipts	Output VAT
Taxable sales	₱63,426,706	₱7,611,205
Zero-rated sale	2,000	–
	₱63,428,706	₱7,611,205

The Parent Company's taxable sale of services are based on actual collections received, hence, may not be the same as amounts accrued in the parent company statements of comprehensive income.

Input VAT

Details of the Parent Company's input VAT follow:

Input tax carried over from previous period	₱3,628,095
Current year's domestic purchases/payments for:	
Domestic purchase of services	1,901,277
Domestic purchases of goods other than capital goods	2,686,819
Purchase of capital goods not exceeding ₱1 million	109,063
	8,325,254
Application against output VAT	(7,168,603)
Balance at end of year	₱1,156,651

Taxes and Licenses

This includes all other taxes, local and national, including licenses and permit fees lodged in the Parent Company statement of comprehensive income under the general and administrative expenses in the account "Taxes and licenses" for the year ended December 31, 2021.

Details consist of the following:

Municipal permits and licenses	₱444,298
Donor's tax	269,086
License renewal	30,510
Community tax certificate	10,500
Real property tax	10,170
BIR annual registration	500
Others	2,540
	₱767,604

Withholding Taxes

Details of withholding taxes paid/accrued for 2021 are as follow:

Withholding taxes on compensation and benefits	₱10,763,997
Expanded withholding taxes	1,130,985
	₱11,894,982

Tax Contingencies

The Parent Company did not receive any final tax assessments in 2021, nor did it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of Bureau of Internal Revenue.