COVER SHEET

for
Audited Financial Statements

SEC Registration Number

P	W	2								

COMPANY NAME

A. SORIANO CORPORATION

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

7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@anscor.ph	8819-0251	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
11,067	April 20	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Narcisa M. Villaflor	nancie.villaflor@anscor.com.ph	8819-0251	N/A

CONTACT PERSON's ADDRESS

7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, 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.*

Your BIR AFS eSubmission uploads were received

Tue, 05/03/2022 08:44 PM

From: [eafs@bir.gov.ph]
To: [SARAH.BUHION@ANSCOR.COM.PH]
Cc: [SARAH.BUHION@ANSCOR.COM.PH]

Hi A. SORIANO CORPORATION,

Valid files

- EAFS000103216RPTTY122021.pdf
- EAFS000103216OTHTY122021.pdf
- EAFS000103216AFSTY122021.pdf
- EAFS000103216ITRTY122021.pdf
- EAFS000103216TCRTY122021-01.pdf
- EAFS000103216TCRTY122021-03.pdf
- EAFS000103216TCRTY122021-02.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-PP1TWS1X09DA59K89QV4RSP3406CH5E6EL**
Submission Date/Time: **May 03, 2022 08:28 PM**
Company TIN: **000-103-216**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
A. Soriano Corporation
7th Floor, Pacific Star Building
Makati Avenue corner Gil Puyat Avenue Extension
Makati City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of A. Soriano Corporation (the Company), which comprise the parent company balance sheets 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 Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for 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 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.

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 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.

Those charged with governance are responsible for overseeing the 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 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 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 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.

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 27 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of A. Soriano Corporation. 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 Dhonabee B. Señeres.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
Tax Identification No. 201-959-816
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 97133-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. 08-001998-098-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8854369, January 3, 2022, Makati City

February 23, 2022

A. SORIANO CORPORATION
PARENT COMPANY BALANCE SHEETS

	December 31	
	2021	2020
ASSETS		
Cash and cash equivalents (Note 6)	**₱557,226,560**	₱529,191,522
Fair value through profit or loss (FVPL) investments (Note 7)	**10,209,886,183**	8,256,495,934
Fair value through other comprehensive income (FVOCI) investments (Note 8)	**46,396,340**	94,137,422
Receivables (Note 9)	**491,268,976**	517,572,066
Investments and advances (Note 10)	**7,556,096,075**	7,623,492,138
Property and equipment (Note 11)	**7,261,051**	7,127,868
Investment properties (Note 12)	**238,200,000**	277,691,938
Retirement plan asset (Note 17)	**144,282,823**	87,270,916
Other assets	**1,922,867**	1,235,374
TOTAL ASSETS	**₱19,252,540,875**	₱17,394,215,178
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued expenses (Note 13)	**₱165,047,578**	₱52,171,785
Dividends payable (Note 14)	**519,529,172**	366,069,163
Deferred income tax liabilities - net (Note 19)	**206,622,046**	147,249,647
Total Liabilities	**891,198,796**	565,490,595
Equity		
Capital stock - ₱1 par value (Note 14)	**2,505,000,000**	2,500,000,000
Additional paid-in capital	**1,589,799,530**	1,589,799,530
Unrealized valuation gains on FVOCI investments (Note 8)	**273,449**	2,521,749
Remeasurement on retirement benefits (Note 17)	**93,172,419**	48,011,111
Retained earnings:		
Appropriated (Note 14)	**7,150,000,000**	7,150,000,000
Unappropriated	**7,023,096,681**	5,538,392,193
Total Equity	**18,361,342,079**	16,828,724,583
TOTAL LIABILITIES AND EQUITY	**₱19,252,540,875**	₱17,394,215,178

See accompanying Notes to Parent Company Financial Statements.

A. SORIANO CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	**2020**
REVENUE		
Dividend income (Notes 7, 10 and 21)	**₱1,313,929,444**	₱1,448,413,932
Interest income (Notes 6, 7, 8 and 18)	**48,848,747**	66,254,137
Management fees (Note 21)	**103,629,236**	85,083,244
	1,466,407,427	1,599,751,313
INVESTMENT GAINS (LOSSES)		
Gain on sale of FVOCI investments (Note 8)	**532,067**	1,150,196
Gains (losses) on increase (decrease) in market value of FVPL investments - net (Note 7)	**1,983,732,720**	(732,086,142)
	1,984,264,787	(730,935,946)
TOTAL	**3,450,672,214**	868,815,367
Operating expenses (Note 15)	**(161,974,460)**	(232,471,409)
Foreign exchange gain (loss) - net	**130,056,920**	(99,039,720)
Interest expense (Note 18)	**(1,766,470)**	(2,536,351)
Reversal of valuation allowance	**–**	10,244,960
Impairment loss (Note 12)	**(24,812,188)**	–
Others - net	**19,414,213**	22,903,095
INCOME BEFORE INCOME TAX	**3,411,590,229**	567,915,942
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)		
Current	**1,986,589**	1,686,797
Deferred	**49,899,152**	(3,380,842)
	51,885,741	(1,694,045)
NET INCOME	**3,359,704,488**	569,609,987
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Unrealized valuation losses on FVOCI investments (Note 8)	**(2,705,833)**	(7,732,576)
Income tax effect	**856,583**	2,319,773
	(1,849,250)	(5,412,803)
Unrealized losses on FVOCI investments recognized in profit or loss (Note 8)	**(532,067)**	(1,150,196)
Income tax effect	**133,017**	345,059
	(399,050)	(805,137)
	(2,248,300)	(6,217,940)

(Forward)

	Years Ended December 31	
	2021	2020
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gain on retirement benefits (Note 17)	**₱55,581,144**	₱8,593,043
Income tax effect	**(10,419,836)**	(2,577,913)
	45,161,308	6,015,130
OTHER COMPREHENSIVE INCOME (LOSS)	**42,913,008**	(202,810)
TOTAL COMPREHENSIVE INCOME	**₱3,402,617,496**	₱569,407,177
Earnings Per Share		
Basic/diluted, for net income (Note 20)	**₱1.34**	₱0.23
Basic/diluted, for total comprehensive income (Note 20)	**₱1.36**	₱0.23

See accompanying Notes to Parent Company Financial Statements.

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Capital Stock (Note 14)	Additional Paid-in Capital	Unrealized Valuation Gains (Losses) on FVOCI Investments (Note 8)	Remeasurement Gain on Retirement Benefits (Note 17)	Retained Earnings Appropriated	Unappropriated	Total
BALANCES AT DECEMBER 31, 2019	₱2,500,000,000	₱1,589,799,530	₱8,739,689	₱41,995,981	₱7,150,000,000	₱6,843,782,206	₱18,134,317,406
Net income for the year	–	–	–	–	–	569,609,987	569,609,987
Other comprehensive income (loss)	–	–	(6,217,940)	6,015,130	–	–	(202,810)
Total comprehensive income (loss) for the year	–	–	(6,217,940)	6,015,130	–	569,609,987	569,407,177
Cash dividends (Note 14)	–	–	–	–	–	(1,875,000,000)	(1,875,000,000)
BALANCES AT DECEMBER 31, 2020	2,500,000,000	1,589,799,530	2,521,749	48,011,111	7,150,000,000	5,538,392,193	16,828,724,583
Net income for the year	–	–	–	–	–	3,359,704,488	3,359,704,488
Other comprehensive income (loss)	–	–	(2,248,300)	45,161,308	–	–	42,913,008
Total comprehensive income (loss) for the year	–	–	(2,248,300)	45,161,308	–	3,359,704,488	3,402,617,496
Issuance of preferred shares (Note 14)	5,000,000	–	–	–	–	–	5,000,000
Cash dividends (Note 14)	–	–	–	–	–	(1,875,000,000)	(1,875,000,000)
BALANCES AT DECEMBER 31, 2021	**₱2,505,000,000**	**₱1,589,799,530**	**₱273,449**	**₱93,172,419**	**₱7,150,000,000**	**₱7,023,096,681**	**₱18,361,342,079**

See accompanying Notes to Parent Company Financial Statements.

A. SORIANO CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱3,411,590,229**	₱567,915,942
Adjustments for:		
Dividend income (Notes 7, 10 and 21)	**(1,313,929,444)**	(1,448,413,932)
Loss (gain) on decrease (increase) in market value of FVPL investments - net (Note 7)	**(1,983,732,720)**	732,086,142
Unrealized foreign exchange loss (gain) - net	**(74,777,753)**	66,927,580
Interest income (Notes 6, 7, 8 and 18)	**(48,848,747)**	(66,254,137)
Impairment loss (Note 12)	**24,812,188**	–
Depreciation (Notes 11, 12 and 15)	**18,325,760**	17,892,479
Net retirement benefits expense (Note 17)	**6,404,720**	4,849,758
Interest expense (Note 18)	**1,766,470**	2,536,351
Gain on sale of FVOCI investments (Note 8)	**(532,067)**	(1,150,196)
Operating income (loss) before working capital changes	**41,078,636**	(123,610,013)
Decrease (increase) in:		
FVPL investments	**103,102,054**	716,968,276
Receivables	**(16,084,775)**	187,082,204
Other assets	**(687,502)**	(24,912)
Increase (decrease) in accounts payable and accrued expenses	**37,971,605**	(11,318,430)
Net cash from operations	**165,380,018**	769,097,125
Dividends received (Note 25)	**652,600,190**	486,991,627
Interest received	**68,810,662**	63,687,092
Income taxes paid, including creditable withholding tax	**(19,731,384)**	(14,256,678)
Retirement benefits contribution (Note 17)	**(7,723,176)**	(7,723,176)
Interest paid	**(1,766,470)**	(2,536,351)
Net cash flows from operating activities	**857,569,840**	1,295,259,639
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of		
FVOCI investments (Note 8)	**264,465,493**	284,642,953
Additions to:		
FVOCI investments (Note 8)	**(218,665,702)**	(60,860,418)
Property and equipment (Note 11)	**(3,779,193)**	(896,024)
Advances to affiliates	**(222,426,251)**	(339,108,817)
Net cash flows used in investing activities	**(180,405,653)**	(116,222,306)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from affiliates	**76,551,124**	27,805,900
Payments of:		
Dividends (Notes 14, 24 and 25)	**(725,217,670)**	(813,501,230)
Long-term debt (Notes 24)	–	(113,850,000)
Net cash flows used in financing activities	**(648,666,546)**	(899,545,330)

(Forward)

	Years Ended December 31	
	2021	2020
NET INCREASE IN CASH AND CASH EQUIVALENTS	**₱28,497,641**	₱279,492,003
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(462,603)**	(1,741,253)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**529,191,522**	251,440,772
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱557,226,560**	₱529,191,522

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information

A. Soriano Corporation (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 13, 1930 to, among others, act as agent or representative of corporations, partnerships or individuals whether residing here or abroad; to buy, retain, possess shares of stock, franchises, patents of any person or entity and to issue shares of stock, bonds or other obligations for the payment of articles or properties acquired by the Company; and to buy or acquire all or part of the property, assets, business and clientele of any person, corporation or partnership, managing the properties or businesses so purchased or acquired and exercising all the powers necessary and convenient for the management and development of the said properties or businesses.

The Company is a corporation incorporated and domiciled in the Philippines whose shares are publicly traded.

The registered office address of the Company is at 7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City, Philippines.

The parent company financial statements as at December 31, 2021 and 2020 and for the years then ended were authorized for issue by the Board of Directors (BOD) on February 23, 2022.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation
The parent company financial statements have been prepared on a historical cost basis, except for debt and equity securities that have been measured at fair value. The parent company financial statements are presented in Philippine pesos (Peso), which is the Company's functional and presentation currency. Amounts are presented to the nearest Peso unless otherwise stated.

The Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements. These are filed with and may be obtained from the Philippine SEC.

Statement of Compliance
The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new accounting standards effective as at January 1, 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Adoption of these new standards did not have an impact on the financial statements of the Company.

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

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

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

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

  The Company adopted the amendment beginning April 1, 2021.

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

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

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

  The Company shall also disclose information about:

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

  The Company adopted the amendments beginning January 1, 2021.

<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The 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.

  The amendments are not expected to have a material impact on the Company.

- 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 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. The amendments are not expected to have a material impact on the Company.

- 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 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. The amendments are not expected to have a material impact on the Company.

- 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. The amendments are not expected to have a material impact on the Company.

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 Company.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of 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. The amendments are not expected to have a material impact on the Company.

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.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

3. Summary of Significant Accounting and Financial Reporting Policies

Investments in Subsidiaries and Associates

Investments in Subsidiaries
Subsidiaries are all entities over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

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

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in Associates
Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investments in subsidiaries and associates are carried at cost, less impairment in value, in the parent company financial statements. Dividends received are reflected as income in the parent company statement of comprehensive income.

The Company's subsidiaries and associates with the respective percentages of ownership as at December 31, 2021 and 2020 follow:

	Nature of Business	Percentage of Ownership 2021	2020
Subsidiaries			
A. Soriano Air Corporation (ASAC, Note 21)	Services/Rental	**100**	100
Pamalican Island Holdings, Inc. (PIHI)	Investment Holding	**62**	62
Island Aviation, Inc. (IAI)	Air Transport	**62**	62
Anscor Consolidated Corporation (Anscorcon, Notes 10, 21 and 25)	Investment Holding	**100**	100
Anscor Holdings, Inc. (AHI, Notes 10 and 21)	Real Estate Holding	**100**	100
Akapulko Holdings, Inc.	Real Estate Holding	**100**	100
Lakeroad Corporation	Real Estate Holding	**100**	100
Mainroad Corporation	Real Estate Holding	**100**	100
Makatwiran Holdings, Inc.	Real Estate Holding	**100**	100
Makisig Holdings, Inc.	Real Estate Holding	**100**	100
Malikhain Holdings, Inc.	Real Estate Holding	**100**	100
Mountainridge Corporation	Real Estate Holding	**100**	100
Rollingview Corporation	Real Estate Holding	**100**	100
Timbercrest Corporation	Real Estate Holding	**100**	100
Phelps Dodge International Philippines, Inc. (PDIPI, Notes 10 and 21)	Investment Holding	**100**	100
Minuet Realty Corporation	Landholding	**100**	100
Phelps Dodge Philippines Energy Products Corporation (PDP Energy, Notes 10 and 21)	Wire Manufacturing	**100**	100
PD Energy International Corporation	Wire Manufacturing	**100**	100
Summerside Corp.(Summerside)*	Investment Holding	**100**	40
Sutton Place Holdings, Inc.	Investment Holding	**100**	100
Anscor International, Inc. (AI, Notes 10 and 21)	Investment Holding	**100**	100
IQ Healthcare Investments Limited (IQHIL, Note 10)	Holding	**100**	100
IQ Healthcare Professional Connection, LLC (IQHPC, Note 10) [inactive]	Manpower Services	**93**	93
AFC Agribusiness Corporation (AAC)	Real Estate Holding	**81**	81
Seven Seas Resorts and Leisure, Inc. (SSRLI, Notes 10 and 21)	Villa Project Development	**62**	62
Pamalican Resort, Inc. (PRI, Note 10)	Resort Operations	**62**	62

**In September 2021, the Company purchased shares of Summerside representing 60%. Accordingly, Summerside became a wholly-owned subsidiary of the Company as of December 31, 2021. As at December 31, 2020, the Company has 100% beneficial ownership over Summerside.*

	Nature of Business	Percentage of Ownership 2021	2020
Associates			
Vicinetum Holdings, Inc. (VHI)	Investment Holding	**32**	32
Prople Limited (Note 10)*	Business Process Outsourcing	**32**	32
Fremont Holdings, Inc. (FHI, Notes 10 and 21)	Real Estate Holding	**26**	26
AGP International Holdings Pte Ltd. (AGP-SG, Note 10)*	Investment Holding	**21**	21
BehaviorMatrix, LLC (BM, Note 10)*	Behavior Analytics Services	**21**	21
ATRAM Investment Management Partners Corp. (AIMP, Note 10)	Asset Management	**20**	20

**Held through AI.*

Except for AI and its subsidiaries, all subsidiaries of the Company all based in the Philippines. The principal business location of AI and IQHIL is in the British Virgin Islands (BVI), while IQHPC is based in the United States of America (USA).

The principal business location of AIMP, VHI and FHI is the Philippines. AGP-SG, BM and Prople Limited are based in Singapore, USA and Hong Kong, respectively.

Foreign Currency Translation
Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of the financial reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to FVPL equity instruments are recognized in profit or loss.

Fair Value Measurement
The Company measures financial assets, such as fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI) investments), at fair value at each balance sheet date. Also, fair values of investment properties are disclosed.

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 Company.

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

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as unquoted FVPL financial assets, and for nonrecurring fair value measurement.

External valuers are involved for the valuation of significant assets. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Company's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement of financial instruments
At initial recognition, financial assets are classified as, and measured at amortized cost, FVOCI, and FVPL. 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Classification of financial instruments
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers.*

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 SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The 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. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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 fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

As at December 31, 2021 and 2020, the Company has the following categories of financial assets and financial liabilities:

(a) Financial assets at FVPL

This category includes 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 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 classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives recorded at FVPL
The Company has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options, among others.

A derivative embedded in a hybrid contract, with a financial liability or nonfinancial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment occurs only if there is either a change in the terms of the contract that significantly modifies the cash flows that would be otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

Financial assets at FVPL are recorded in the parent company balance sheet at fair value. Changes in fair value are recorded as "Gain (loss) on increase (decrease) in market values of FVPL investments". Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such, according to the terms of the contract, or when the right of payment has been established.

As at December 31, 2021 and 2020, the Company has designated as FVPL all equity investments, money market papers, investments in bonds that have callable and other features, managed/hedged funds and derivatives amounting to ₱10,209.9 million and ₱8,256.5 million, respectively (see Note 7). No financial liability at FVPL is outstanding as at December 31, 2021 and 2020.

(b) Financial assets at amortized cost (debt instruments)

The 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.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included as interest income in profit or loss. The losses arising from impairment of such financial assets are recognized as "Provision for impairment loss" account under "Others - net" in profit or loss.

Included under financial assets at amortized cost are cash in banks, cash equivalents, receivables (excluding tax credits) and advances to related parties (see Notes 6, 9 and 10).

(c) Financial assets at FVOCI (debt instruments)

The 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 financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI.

When the debt instrument is disposed of, the cumulative gain or loss previously recognized under OCI is transferred to profit or loss as "Gain (loss) on sale of FVOCI investments". Where the Company holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding FVOCI investments are reported as interest income using the effective interest rate.

The Company classifies bonds held as FVOCI investments as current assets when the investments are expected to mature within 12 months after the reporting period.

As at December 31, 20201 and 2020, the Company's FVOCI investments include investments in bonds amounting to ₱46.4 million and ₱94.1 million, respectively (see Note 8).

(d) Financial liabilities - loans and borrowings

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

Borrowings are classified as current liabilities unless these are expected to be settled within 12 months after the reporting date or the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

As at December 31, 2021 and 2020, included in this category are the Company's accounts payable and accrued expenses, and dividends payable (see Notes 13 and 14).

<u>Impairment of Financial Assets</u>

The Company recognizes an allowance for expected credit loss (ECL) 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 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.

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 months (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).

For debt instruments at FVOCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company's debt instruments at FVOCI comprise solely of top investment grade bonds that are graded by top credit rating agencies and, therefore, are considered to be low credit risk investments. It is the 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. The Company uses the ratings from the top credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized or removed from the parent company balance sheet where:

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

Modification of financial assets

The Company derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Company considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Company considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered "solely payment for principal and interest"

The Company also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Company considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in profit or loss.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification will result into the removal of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in profit or loss.

Exchange or modification of financial liabilities
The Company considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

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 a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Company recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the parent company balance sheet 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. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the parent company balance sheet. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

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

Property and Equipment
Depreciable properties, including buildings and improvements, furniture, fixtures and office equipment and transportation equipment, are stated at cost less accumulated depreciation, and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use and disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the estimated useful lives of the properties, as follows:

Category	Number of Years
Buildings and improvements	25
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	5

The useful lives, depreciation method and residual values are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from the use of property and equipment.

Depreciation commences when an asset is in its operational location or working condition capable of being operated in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

Investment Properties
Investment properties comprise office space that is held to earn rentals or capital appreciation or both. Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the Company's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Investment properties are depreciated over its estimated useful lives of 20 years.

Expenditures incurred after the investment property have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are written off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment properties are recognized in profit or loss in the year of retirement or disposal.

Impairment of Nonfinancial Assets
At each financial reporting date, the Company assesses whether there is any indication that its nonfinancial assets (namely, investments in subsidiaries and associates, property and equipment and investment properties) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) 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 (or cash-generating unit).

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said 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, 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 a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Capital Stock
Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital
Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared and the effects of retrospective restatement recognized in accordance with the PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

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

Revenue from Contracts with Customers
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The 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.

The following specific recognition criteria must be met before revenue is recognized:

Management fees
Revenue from management fees is recognized over time upon performance of the obligation, using an input method to measure progress towards complete satisfaction of the service because the customer simultaneously receives and consumes the benefits provided by the Company.

Other Income
Dividends
Dividend income is recognized when the Company's right to receive the payment is established.

Interest
Interest income from bank deposits, notes receivable and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Rental
Rental income is accounted for on a straight-line basis over the lease term. This is presented under "Others - net" account in the statement of comprehensive income.

Operating Expenses
All general and administrative expenses are expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense that are not recognized in profit or loss for the year in accordance with PFRSs. Other comprehensive income of the Company pertains to gains and losses on remeasuring FVOCI investments and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Pension Benefits
The Company has a noncontributory defined benefit retirement plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

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 non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Contingent assets are not recognized but are disclosed in the notes to parent company financial statements when an inflow of economic benefits is probable.

Income Taxes

Current income tax

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

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

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

Deferred income tax liabilities are not provided on taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if:

(a) a legally enforceable right exists to set off current income tax assets against current income tax liabilities; and
(b) deferred income taxes are levied by the same taxation authority on either: the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

Value Added Tax (VAT)
Input VAT is the 12% indirect tax paid by the Company in the course of the Company's trade or business on local purchase of goods or services, including lease or use of property, from a VAT-registered person. VAT on capital goods are spread evenly over the useful life or 60 months, whichever is shorter.

Output VAT pertains to the 12% tax due on the lease or exchange of taxable goods or properties or services by the Company.

If at the end of any taxable month the output VAT exceeds the input VAT, the excess shall be paid by the Company. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding month or months. Input VAT on capital goods shall be deferred and credited against output VAT upon amortization.

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of other assets or payables in the parent company balance sheet.

Earnings per Share
Basic earnings per share (EPS) is computed by dividing net income and total comprehensive income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as at December 31, 2021 and 2020.

Dividends
Dividends are recognized as a liability and deducted from equity when approved by the BOD of the Company. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the reporting period.

Events After the Reporting Period
Post year-end events that provide additional information about the Company's position at the end of 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 parent company financial statements when material.

Segment Reporting
The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 5.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in accordance with PFRSs requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the parent company financial statements as they become reasonably determinable.

Judgments, estimates and assumptions 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 Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the parent company financial statements.

Determination of functional currency
The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments
The Company classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the parent company balance sheets (see Note 23).

Classification and measurement of financial assets depend on the result of the SPPI and business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve particular business objectives. In classifying the investments not held for trading as at December 31, 2021 and 2020, the Company made an irrevocable election at initial recognition to designate the equity instruments as FVPL investments.

Assessment of control over the entities for consolidation
The Company has ownership interest on the entities discussed in Note 3. Management concluded that the Company controls those entities arising from voting rights and, therefore, consolidates the entities in its consolidated financial statements.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and key sources of estimation and uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for expected credit losses of receivables
For the advances to related parties, the Company uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. These reserves are re-evaluated and adjusted as additional information is received.

Allowance for expected credit losses as at December 31, 2021 and 2020 amounted to ₱1,792.7 million. Receivables and advances, net of valuation allowance, amounted to ₱1,775.9 million and ₱1,872.1 million as at December 31, 2021 and 2020, respectively (see Notes 9 and 10).

Valuation of unquoted FVPL equity investments
Valuation of unquoted FVPL equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. In valuing the Company's unquoted equity instruments at fair value, management applied judgment in selecting the valuation technique and comparable companies and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Company (see Note 23).

Unquoted equity investments amounted to ₱1,021.7 million as at December 31, 2021 and 2020 (see Note 7).

Impairment of FVOCI debt investments
For FVOCI debt investments, the Company assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Company assesses whether the credit risk on that financial instrument has increased significantly since initial recognition. No impairment loss was recognized in 2021 and 2020. The carrying value of FVOCI debt investments amounted to ₱46.4 million and ₱94.1 million as at December 31, 2021 and 2020, respectively (see Note 8).

Estimation of useful lives of property and equipment and investment properties
The Company estimates the useful lives of property and equipment and investment properties based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets.

In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As at December 31, 2021 and 2020, the carrying value of property and equipment amounted to ₱7.3 million and ₱7.1 million, respectively (see Note 11). Carrying value of investment properties amounted to ₱238.2 million and ₱277.7 million as at December 31, 2021 and 2020, respectively (see Note 12).

Impairment of nonfinancial assets
The Company assesses impairment on its investments in subsidiaries, associates, property and equipment and investment properties whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

As at December 31, 2021 and 2020, the carrying value of investments in subsidiaries and associates, net of valuation allowances, amounted to ₱6,271.5 million and ₱6,269.0 million, respectively (see Note 10). As at December 31, 2021 and 2020, the carrying value of property and equipment and investment properties amounted to ₱245.5 million and ₱284.8 million, respectively (see Notes 11 and 12).

In 2021 and 2020, no additional impairment was recognized on the Company's investments in subsidiaries and associates and property and equipment (see Notes 10 and 11). For investment properties, management recognized impairment loss amounting to ₱24.8 million in 2021 (nil in 2020) (see Note 12).

Recognition of deferred income tax assets
The Company reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient

future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Company will utilize all or part of the deferred income tax assets.

As at December 31, 2021 and 2020, the Company recognized gross deferred income tax assets amounting to nil and ₱12.1 million, respectively. The Company has also temporary differences for which the deferred income tax assets are not recognized. Further details of the recognized and unrecognized deferred income tax assets are provided in Note 19.

Determination of pension and other retirement benefits
The cost of defined benefit pension plans as well as the present value of pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country. Further details about the assumptions used are provided in Note 17.

Net retirement plan asset of the Company as at December 31, 2021 and 2020 amounted to ₱144.3 million and ₱87.3 million, respectively (see Note 17). Net retirement benefits expense amounted to ₱6.4 million and ₱4.8 million in 2021 and 2020, respectively. Further details are provided in Notes 16 and 17.

5. Segment Information

The Company and its subsidiaries' (the Group) operating businesses are organized and managed separately according to the nature of the products or services offered, as discussed below.

- Holding company segment pertains to the operations of the Company.
- Resort Operations segment pertains to the Company's subsidiary providing hotel and resort accommodation, relaxation and entertainment, among others, while Villa Development includes the sale of villa lots, construction of structures and set up of furniture, fixture and equipment. In 2021 and 2020, the Group has no sale of villa lots and construction of structures.

- Cable and Wire Manufacturing segment pertains to the Company's subsidiaries engaged in manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale, goods such as building wires, power cables, aluminum wires and cables, copper rods, automotive wires and other energy-related goods of electrical nature, including all equipment, materials, supplies used or employed in or related to the manufacture of its finished products.

- Other operations include air transportation, hangarage, real estate holding and management.

Amounts for the investments in associates comprise the Group's equity in net losses and impairment loss.

Majority of the companies within the Group were incorporated and operating within the Philippines. The amounts disclosed were determined consistent with the measurement basis under PFRSs.

The following tables present the financial information of the business segments as at and for the years ended December 31, 2021 and 2020 (in thousands):

	Before Eliminations						
	Holding Company (Parent)	**Resort Operations and Villa Development**	**Cable and Wire Manufacturing**	**Other Operations[1]**	**Total**	**Eliminations**	**Consolidated**
As at and for the year ended December 31, 2021							
Revenues, excluding interest income[2]	**₱1,417,559**	**₱836,087**	**₱8,751,666**	**₱1,168,237**	**₱12,173,549**	**(₱2,009,000)**	**₱10,164,549**
Interest income	**48,849**	**1,942**	**2,657**	**86**	**53,534**	**–**	**53,534**
Investment gains (losses)	**1,984,265**	**–**	**2,100**	**856,009**	**2,842,374**	**(1,717,781)**	**1,124,593**
Interest expense	**(1,766)**	**(233)**	**(9,027)**	**(1,169)**	**(12,195)**	**1,935**	**(10,260)**
Income tax expense (benefit from income tax)	**51,886**	**21,533**	**304,230**	**10,498**	**388,147**	**(7,995)**	**380,152**
Equity in net earnings	**–**	**–**	**–**	**11,410**	**11,410**	**–**	**11,410**
Net income	**3,359,704**	**77,733**	**909,950**	**1,789,262**	**6,136,649**	**(3,599,056)**	**2,537,593**
Total assets	**19,252,541**	**1,910,305**	**5,355,905**	**14,653,052**	**41,171,803**	**(17,546,829)**	**23,624,974**
Investments and advances	**7,556,096**	**97,747**	**–**	**2,153,034**	**9,806,877**	**(9,477,444)**	**329,433**
Property and equipment	**7,261**	**703,161**	**680,194**	**152,365**	**1,542,981**	**1,001,406**	**2,544,387**
Total liabilities	**891,199**	**596,838**	**659,955**	**3,186,100**	**5,334,092**	**(2,766,224)**	**2,567,868**
Depreciation and amortization	**18,326**	**111,534**	**112,870**	**53,507**	**296,237**	**6,358**	**302,595**
Cash flows from (used in):							
Operating activities	**857,570**	**262,620**	**109,205**	**(234,382)**	**995,013**	**(482,006)**	**513,007**
Investing activities	**(180,406)**	**(181,838)**	**63**	**930,261**	**568,080**	**(661,683)**	**(93,603)**
Financing activities	**(648,667)**	**15,894**	**(410,850)**	**(665,434)**	**(1,709,057)**	**922,750**	**(786,307)**

[1] *Other Operations include ASAC, AAC, Anscorcon, AI, AHI, IAI and the Group's equity in net earnings (losses) of associates and impairment loss.*
[2] *Majority of the revenues of the Group were derived in the Philippines.*

	Before Eliminations						
	Holding Company (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	Other Operations[1]	Total	Eliminations	Consolidated
As at and for the year ended December 31, 2020							
Revenues, excluding interest income[2]	₱1,533,497	₱646,324	₱6,448,196	₱1,095,519	₱9,723,536	(₱2,248,661)	₱7,474,875
Interest income	66,254	4,938	10,918	94	82,204	–	82,204
Investment gains (losses)	(730,936)	–	(2,800)	746,378	12,642	(88,013)	(75,371)
Interest expense	2,536	245	16,898	4,977	24,656	(245)	24,411
Income tax expense (benefit from income tax)	(1,694)	13,698	284,623	2,688	299,315	(7,995)	291,320
Equity in net losses and impairment loss	–	–	–	(598,006)	(598,006)	–	(598,006)
Net income	569,610	626	692,026	1,138,401	2,400,663	(2,231,938)	168,725
Total assets	17,394,215	1,783,053	4,866,355	13,323,536	37,367,159	(15,764,874)	21,602,285
Investments and advances	7,623,492	–	–	2,044,491	9,667,983	(9,349,654)	318,329
Property and equipment	7,128	752,878	595,628	97,151	1,452,785	1,028,056	2,480,841
Total liabilities	565,491	551,421	833,657	3,078,431	5,029,000	(2,687,105)	2,341,895
Depreciation and amortization	17,892	108,128	96,110	46,184	268,314	23,860	292,174
Cash flows from (used in):							
Operating activities	1,292,360	13,038	693,227	281,550	2,280,175	(327,241)	1,952,934
Investing activities	(116,222)	(181,208)	(62,843)	615,788	255,515	(86,132)	169,383
Financing activities	(896,645)	76,367	(406,193)	(887,940)	(2,114,411)	781,182	(1,333,229)

[1] *Other Operations include ASAC, AAC, Anscorcon, AI, AHI, IAI and the Group's equity in net earnings (losses) of associates and impairment loss.*
[2] *Majority of the revenues of the Group were derived in the Philippines.*

6. Cash and Cash Equivalents

	2021	2020
Cash on hand and in banks	**₱248,744,453**	₱232,507,526
Cash equivalents	**308,482,107**	296,683,996
	₱557,226,560	₱529,191,522

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Company. These investments earn interest at prevailing rates (see Note 18).

7. FVPL Investments

	2021	2020
Quoted equity shares	**₱6,894,699,320**	₱5,064,437,946
Funds and equities	**1,790,795,860**	1,318,992,209
Unquoted equity shares	**1,021,709,073**	1,021,709,073
Proprietary shares	**297,115,000**	270,965,000
Bonds	**203,076,106**	500,768,376
Others	**2,490,824**	79,623,330
	₱10,209,886,183	₱8,256,495,934

This account consists of investments that are designated as FVPL and held-for-trading investments. Quoted equity shares consist of marketable equity securities that are listed and traded in the Philippine Stock Exchange (PSE) and Nasdaq Stock Market (NASDAQ). The fair market values of these listed shares are based on their quoted market prices as at December 31, 2021 and 2020, which are assessed to be the exit prices.

Held-for-trading investments include foreign currency-denominated mutual/hedge funds, and equity investments that are managed together on a fair value basis. These investments are classified under funds and equities.

Designated FVPL investments consist of foreign currency-denominated fixed income securities with embedded derivatives (e.g., call and put options) that significantly modify the security's cash flow. These investments are classified under bonds.

FVPL investments in bonds represent foreign currency-denominated bond securities with variable and fixed interest rates. The FVPL coupon interest rate per annum ranges from 4.2% to 6.5% and 4.4% to 8.3% in 2021 and 2020, respectively.

As at December 31, 2021 and 2020, the Company has equity investments amounting to ₱10,006.8 million and ₱7,755.7 million, respectively.

The Company's FVPL unquoted equity shares and significant investment in funds and equities include the following:

a. KSA Realty Corporation (KSA)
   On June 15, 2016, the Company acquired additional shares in KSA amounting to ₱236.5 million. This increased the Company's stake in KSA from 11.30% in 2015 to 14.28% in 2016.

   As at December 31, 2021 and 2020, the Company's investment in KSA amounted to ₱1,021.7 million (see Note 23).

   The Company received cash dividends from KSA amounting to ₱185.6 million and ₱121.4 million in 2021 and 2020, respectively.

b. Macquarie ASEAN Technology Investment Holdings II LP (Macquarie)
   On July 13, 2018, the Company invested US$5.0 million (₱267.7 million) in Macquarie, a special purpose vehicle that invested exclusively in shares of Grab Holdings, Inc. (Grab). Grab is a

Singapore-based technology company that offers ride-hailing transport services, food delivery and payment solutions through GrabTaxi, GrabFood and GrabPay.

In December 2021, Grab became listed and launched its initial public offering. Accordingly, the investment in Macquarie is recognized as part of the "Quoted equity shares" as at December 31, 2021, from "Funds and equities" as at December 31, 2020.

In 2021, the Company recognized gains in fair value adjustment in its investment in Macquarie amounting to ₱129.5 million (nil in 2020).

As at December 31, 2021 and 2020, the carrying value of the investment in Macquarie, inclusive of foreign exchange adjustment, amounted to ₱384.5 million and ₱240.1 million, respectively.

Net gains (losses) on increase (decrease) in market value of FVPL investments as at December 31 are as follows (in millions):

	Unrealized Valuation Gains (Losses) in Market Value		Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments
	2021	2020	in 2021
Quoted equity shares	**₱3,239.9**	₱1,537.5	**₱1,702.4**
Unquoted equity shares	**778.3**	778.3	**–**
Proprietary shares	**267.3**	241.2	**26.1**
Bonds	**(42.6)**	(17.9)	**(24.7)**
Funds and equities	**91.1**	44.9	**46.2**
Others	**–**	2.4	**(2.4)**
Total	**4,334.0**	2,586.4	**1,747.6**
Add realized gain on sale of FVPL investments			**236.1**
Net gains on increase in market value of FVPL investments			**₱1,983.7**

	Unrealized Valuation Gains (Losses) in Market Value		Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments
	2020	2019	in 2020
Quoted equity shares	₱1,537.5	₱2,241.9	(₱704.4)
Unquoted equity shares	778.3	778.3	–
Proprietary shares	241.2	241.2	–
Bonds	(17.9)	(17.4)	(0.5)
Funds and equities	44.9	(15.7)	60.6
Others	2.4	0.7	1.7
Total	2,586.4	3,229.0	(642.6)
Less realized loss on sale of FVPL investments			(89.5)
Net losses on decrease in market value of FVPL investments			(₱732.1)

There were no outstanding forward transactions as at December 31, 2021 and 2020.

8. FVOCI Investments

As at December 31, 2021 and 2020, FVOCI investments amounted to ₱46.4 million and ₱94.1 million, respectively, and these are noncurrent assets.

FVOCI investments represent the following:

a. Foreign currency-denominated bond securities are subject to variable and fixed coupon interest rate per annum ranging from 4.13% to 6.13% in 2021 and 4.00% to 5.95% in 2020. Maturity dates range from October 31, 2026 to June 30, 2028 for bonds held as at December 31, 2021 and May 3, 2022 to July 31, 2024 for bonds held as at December 31, 2020.

b. Geothermal Project

   On January 2014, a loan and investment agreement was entered by the Company with SKI Construction Company, Inc. (SKI), Red Core Investment Corp. (Red Core), Tayabas Power, Tiaong Geothermal Power, Inc. (Tiaong Power), and San Juan Geothermal Power, Inc. (San Juan Power) , collectively referred to as "Red Core Group" to jointly survey and explore the geothermal energy potential in the areas defined by the Tayabas, Tiaong and San Juan Geothermal Renewable Energy Service Contract (GRESC). Under this agreement, the Company committed to lend up to ₱172.0 million for the exploration phase of the three sites.

   The Company may choose to convert each note into common shares of the three operating companies: Tayabas Power, Tiaong Power and San Juan Power to achieve 9.1% stake in each of these entities. If the Company opts not convert the note within the agreed time frame, these notes will accrue interest until they mature 62 months from the initial drawdown date.

   In 2017, the Company recognized ₱82.9 million impairment loss, which is presented in profit or loss, bringing the investment balance to nil as at December 31, 2021 and 2020.

   In March 2018, the Company filed before the Regional Trial Court of Makati City a civil case for specific performance in order to compel Red Core Group to comply with the provisions of the loan and investment agreement signed by the parties. On November 23, 2020, the Court partially granted the Motion for Summary Judgment filed by the Company. As at February 23, 2022, the case is still ongoing.

The gain on sale of FVOCI investments amounted to ₱0.5 million and ₱1.2 million in 2021 and 2020, respectively.

Below is the rollforward of unrealized valuation gains (losses) on FVOCI investments recognized in equity:

	2021	2020
Beginning balance	**₱2,521,749**	₱8,739,689
Loss recognized directly in equity - net of tax	**(1,849,250)**	(5,412,803)
Amount removed from equity and recognized in profit or loss - net of tax	**(399,050)**	(805,137)
Ending balance	**₱273,449**	₱2,521,749

9. Receivables

	2021	2020
Notes receivable	**₱297,608,131**	₱307,499,741
Tax credits/refunds	**136,553,947**	120,795,373
Due from a related party (Note 21)	**23,322,925**	28,789,139
Dividend receivable	**22,251,559**	21,422,305
Interest receivable	**6,172,679**	26,134,594
Others	**6,456,560**	14,027,739
	492,365,801	518,668,891
Less allowance for expected credit losses	**1,096,825**	1,096,825
	₱491,268,976	₱517,572,066

Notes receivable pertains to receivable from A. Soriano Corporation Retirement Plan (the Retirement Plan). On November 4, 2019, the Company granted a five-year loan amounting to ₱363.5 million to the Retirement Plan at 5% interest per annum. The loan is secured by the Company's shares of stock held by the Retirement Plan with a fair value of ₱445.2 million and ₱369.6 million as at December 31, 2021 and 2020, respectively. The balance of the loan amounted to ₱297.6 million and ₱307.5 million as at December 31, 2021 and 2020, respectively.

Interest receivable pertains to accrued interest income from cash and cash equivalents, notes receivable, FVPL and FVOCI investments in debt instruments.

Other receivables pertain to uncollected rental income and employee loans.

There is no movement in the allowance for expected credit losses in 2021 and 2020. The outstanding balance of ECL pertains to interest and other receivables.

10. Investments and Advances

	2021	2020
Investments in subsidiaries and associates (at cost) - net of valuation allowance	**₱6,271,491,117**	₱6,268,991,117
Advances - net of allowance for expected credit loss of ₱1,791.6 million in 2021 and 2020 (Note 21)	**1,284,604,958**	1,354,501,021
	₱7,556,096,075	₱7,623,492,138

The investments in subsidiaries and associates as at December 31, 2021 and 2020 consist of:

	2021	2020
Acquisition costs:		
Common shares	**₱4,302,017,842**	₱4,299,517,842
Preferred shares	**2,118,774,211**	2,118,774,211
	6,420,792,053	6,418,292,053
Less valuation allowance	**149,300,936**	149,300,936
	₱6,271,491,117	₱6,268,991,117

The significant transactions involving the Company's investments in subsidiaries and associates in 2021 and 2020 are set out below.

PDIPI and Subsidiaries (PDP Group)
PDP Energy established PDEIC, a Philippine Economic Zone Authority (PEZA)-registered company engaged in manufacturing wires, mainly for export.

Cash dividends received by the Company amounted to ₱250.0 million in 2021 and 2020.

PDP Group became subsidiaries of the Company towards the end of 2014. Prior to that, the PDP Group is accounted for as an associate.

SSRLI and PRI

a. On January 9, 2007, SSRLI and PEZA signed a Registration Agreement declaring SSRLI as an Ecozone Developer/Operator, entitling SSRLI to establish, develop and construct the villas and to operate the Ecozone. SSRLI is entitled to four-year income tax holiday and tax-free importation of machineries and equipment on PEZA-covered registered activities under the Registration Agreement.

   On December 18, 2009, SSRLI's resort operations have been registered with PEZA to engage in the renovation and expansion of Amanpulo Resort at the Pamalican Island Tourism Ecozone. SSRLI's resort operations are entitled to 5% gross income tax on revenues generated from foreign clients and regular income tax on non-foreign clients under the Registration Agreement.

   On July 1, 2011, PRI took over the resort operations of SSRLI. On the same date, PEZA approved PRI's application for registration as a locator at the Pamalican Island Ecozone Tourism Zone. SSRLI also transferred in the name of PRI all resort operation-related contracts entered into with related parties and third parties, including its long-term loans with a bank, except for the foreshore lease contract with the Department of Environment and Natural Resources (DENR) which is nontransferrable.

   On October 3, 2012, PRI entered into an operating lease agreement with SSRLI covering all rights and interests in resort-related assets, which include land, land improvements and buildings for a period of 20 years beginning July 1, 2011.

b. Since 1995, the Company charges a monthly fee amounting to US$15,000 or its Peso equivalent for the Company's general, administrative, treasury, tax and legal services rendered to PRI.

   Starting January 1, 2018, both parties mutually agreed to a monthly fee amounting to ₱650,000, inclusive of VAT. Effective August 2021, ₱375,000 (inclusive of VAT) is billed by the Company to PRI.

Significant details of the balance sheets and statements of comprehensive income of SSRLI and PRI, the Company's material partly-owned subsidiaries, are enumerated below as at December 31 (in millions):

	2021	2020
Balance Sheets:		
Current assets	**₱866.4**	₱798.2
Noncurrent assets	**1,043.9**	984.9
Current liabilities	**481.1**	430.5
Noncurrent liabilities	**115.8**	120.9
Equity	**1,313.5**	1,231.6
Equity attributable to non-controlling interest (NCI)	**495.2**	464.3

	2021	2020
Statements of Comprehensive Income:		
Revenue	**₱838.5**	₱656.4
Income from continuing operations, before tax	**99.3**	14.3
Net income	**77.7**	0.6
Other comprehensive income (loss)	**2.4**	(0.9)
Total comprehensive income	**80.1**	(0.3)
Total comprehensive income (loss) allocated to NCI during the year	**30.2**	(0.1)
Statements of Cash Flows:		
Cash flows from operations	**₱262.6**	₱13.0
Cash flows used in investing activities	**(181.8)**	(181.2)
Cash flows from (used in) financing activities	**15.9**	76.4

AI
The Company made advances to AI for the latter's investments as discussed below:

a. In October 2011, AI entered into a subscription agreement with Predictive Edge Media Holdings, LLC (PEMH) for the acquisition of 1,000,000 Series A preferred units at US$3 per unit, which constituted 10% of the total Series A preferred units outstanding. In the first quarter of 2012, all of AI's holdings in PEMH, first acquired in October 2011, were exchanged for an interest in Predictive Edge Technologies, LLC ("Predictive"), PEMH's parent company. Predictive is a US-based early-staged technology company, which provides products and services that make practical and effective use of its patented behavioral science, based on psychological principles and state-of-the art mathematics that allow it to measure and quantify emotions associated with digital content.

   In 2013, AI made additional investment of US$1.0 million (₱46.5 million). In March 2014, AI made additional investment of US$1.0 million (₱45.0 million) for availment of PEMH's preemptive rights offering.

   In July 2015, AI made an additional investment of US$0.5 million (₱22.5 million). In March 2016, AI invested an additional US$0.44 million (₱20.5 million) through a convertible note. In October 2016, Predictive merged with BM, its subsidiary, with the latter being the surviving company. As part of the restructuring of BM, the convertible notes and accrued interest were converted to equity on the same date and AI invested an additional US$0.81 million (₱39.2 million) for a 20.5% shareholding in BM. The increased ownership allows AI to exercise significant influence over BM.

b. In December 2011, AI entered into a subscription agreement with AGP International Holdings, Ltd. (AGPI) for US$5.0 million Convertible Bridge Notes (the "Notes"), with interest rate of 9% compounded annually. The principal, together with the accrued interest, is payable on the one year anniversary of the issuance of each Note.

   The Notes are convertible at the option of the holder into: (a) Series B preferred shares at the per share price paid to buy out existing Series A preferred shares (US$0.345/share or the "conversion price"); or (b) the equity security issued by AGPI in its next round of equity financing at the per share price paid in such next round of financing.

   AGPI is a BVI business company formed in 2010 in connection with the acquisition of equity of Atlantic, Gulf and Pacific Company of Manila, Incorporated. AGPI, through its subsidiary and associates, is focused on providing modular engineering and construction and general engineering design services, including, fabrication, assembly and manpower services, particularly in the oil, gas, petrochemical, power generation and mining industries. In 2018, the AGPI, through its subsidiary and associates, decided to focus on the development and construction of LNG terminals, transportation assets and platforms to deliver natural gas to end-customers and its related business (the "LNG Business") gas logistics due to the identified opportunity to combine its expertise in liquefied natural gas industry and decades-long experience in modular construction.

On June 28, 2013, Al converted the US$5.0 million Convertible Bridge Notes to 16.4 million Series B, voting preferred shares. On June 29, 2013, AI signed a definitive agreement with AGPI amounting to US$40.0 million for the subscription to 83.9 million series C, voting preferred shares in AGPI. Series B and Series C preferred shares are convertible, at the option of the holder into Class A common shares. The subscription increased AI's holdings to 27%, giving AI a significant influence over AGPI.

In 2018, AGPI merged with AGP Group Holdings Pte. Ltd. (AGP-BVI), its subsidiary, with the latter being the surviving entity. AI retained its 27% ownership in AGP-BVI and its preferences shares were converted to common shares upon merger.

On July 1, 2019, AGP-BVI entered into a share swap agreement with AGP-SG to make the latter the sole owner of the former.

On July 22, 2019, AGP-SG obtained additional equity investment from new investors which effectively decreased AI's interest from 27% to 21%. AI assessed that it still has significant influence over AGP-SG.

The principal place of business of AGP-SG is 600 North Bridge Road, Parkview Square, Singapore.

c. In March 2013, AI invested US$0.6 million (₱26.4 million) in Navegar I LP, a limited partnership established to acquire substantial minority position through privately negotiated investments in equity and equity-related securities of Philippine companies that are seeking growth capital and/or expansion capital.

d. In 2019, AI committed to invest US$10.0 million in Navegar II LP. AI invested US$1.49 million (₱76.08 million), US$1.0 million (₱46.5 million) and US$0.2 million (₱10.1 million) in 2021, 2020 and 2019, respectively.

e. In November 2013, AI invested US$4.0 million (₱175.9 million) convertible notes in Prople Limited. In August 2015 and February 2016, AI purchased Tranche C notes of Prople Limited amounting to US$0.5 million (₱22.6 million) and US$0.2 million (₱10.6 million), respectively. These notes are convertible at the option of the holder into common shares of Prople Limited. The interest is 5% for the first three years and if not converted on the third anniversary of closing date (i.e., November 18, 2016, the conversion date), the interest will be the prevailing five-year US Dollar Republic of the Philippines (ROP), plus 400 basis points or 7%, whichever is higher for the next two years.

   In February 2016, AI converted the notes to equity, giving AI a 32% equity stake and a significant influence over Prople Limited.

   In 2020, Prople Limited redeemed the preference shares held by AI amounting to ₱10.1 million.

f. In December 2015, IQHPC invested US$1.0 million (₱47.1 million) in Y-mAbs Therapeutics, Inc. (Y-mAbs), a clinical stage biotechnology company specializing in developing novel antibody therapeutics to treat cancer.

In November 2016, IQHPC made additional investments to Y-mAbs amounting to US$0.8 million (₱36.5 million). In November 2016, IQHPC transferred its investment of 399,544 shares of common stock in Y-mAbs to AI.

On January 6, 2017 and September 25, 2017, AI made additional investment to Y-mAbs amounting to US$0.3 million (₱15.7 million) and US$1.0 million (₱50.1 million), respectively.

On September 22, 2018, Y-mAbs was listed in NASDAQ. Prior to the listing, AI acquired additional investments to Y-mAbs amounting to US$2.3 million (₱123.6 million).

g. In June 2017, AI invested US$1.0 million (₱49.5 million) in Series Seed preferred shares of Element Data, a Seattle, Washington-based Artificial Intelligence Company. Its Decision Intelligence platform incorporates a deep learning knowledge-graph with an active sense-and-response architecture, powering a decision intelligence engine that understands complex interdependencies between data and people.

   In October 2017, Element Data acquired all of the intellectual property of the Group's investment in BM, an associate of the Group.

   In December 2017, AI invested additional US$1.0 million (₱50.6 million) in Series Seed preferred shares of Element Data.

   In 2019, AI invested additional US$0.5 million (₱26.4 million) in Element Data.

h. In May 2017, AI invested US$1.0 million (₱49.7 million) in equity shares at Madaket, Inc. (Madaket), the owner of Madaket Healthcare. Madaket developed Electronic Data Interchange Enrollment, a service platform that automates healthcare provider data management processes in the United States.

i. In 2017, AI entered into an investment agreement with Sierra Madre Philippines I LP (Sierra Madre), a newly formed private equity fund staffed by experienced local operators and private equity professionals. The fund will focus on providing growth capital to small and mid-sized Philippine companies.

   In 2021, 2020, 2019 and 2018, AI made additional investments to Sierra Madre amounting to US$1.2 million (₱63.5 million), US$1.1 million (₱52.8 million), US$0.9 million (₱48.0 million) and US$1.0 million (₱50.4 million), respectively.

j. In 2021, AI committed to invest US$6.0 million in Asia Partners I LP, a Singapore-based private equity fund focused on high growth technology and technology enabled companies across Southeast Asia. In addition, AI committed to invest US$1.0 million in Asia Partners SCI.

   In 2021, AI made investment to Asia Partners amounting to US$5.2 million (₱263.9 million).

As at December 31, 2021 and 2020, advances to AI amounted to ₱1,266.8 million and ₱1,049.4 million, net of ₱1,120.8 million valuation allowance, respectively (see Note 21).

AIMP

In 2013, the Company invested ₱18.8 million in 15,000,000 common shares and ₱18.8 million in 18,750,000 cumulative, non-voting, redeemable and non-convertible preferred shares in AIMP. These investments gave the Company a total of 10% interest in the entity.

On July 6, 2017, the Company invested additional ₱91.3 million equivalent to 15,000,000 common shares, resulting to an increase in ownership from 10% to 20%, which allowed the Company to exercise significant influence over AIMP.

On December 22, 2017, AIMP redeemed the 12,300,000 preferred shares held by the Company for ₱15.6 million, inclusive of dividends accumulating to the Company amounting to ₱3.3 million.

As at December 31, 2021 and 2020, the carrying value of the investment in AIMP amounted to ₱116.5 million, presented under investment at cost.

FHI

On November 22, 2017, the Company and a stockholder of FHI, entered into a conditional deed of sale for the Company's purchase of 12.75% stake in FHI. The Company made an advance payment of ₱77.4 million for the said transaction.

On April 2, 2018, the advance payment of ₱77.4 million was reclassified under "Investments in subsidiaries and associates (at cost) - net of valuation allowance" upon transfer of FHI shares to the Company. On the same date, the Company entered into a deed of sale for the acquisition of 37,636,613 common shares in FHI for a total consideration of ₱103.0 million. The additional purchase of shares resulted to an increase in ownership interest from 12.75% to 25.50%.

In 2019, the Company made a cash advance to FHI amounting to ₱80.6 million, which was paid FHI in 2020.

In 2021 and 2020, FHI made a cash advance to the Company amounting to ₱76.6 million and ₱27.8 million, respectively. Total outstanding cash advance from FHI amounted to ₱104.3 million and ₱27.8 million as of December 31, 2021 and 2020, respectively, which is presented under "Accounts payable and accrued expenses" (see Note 13).

As at December 31, 2021 and 2020, the carrying value of the investment in FHI amounted to ₱180.4 million.

Advances

Net advances consist of receivables from the following subsidiaries and associates (see Note 21):

	2021	2020
AI (net of allowance for expected credit losses of ₱1,120.8 million in 2021 and 2020)	**₱1,266,784,381**	₱1,049,401,821
AHI	**8,702,342**	3,076,672
Anscorcon	–	288,842,056
Others (net of allowance for expected credit losses of ₱670.7 million in 2021 and 2020)	**9,118,235**	13,180,472
	₱1,284,604,958	₱1,354,501,021

Movement in the allowance for expected credit losses are as follows:

	2021	2020
Beginning balance	**₱1,791,570,255**	₱1,801,815,215
Reversal of provision	–	(10,244,960)
Ending balance	**₱1,791,570,255**	₱1,791,570,255

11. Property and Equipment

	2021			
	Buildings and Improvements	**Furniture, Fixtures and Office Equipment**	**Transportation Equipment**	**Total**
Cost				
January 1	**₱137,285,157**	**₱25,351,916**	**₱14,757,275**	**₱177,394,348**
Additions	**119,774**	**1,293,348**	**2,366,071**	**3,779,193**
Disposal	**–**	**–**	**(1,659,106)**	**(1,659,106)**
December 31	**137,404,931**	**26,645,264**	**15,464,240**	**179,514,435**
Accumulated Depreciation				
January 1	**136,675,126**	**23,262,601**	**10,328,753**	**170,266,480**
Depreciation (Note 15)	**318,491**	**531,923**	**2,795,596**	**3,646,010**
Disposal	**–**	**–**	**(1,659,106)**	**(1,659,106)**
December 31	**136,993,617**	**23,794,524**	**11,465,243**	**172,253,384**
Net Book Value	**₱411,314**	**₱2,850,740**	**₱3,998,997**	**₱7,261,051**

	2020			
	Buildings and Improvements	Furniture, Fixtures and Office Equipment	Transportation Equipment	Total
Cost				
January 1	₱136,748,354	₱24,992,695	₱14,757,275	₱176,498,324
Additions	536,803	359,221	–	896,024
December 31	137,285,157	25,351,916	14,757,275	177,394,348
Accumulated Depreciation				
January 1	136,376,917	22,987,717	7,689,116	167,053,750
Depreciation (Note 15)	298,209	274,884	2,639,637	3,212,730
December 31	136,675,126	23,262,601	10,328,753	170,266,480
Net Book Value	₱610,031	₱2,089,315	₱4,428,522	₱7,127,868

12. Investment Properties

	2021	2020
Cost		
January 1 and December 31	**293,595,000**	293,595,000
Accumulated Depreciation		
January 1	**15,903,062**	1,223,313
Depreciation (Note 15)	**14,679,750**	14,679,749
	30,582,812	**15,903,062**
Accumulated Impairment Loss		
Provision for impairment loss	**24,812,188**	–
Net Book Value	**₱238,200,000**	₱277,691,938

Investment properties pertain to two (2) commercial units which are held for lease to other parties and associate. The fair value of the investment properties as at December 31, 2021 amounted to ₱238.2 million.

Fair valuation of the condominium units was performed by professionally qualified, SEC-accredited and independent appraiser. Based on the report of the appraiser rendered for 2021, the fair value of the condominium units is lower by ₱24.8 million. Accordingly, the Company recognized an impairment loss of such amount in 2021 (nil in 2020).

The fair value was arrived at through the use of the "Income Approach," particularly the "Discounted Cash Flow Analysis" which is a financial modelling technique based on explicit assumptions regarding the prospective cash flow to a property. This analysis involves the projection of a series of periodic cash flows to an operating property. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with the property being valued. In an operating property, periodic cash flow is typically estimated as gross revenue less operating expenses and other outgoings. The series of periodic net operating incomes, along with an estimate of the terminal value, anticipated at the end of the projection period, is then discounted at the discount rate, being a cost of capital or a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. The fair value of the condominium units is categorized as Level 3. The highest and best use of these properties is for leasing.

The Company recognized rental income of ₱12.6 million and ₱12.3 million from these investment properties in 2021 and 2020, respectively.

The aggregate direct expenses pertaining to real property taxes, condominium dues and depreciation expense amounted to ₱15.1 million and ₱18.6 million in 2021 and 2020, respectively.

13. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses, represent liabilities due within one year, consist of the following:

	2021	2020
Trade and other payables	**₱9,420,455**	₱3,678,229
Payable to a related party (Notes 10 and 21)	**104,357,024**	27,805,900
Accrued expenses		
Personnel cost	**16,125,344**	16,125,344
Others	**3,612,447**	3,231,807
Withholding tax	**31,532,308**	1,330,505
	₱165,047,578	₱52,171,785

Trade payables include non-interest bearing payables to suppliers that are normally settled on 30 to 90 days' terms.

14. Equity

Authorized capital stock as at December 31 consists of the following shares:

	2021		2020	
	Number of Shares	**Amount**	Number of Shares	Amount
Common - ₱1.0 par value	**3,459,310,958**	**₱3,459,310,958**	3,464,310,958	₱3,464,310,958
Preferred - ₱0.01 par value	**500,000,000**	**5,000,000**	–	–
	3,959,310,958	**₱3,464,310,958**	3,464,310,958	₱3,464,310,958

Issued and outstanding shares as at December 31 consists of the following:

	2021		2020	
	Number of Shares	**Amount**	Number of Shares	Amount
Common	**2,500,000,000**	**₱2,500,000,000**	2,500,000,000	₱2,500,000,000
Preferred	**500,000,000**	**5,000,000**	–	–
	3,000,000,000	**₱2,505,000,000**	2,500,000,000	₱2,500,000,000

On February 19, 2020, the Company's BOD approved the amendment of its Articles of Incorporation (AOI) wherein authorized capital stock of 5,000,000 common shares (par value of ₱1.00 per share) amounting to ₱5.0 million will be reclassified to 500,000,000 preferred shares (par value of ₱0.01 per share) amounting to ₱5.0 million. In August 2020, the Company applied for the amendment of the AOI with the SEC and this was approved by SEC on June 21, 2021.

Outstanding shares, net of shares held by a subsidiary, as at December 31, 2021 and 2020 totaled 1,227,570,239. The Company's equity holders as at December 31, 2021 and 2020 is 11,070 and 11,074, respectively.

The Philippine SEC authorized the offering/sale to the public of the Company's 10.0 million and 140.0 million common shares with par value of ₱1.0 each on December 29, 1948 and January 17, 1973, respectively. On August 30, 1996, the Philippine SEC authorized the licensing of 910,476,302 common shares at the subscription price of ₱2.50 per share.

In 2021 and 2020, the Company declared the following cash dividends:

	2021	2020
Month of declaration	**February and November**	March
Stockholders of record	**March 17 and December 3**	March 31
Cash dividends per share	**₱0.50 and ₱0.25**	₱0.75
Total cash dividends	**₱1,875.0 million**	₱1,875.0 million

As at December 31, 2021 and 2020, the Company had dividends payable amounting to ₱519.5 million and ₱366.1 million, respectively. Dividends payable represent mainly dividend checks that were returned by the post office and which remained outstanding as at December 31, 2021 and 2020 due to problematic addresses of some of the Company's stockholders.

The BOD approved the following appropriation of the Company's unrestricted retained earnings:

Date of Appropriation	Amount
2011	₱2,100,000,000
2013	900,000,000
2014	1,600,000,000
2015	1,700,000,000
2016	850,000,000
	₱7,150,000,000

The appropriation will be used for the Company's investment program within the next three years on business activities related to tourism, business process outsourcing and manufacturing, whether based in the Philippines or offshore.

Appropriations in 2011 and 2013 were extended in 2017. Appropriations in 2014 and 2015 were extended in 2018 and 2019, respectively.

On November 11, 2020, the BOD approved the extension of the appropriation of retained earnings totaling ₱7,150.0 million for another three years.

A portion of the retained earnings pertaining to gross deferred income tax assets directly closed to retained earnings amounting to nil and ₱12.1 million as at December 31, 2021 and 2020, respectively, is considered not available for dividend declaration.

15. Operating Expenses

	2021	2020
Salaries, wages and employee benefits (Note 16)	**₱64,122,874**	₱118,218,255
Utilities	**18,905,006**	12,395,350
Depreciation (Notes 11 and 12)	**18,325,760**	17,892,479
Donations and contributions	**12,121,253**	7,205,513
Professional fees and directors' fees	**10,445,474**	35,777,541
Meetings and conferences	**8,586,017**	8,136,278
Taxes and licenses	**8,407,309**	10,660,870
Security services	**4,920,226**	6,728,821
Association dues	**4,473,388**	4,408,000
Communications	**2,083,473**	2,423,072
Transportation and travel	**2,987,263**	1,175,387
Office supplies	**1,872,277**	1,133,076
Entertainment, amusement and recreation	**1,036,292**	850,832
Others	**3,687,848**	5,465,935
	₱161,974,460	₱232,471,409

In 2021 and 2020, the Company paid bonus to its non-executive directors amounting to nil and ₱14.0 million, respectively.

As approved in 2004, the directors are given bonus representing no more than 1.0% of previous year's net income.

16. Personnel Expenses

	2021	2020
Salaries and wages	**₱57,207,071**	₱112,462,406
Net retirement benefits expense (Note 17)	**6,404,720**	4,849,758
Social security premiums, meals and other employees' benefits	**511,083**	906,091
	₱64,122,874	₱118,218,255

In 2021 and 2020, the Company declared and paid bonuses to its executive officers amounting to nil and ₱57.4 million, respectively.

Annual bonus of no more than 3.0% of the preceding year's net income is given to executive officers as approved in 2004.

17. Pension and Other Post-Employment Benefit Plans

The Company has a funded defined benefit pension plan covering substantially all of its officers and employees. The benefits to be received by the officers and employees under the pension plan shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641.

The funds are administered by trustee banks under the control and supervision of the Board of Trustees (BOT) of the pension plan, who is composed of the executive officers of the Company.

The Company contributes to the funds as required under accepted actuarial principles to maintain the plan in sound condition and reserves the right to discontinue, suspend or change the rate and amount of its contribution to the funds at any time.

Funding Policy
The Company contributes to the plan amounts (estimated by an actuary on the basis of reasonable actuarial assumptions) which are necessary to provide the defined benefits. No member is required to make any contribution to the plans. Contributions to the plans are determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service cost (PSC) is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

The Company's management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Company's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans.

As at December 31, 2021 and 2020, the Company's defined benefit retirement fund (Fund) has investments in shares of stock of the Company with a cost of ₱413.6 million. The fair value of the shares of stock amounted to ₱506.4 million and ₱420.4 million as at December 31, 2021 and 2020, respectively.

All of the fund's investing decisions are made by the BOT of the pension plans. The retirement benefit fund's gain arising from the changes in market prices amounted to ₱75.6 million and ₱31.0 million in 2021 and 2020, respectively.

As at December 31, 2021 and 2020, the fund's carrying value and fair value amounted to ₱571.6 million and ₱448.1 million, respectively.

The following tables summarize the components of net retirement benefit expense recognized in the profit or loss and the funded status and amounts recognized in the parent company balance sheets.

	2021	2020
Current service cost	**₱9,292,327**	₱8,442,696
Net interest income	**(2,887,607)**	(3,592,938)
Net retirement benefits expense (Note 16)	**₱6,404,720**	₱4,849,758

Changes in net retirement plan asset are as follows:

	2021	2020
Net retirement plan asset, beginning	**₱87,270,916**	₱75,804,455
Current service cost	**(9,292,327)**	(8,442,696)
Net interest income	**2,887,607**	3,592,938
	(6,404,720)	(4,849,758)

(Forward)

	2021	2020
Actuarial changes arising from:		
Changes in financial assumptions	**₱10,567,243**	(₱12,209,873)
Demographic assumptions	**(7,085)**	–
Experience adjustments	**13,838,665**	2,572,158
Remeasurement gain on plan asset	**104,180,414**	61,041,975
Changes in effect of asset ceiling	**(72,998,093)**	(42,811,217)
	55,581,144	8,593,043
Contribution	**7,723,176**	7,723,176
Benefits from the Company's fund	**112,307**	–
Net retirement plan asset, end	**₱144,282,823**	₱87,270,916

Computation of retirement plan asset:

	2021	2020
Fair value of plan assets	**₱571,592,301**	₱448,093,187
Present value of defined benefit obligation	**(288,585,281)**	(297,146,526)
Surplus	**283,007,020**	150,946,661
Effect of the asset ceiling	**(138,724,197)**	(63,675,745)
Retirement plan asset	**₱144,282,823**	₱87,270,916

Changes in the present value of the defined benefit obligations as at December 31 are as follows:

	2021	2020
Opening defined benefit obligation	**₱297,146,526**	₱267,023,361
Interest cost	**9,568,118**	12,042,754
Current service cost	**9,292,327**	8,442,696
Benefits paid from the plan assets	**(2,910,560)**	–
Benefits paid from Company's fund	**(112,307)**	–
Remeasurement in other comprehensive income:		
Actuarial loss (gain) - changes in financial assumptions	**(10,567,243)**	12,209,873
Actuarial loss - demographic assumptions	**7,085**	–
Actuarial gain - experience adjustments	**(13,838,665)**	(2,572,158)
	₱288,585,281	₱297,146,526

Changes in the effect of asset ceiling are as follows:

	2021	2020
Beginning balance	**₱63,675,745**	₱19,964,145
Interest	**2,050,359**	900,383
Changes in the effect of asset ceiling	**72,998,093**	42,811,217
	₱138,724,197	₱63,675,745

Changes in the fair value of plan asset are as follows:

	2021	2020
Opening fair value of plan asset	**₱448,093,187**	₱362,791,961
Interest income	**14,506,084**	16,536,075
Contributions	**7,723,176**	7,723,176
Benefits paid from plan assets	**(2,910,560)**	–
Remeasurement gain on plan asset	**104,180,414**	61,041,975
	₱571,592,301	₱448,093,187

The fair value of plan asset as at December 31 are as follows:

	2021	2020
Cash and cash equivalents	**₱11,098,106**	₱541,450
Debt instruments	**266,078,842**	261,718,224
Equity instruments	**293,820,138**	202,211,397
Unit investment trust funds	**–**	3,980,320
Others	**595,215**	(20,358,204)
Fair value of plan asset	**₱571,592,301**	₱448,093,187

The financial instruments with quoted prices in active market amounted to ₱559.9 million and ₱775.4 million as at December 31, 2021 and 2020, respectively. The remaining plan assets do not have quoted market prices in active market.

The plan asset has diverse investments and does not have any concentration risk.

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

2021	**Change in Rates**	**Effect on Present Value of Defined Benefit Obligation Increase (Decrease)**
Discount rate	**+100 bps**	**(₱7,490,139)**
	-100 bps	**8,336,593**
Future salary increases	**+100 bps**	**8,209,678**
	-100 bps	**(7,522,239)**

2020	Change in Rates	Effect on Present Value of Defined Benefit Obligation Increase (Decrease)
Discount rate	+100 bps	(₱9,612,519)
	-100 bps	10,748,380
Future salary increases	+100 bps	10,450,546
	-100 bps	(9,544,259)

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The Company expects to make contributions amounting to ₱7.7 million to its defined benefit pension plan in 2022.

The principal assumptions used in determining pension benefit obligations for the Company's plan as at December 31, 2021 and 2020 include discount rate of 4.47% and 3.22%, respectively, and future salary increase rate of 5.00% in 2021 and 2020.

The weighted average duration of the defined benefit obligation is 2.7 years and 3.4 years as at December 31, 2021 and 2020, respectively.

Shown below is the maturity analysis of the expected future benefit payments as at December 31, 2021:

Year	2021
2022	₱188,800,349
2023	3,747,440
2024	11,047,864
2025	2,508,857
2026 to 2030	85,808,349

18. Interest Income and Interest Expense

Details of interest income follow:

	2021	2020
FVPL and FVOCI debt instruments (Notes 7 and 8)	**₱32,197,278**	₱47,215,234
Notes receivable (Note 9)	**15,043,868**	18,038,590
Cash and cash equivalents (Note 6)	**1,593,636**	977,356
Others	**13,965**	22,957
	₱48,848,747	₱66,254,137

Interest income on debt instruments is net of bond discount amortization amounting to ₱0.2 million in 2021 and 2020.

Details of interest expense follow:

	2021	2020
Long-term debt	**₱–**	₱1,283,593
Deficiency taxes	**1,757,314**	1,202,138
Others	**9,156**	50,620
	₱1,766,470	₱2,536,351

19. Income Taxes

The current provision for income tax amounting to ₱2.0 million and ₱1.7 million in 2021 and 2020, respectively, represents the MCIT.

The components of the net deferred income tax liabilities are as follows:

	2021	2020
Recognized directly in profit or loss:		
Deferred income tax liabilities on:		
Market adjustment on FVPL investments	**(₱161,242,272)**	(₱124,368,730)
Retirement plan asset	**(7,017,414)**	(5,586,652)
Unrealized foreign exchange gain	**(2,934,499)**	–
Others	**(4,279,239)**	(6,784,604)
	(175,473,424)	(136,739,986)

(Forward)

	2021	2020
Deferred income tax assets on unrealized foreign exchange loss	**₱–**	₱11,165,714
	(175,473,424)	(125,574,272)
Recognized directly in equity:		
Deferred income tax liabilities on:		
Cumulative actuarial gains	**(31,057,472)**	(20,594,624)
Unrealized valuation gain on FVOCI investments	**(91,150)**	(1,080,751)
	(31,148,622)	(21,675,375)
	(₱206,622,046)	(₱147,249,647)

The following are the deductible temporary differences and carryforward benefits for which no deferred income tax assets were recognized as future realizability of these deferred income tax assets is not probable:

	2021	2020
Deductible temporary differences on:		
Allowances for:		
Expected credit losses	**₱1,791,570,255**	₱1,791,570,255
Impairment losses	**321,457,697**	296,645,509
Unamortized past service cost	**–**	598,561
Carryforward benefits of:		
Excess of MCIT over RCIT	**5,955,538**	8,585,416
NOLCO	**–**	94,173,345

The President of the Philippines signed into law on March 26, 2021 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, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic corporations.
- For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

The reconciliation of provision for income tax computed at the statutory income tax rate (25% in 2021 and 30% in 2020) with the provision for income tax is as follows:

	2021	2020
Provision for income tax at statutory tax rate	**₱852,897,557**	₱170,374,783
Additions to (reductions in) income taxes resulting from:		
Decrease (increase) in market values of marketable equity securities and other investments subjected to final tax	**(456,548,602)**	216,649,877
Dividend income not subject to income tax	**(319,573,354)**	(429,170,804)
Change in income tax rate (impact of CREATE)	**(24,541,608)**	–
Nondeductible expenses	**11,226,360**	16,876,948
Interest income already subjected to final tax	**(398,407)**	(293,207)
Others	**(11,176,205)**	23,868,358
	₱51,885,741	(₱1,694,045)

NOLCO

As of December 31, 2020, the Company has the following NOLCO which were claimed as deduction against the taxable income in 2021:

Period of Recognition	Availment Period	Amount
2018	2019-2021	₱20,780,309
2019	2020-2022	3,596,152
2020	2021-2025	69,796,884
		₱94,173,345

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. Hence, the incurred NOLCO of the Group in taxable year 2020 and 2021 can be claimed as deduction from the regular taxable income from taxable years 2021 to 2025 and taxable years 2022 to 2026, respectively, in pursuant to the Bayanihan to Recover As One Act.

MCIT

As at December 31, 2021, the Company has excess MCIT over RCIT that can be claimed as deduction against regular income tax liabilities, as follows:

Period of Recognition	Availment Period	Amount	Additions	Applied	Expired	Balance
2018	2019-2021	₱3,091,053	₱–	₱–	(₱3,091,053)	₱–
2019	2020-2022	3,807,566	–	–	–	3,807,566
2020	2021-2024	1,686,797	–	–	–	1,686,797
2021	2022-2025	–	461,175	–	–	461,175
		₱8,585,416	₱461,175	₱–	(₱3,091,053)	₱5,955,538

20. Earnings Per Share - Basic/Diluted

Earnings per share - basic/diluted are computed as follows:

	2021	2020
Net income	**₱3,359,704,488**	₱569,609,987
Total comprehensive income	**₱3,402,617,496**	₱569,407,177
Weighted average number of common shares (Note 14)	**2,500,000,000**	2,500,000,000
Earnings per share		
Basic/diluted, for net income	**₱1.34**	₱0.23
Basic/diluted, for total comprehensive income	**₱1.36**	₱0.23

The Company does not have potentially dilutive common stock equivalents in 2021 and 2020.

21. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

In the normal course of business, the Company grants/receives cash advances to/from its subsidiaries and associates.

The parent company financial statements include the following transactions and account balances as at December 31 with related parties:

	Amount/Volume		Outstanding Balance			
	2021	2020	**2021**	2020	Terms	Conditions
AI						
Advances (Note 10)	**₱217,382,560**	₱98,996,018	**₱1,266,784,381**	₱1,049,401,821	Non-interest bearing	Unsecured, with impairment
PDIPI						
Dividends (Note 10)	**250,000,000**	250,000,000	**–**	–	Non-interest bearing	Unsecured, no impairment
PDP Energy						
Management fees (Note 9)	**103,629,236**	85,083,244	**23,322,925**	28,789,139	Non-interest bearing	Unsecured, no impairment
Anscorcon						
Advances (Note 13)	**(288,863,180)**	288,842,056	**(21,124)**	288,842,056	Non-interest bearing	Unsecured, no impairment
Dividends (Note 10)	**664,500,000**	936,000,000	**–**	–	Non-interest bearing	Unsecured, no impairment
AHI						
Advances (Note 10)	**5,625,671**	(32,852,249)	**8,702,342**	3,076,672	Non-interest bearing	Unsecured, with impairment
AFC						
Advances (Note 10)	**872,352**	–	**8,253,352**	7,381,000	Non-interest bearing	Unsecured, no impairment

(Forward)

	Amount/Volume		Outstanding Balance			
	2021	2020	**2021**	2020	Terms	Conditions
ASAC						
Dividends (Note 10)	**₱–**	₱4,000,000	**₱–**	₱4,000,000	Non-interest bearing	Unsecured, no impairment
FHI						
Advances (Notes 10 and 13)	**(76,530,000)**	(108,417,500)	**(104,335,900)**	(27,805,900)	Non-interest bearing	Unsecured, no impairment
Others						
Advances (Note 10)	**(934,625)**	308,495	**864,883**	1,799,472	Non-interest bearing	Unsecured, with impairment

a. The Company has a management contract with PDP Energy which provides, among others, for payment of annual management fees amounting to ₱7.2 million (VAT inclusive), plus certain percentages of audited income before tax and management and technical assistance fees (VAT exclusive).

   A new management contract was executed effective January 1, 2022, subject to the same terms and conditions except for the payment of a fixed fee amounting to ₱7.2 million (VAT exclusive) per year.

b. Allowance for expected credit losses on advances to related parties amounted to ₱1,791.6 million as at December 31, 2021 and 2020 (see Note 10).

c. Compensation of key management personnel (in millions):

	2021	2020
Short-term employee benefits	**₱56.3**	₱113.1
Retirement benefits (Note 18)	**4.4**	5.7
Total compensation of key management personnel	**₱60.7**	₱118.8

   There are no termination benefits, share-based payments or other long-term employee benefits granted to key management personnel.

22. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds and long-term bank loans. The Company's other financial instruments include accounts payable and accrued expenses and dividends payable, which arose directly from operations.

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields, and
b) maintaining a stable equity portfolio that generates capital gains through a combination of long term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk and foreign currency risk. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, Treasurer and Corporate Development Officer, and an independent consultant. The Committee meets at least every quarter for the review and evaluation.. The BOD reviews and approves the Company's risk management policies.

The Company's policies for managing each of these risks are summarized below.

Credit risk
The Company is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being unable to or unwilling to honor its contractual obligations. The Company is exposed to credit risk arising from the default of the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Company does not have a counterparty that accounts for more than 10% of the revenues.

Credit risk management
In managing credit risk on these investments, capital preservation is paramount. The Company transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit risk exposures
The table below shows the gross maximum exposure for each class of financial assets before the effects of collateral, credit enhancements and other credit risk mitigation techniques:

	2021	2020
Cash in banks	**₱248,602,205**	₱232,365,246
Cash equivalents	**308,482,107**	296,683,996
FVPL investments - bonds	**203,076,106**	500,768,376
FVOCI investments - bonds	**46,396,340**	94,137,422
	806,556,758	1,123,955,040
Receivables:		
Notes receivable	**297,608,131**	307,499,741
Due from a related party	**23,322,925**	28,789,139
Dividends receivable	**22,251,559**	21,422,305
Interest receivable	**5,581,584**	25,543,499
Others	**5,950,830**	13,522,009
Advances	**1,284,604,958**	1,354,501,021
	1,639,319,987	1,751,277,714
	₱2,445,876,745	₱2,875,232,754

Credit quality per class of financial assets
For the Company's financial assets, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Company's rating policy.

Credit risk from balances with banks and financial institutions is managed by the Company in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Company invests only on quoted debt securities with very low credit risk. The Company's debt instruments at FVOCI comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments.

The tables below present the summary of the Company's exposure to credit risk as at December 31 and show the credit quality of the assets by indicating whether the assets are subjected to the 12-month ECL or lifetime ECL.

2021	**12-month ECL**	**Lifetime ECL Not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total**
Cash in banks	**₱248,602,205**	**₱–**	**₱–**	**₱248,602,205**
Cash equivalents	**308,482,107**	**–**	**–**	**308,482,107**
FVOCI investments - bonds	**46,396,340**	**–**	**–**	**46,396,340**
Receivables:				
Notes receivable	**297,608,131**	**–**	**–**	**297,608,131**
Due from a related party	**23,322,925**	**–**	**–**	**23,322,925**
Dividend receivable	**22,251,559**	**–**	**–**	**22,251,559**
Interest receivable	**5,581,584**	**–**	**591,095**	**6,172,679**
Others	**5,950,830**	**–**	**505,730**	**6,456,560**
Advances	**1,284,604,958**	**–**	**1,791,570,255**	**3,076,175,213**
	₱2,242,800,639	**₱–**	**₱1,792,667,080**	**₱4,035,467,719**

2020	12-month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks	₱232,365,246	₱–	₱–	₱232,365,246
Cash equivalents	296,683,996	–	–	296,683,996
FVOCI investments - bonds	94,137,422	–	–	94,137,422
Receivables:				
Notes receivable	307,499,741	–	–	307,499,741
Due from a related party	28,789,139	–	–	28,789,139
Dividend receivable	21,422,305	–	–	21,422,305
Interest receivable	25,543,499	–	591,095	26,134,594
Others	13,522,009	–	505,730	14,027,739
Advances	1,354,501,021	–	1,791,570,255	3,146,071,276
	₱2,374,464,378	₱–	₱1,792,667,080	₱4,167,131,458

Liquidity risk

Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Company ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due. This is done by primarily investing in highly liquid investments.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31 based on undiscounted contractual payments as well as the financial assets used for liquidity management.

December 31, 2021	**Within 6 months**	**6 to 12 months**	**Over 1 up to 5 years**	**Over 5 years**	**Total**
Cash in banks	**₱248,602,205**	**₱–**	**₱–**	**₱–**	**₱248,602,205**
Cash equivalents	**308,482,107**	**–**	**–**	**–**	**308,482,107**
FVPL investments - bonds	**–**	**15,039,605**	**70,620,865**	**117,415,635**	**203,076,105**
FVOCI investments - bonds	**–**	**–**	**15,643,943**	**30,752,397**	**46,396,340**
Receivables*	**57,106,898**	**–**	**297,608,131**	**–**	**354,715,029**
Advances	**–**	**1,284,604,958**	**–**	**–**	**1,284,604,958**
	₱614,191,210	**₱1,299,644,563**	**₱383,872,939**	**₱148,168,032**	**₱2,445,876,744**

(Forward)

December 31, 2021	**Within 6 months**	**6 to 12 months**	**Over 1 up to 5 years**	**Over 5 years**	**Total**
Accounts payable and accrued expenses**	**₱133,515,270**	**₱–**	**₱–**	**₱–**	**₱133,515,270**
Dividends payable	**519,529,172**	**–**	**–**	**–**	**519,529,172**
	₱653,044,442	**₱–**	**₱–**	**₱–**	**₱653,044,442**

** Excluding nonfinancial assets amounting to ₱136.6 million.*
***Excluding nonfinancial liabilitiesamounting to ₱31.5 million.*

December 31, 2020	Within 6 months	6 to 12 months	Over 1 up to 5 years	Over 5 years	Total
Cash in banks	₱232,365,246	₱–	₱–	₱–	₱232,365,246
Cash equivalents	296,683,996	–	–	–	296,683,996
FVPL investments - bonds	15,367,360	–	222,136,726	263,264,290	500,768,376
FVOCI investments - bonds	–	–	94,137,422	–	94,137,422
Receivables*	89,276,952	–	307,499,741	–	396,776,693
Advances	–	1,354,501,021	–	–	1,354,501,021
	₱633,693,554	₱1,354,501,021	₱623,773,889	₱263,264,290	₱2,875,232,754
Accounts payable and accrued expenses**	₱50,841,280	₱–	₱–	₱–	₱50,841,280
Dividends payable	366,069,163	–	–		366,069,163
	₱416,910,443	₱–	₱–	₱–	₱416,910,443

**Excluding nonfinancial assets amounting to ₱120.8 million*
***Excluding nonfinancial liabilitiesamounting to ₱1.3 million.*

Accounts payable and accrued expenses and dividends payable are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

Market risks
Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Company. The Company is exposed primarily to the financial risks of changes in interest rates, equity price risk, price risk of mutual funds and foreign currency risk.

Investments exposed to market risk are foreign and local currency denominated quoted debt instruments, foreign and local currency denominated equity instruments, and mutual fund/hedge fund investments.

There has been no change to the Company's manner of managing and measuring the risk.

a. Interest rate risks

Cash flow interest rate risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate financial instruments are subject to this risk.

The following tables demonstrate management's best estimate of the sensitivity to reasonably possible change in interest rates, with all other variables held constant (in millions):

Floating Debt Instrument	**Change in Interest Rates [in basis points (bps)]**	**Effect on Income Before Tax Increase (Decrease)**
2021	**+150**	**₱0.23**
	-150	**(0.23)**
2020	+150	₱0.52
	-150	(0.52)

The sensitivity analysis shows the effect on the profit or loss of assumed changes in interest rates on the net interest income for one year, based on the floating rate of financial assets held at December 31, 2021 and 2020. There is no other impact on equity other than those affecting profit and loss.

Fair value interest rate risk
Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Company accounts for its quoted debt investments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

The tables below show the impact on income before income tax and equity of the estimated future bond yields using a duration based sensitivity approach. Items affecting profit and loss are bonds classified as FVPL and items affecting equity account are bonds classified as FVOCI.

The impact of change in interest rates are as follows (in millions):

	Change in	**Increase (Decrease)**	
2021	**Interest Rates (in bps)**	**Effect on Income Before Tax**	**Effect on Equity**
FVOCI investments	**+100**	**₱–**	**(₱2.06)**
	-100	**–**	**2.19**
FVPL investments	**+100**	**(4.85)**	**–**
	-100	**5.11**	**–**

	Change in	Increase (Decrease)	
2020	Interest Rates (in bps)	Effect on Income Before Tax	Effect on Equity
FVOCI investments	+100	₱–	(₱1.10)
	-100	–	1.14
FVPL investments	+100	(23.81)	–
	-100	26.04	–

The Company generally mitigates risk of changes in market interest rates by constantly monitoring fluctuations of interest rates and maintaining a mix of fixed and floating interest-bearing financial instruments.

b. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stock. The equity price risk exposure arises from the Company's investment in stock listed in the PSE.

The sensitivity analysis assumes that the stock's standard deviation on its historical returns for the past one year provides the basis for the range of reasonably possible changes in prices of the stock investments. In establishing the relative range of the stock investment returns, the Company assumes a 99% confidence level.

The Company places emphasis on putting together portfolio consisting of different securities. The goal is to keep risk to a minimum in relation to the expected return.

The table below shows the impact on income before income tax and equity of the estimated future return of the stock investments using a Beta-based sensitivity approach. The impact of the change in equity prices is as follows (in millions):

FVPL Investments	Change in PSE Price Index	Effect on Income Before Tax and Equity Increase (Decrease)
2021	**+18.77%**	**₱859.33**
	-18.77%	**(859.33)**
2020	+33.14%	₱1,165.59
	-33.14%	(1,165.59)

The annual standard deviation of the PSE price index is approximately 18.77% and 33.14% and with 99% confidence level, the possible change in PSE price index could be +/- 18.77% and +/-33.14% in 2021 and 2020, respectively.

c. Price risk of mutual funds

The Company is exposed to the risks of changes in the fund's net asset value (NAV) due to its market risk exposures.

The sensitivity analysis demonstrates management's best estimate of the impact of reasonably possible change in NAV, with all other variables held constant.

The table below shows the impact on income before income tax of assumed changes in NAV. A negative amount in the table reflects a potential reduction on income before income tax or equity, while a positive amount reflects a potential increase on income before income tax or equity. The impact of the change in mutual fund prices are as follows (in millions):

	Change in NAV	Effect on Income Before Tax and Equity Increase (Decrease)
2021	**+10.00%**	**₱153.90**
	-10.00%	**(153.90)**
2020	+10.00%	₱282.54
	-10.00%	(282.54)

d. Foreign exchange risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Company's exposure arises primarily from investments in foreign currency-denominated debt investments and equity securities.

To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as US dollar. This also enables the Company to access investment opportunities in those currencies. The Company occasionally engages in foreign currency forward contracts as a defensive measure against foreign currency volatility.

On borrowings, it is the Company's group wide policy for its subsidiaries and associates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine Peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. It is also the policy of the Company to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

The analysis discloses management's best estimates of the effect of reasonably possible movement of the currency rate against the Philippine Peso on income before tax. It assumes that all other variables remain constant. The impact of the change in currency rates are as follows:

2021	**Change in Currency Rate**	**Effect on Income Before Tax Increase (Decrease)**
US Dollar	**+4.38%**	**₱7.26**
	-4.38%	**(7.26)**

2020	Change in Currency Rate	Effect on Income Before Tax Increase (Decrease)
US Dollar	+3.23%	₱9.97
	-3.23%	(9.97)

Capital management
The primary objective of the Company's capital management is to ensure an adequate return to its shareholder and to maximize its value to its shareholders. In pursuance of this goal, the Company establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Company establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the parent company balance sheet.

No changes were made in the objectives, policies or process for the years ended December 31, 2021 and 2020.

23. Financial Instruments

Categorization of financial instruments

December 31, 2021	**Amortized Cost**	**Financial Assets at FVPL**	**FVOCI Investments**	**Total**
Cash and cash equivalents	**₱557,226,560**	**₱–**	**₱–**	**₱557,226,560**
FVPL investments	–	**10,209,886,183**	–	**10,209,886,183**
FVOCI investments	–	–	**46,396,340**	**46,396,340**
Receivables*	**354,715,029**	–	–	**354,715,029**
Advances	**1,284,604,958**	–	–	**1,284,604,958**
	₱2,196,546,547	**₱10,209,886,183**	**₱46,396,340**	**₱12,452,829,070**

**Excluding nonfinancial assets amounting to ₱136.6 million.*

December 31, 2020	Amortized Cost	Financial Assets at FVPL	FVOCI Investments	Total
Cash and cash equivalents	₱529,191,522	₱–	₱–	₱529,191,522
FVPL investments	–	8,256,495,934	–	8,256,495,934
FVOCI investments	–	–	94,137,422	94,137,422
Receivables*	396,776,693	–	–	396,776,693
Advances	1,354,501,021	–	–	1,354,501,021
	₱2,280,469,236	₱8,256,495,934	₱94,137,422	₱10,631,102,592

**Excluding nonfinancial assets amounting to ₱120.8 million.*

Fair values of financial assets and liabilities

The carrying amounts of cash and cash equivalents, receivables, dividends payable and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments.

FVPL and FVOCI investments are carried at fair value. The following methods and assumptions were used to estimate the fair values:

- FVPL quoted equity shares, investments in bonds, funds and equities, proprietary shares and others are derived from quoted market prices in active markets.

- FVOCI investments in bonds are derived from quoted market prices in active markets.

- FVPL investment in KSA shares is based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

The following tables provide the Company's fair value measurement hierarchy of its assets:

		Fair Value Measurement Using		
As at December 31, 2021	**Total**	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
FVPL investments:				
Quoted equity shares	**₱6,894,699,320**	**₱6,894,699,320**	**₱–**	**₱–**
Funds and equities	**1,790,795,860**	**–**	**1,790,795,860**	**–**
Unquoted shares	**1,021,709,073**	**–**	**–**	**1,021,709,073**
Bonds	**203,076,106**	**203,076,106**	**–**	**–**
Proprietary shares	**297,115,000**	**–**	**297,115,000**	**–**
Others	**2,490,824**	**2,490,824**	**–**	**–**
	10,209,886,183	**7,100,266,250**	**2,087,910,860**	**1,021,709,073**
FVOCI investments	**46,396,340**	**46,396,340**	**–**	**–**
	₱10,256,282,523	**₱7,146,662,590**	**₱2,087,910,860**	**₱1,021,709,073**

As at December 31, 2020	Total	Fair Value Measurement Using Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Quoted equity shares	₱5,064,437,946	₱5,064,437,946	₱–	₱–
Unquoted shares	1,318,992,209	–	1,318,992,209	–
Funds and equities	1,021,709,073	–	–	1,021,709,073
Bonds	500,768,376	500,768,376	–	–
Proprietary shares	270,965,000	–	270,965,000	–
Others	79,623,330	79,623,330	–	–
	8,256,495,934	5,644,829,652	1,589,957,209	1,021,709,073
FVOCI investment	94,137,422	94,137,422	–	–
	₱8,350,633,356	₱5,738,967,074	₱1,589,957,209	₱ 1,021,709,073

Description of significant unobservable inputs to valuation of financial instruments classified under Level 3 (in millions):

2021	**Valuation Technique**	**Significant Unobservable Inputs**	**Range**	**Sensitivity of Input to Fair Value**
KSA	DCF Model	Dividend payout is ₱121.0 million with 3% annual increase at the end of 2nd year	0% to 5%	0%: fair value of ₱780 5%: fair value of ₱1,069
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱1,034 30%: fair value of ₱805
		Cost of equity of 13.20%	12.2% to 14.00%	12%: fair value of ₱981 14%: fair value of ₱879

2020	Valuation Technique	Significant Unobservable Inputs	Range	Sensitivity of Input to Fair Value
KSA	DCF Model	Dividend payout is ₱121.0 million with 3% annual increase at the end of 2nd year	0% to 5%	0%: fair value of ₱803 5%: fair value of ₱1,260
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱1,149 30%: fair value of ₱894
		Cost of equity of 12.80%	12.6% to 13.6%	12%: fair value of ₱1,041 14%: fair value of ₱948

An increase in the expected lease income of KSA would increase the dividend payout, which would lead to an increase in the fair value of the investment in KSA.

Reconciliation of fair value measurement of KSA (in millions):

As at 31 December 2019	₱1,021.7
Unrealized gain in profit or loss (Note 7)	–
As at 31 December 2020	₱1,021.7
Unrealized gain in profit or loss (Note 7)	–
As at 31 December 2021	₱1,021.7

In 2021, Grab was listed in NASDAQ which resulted to transfer from Level 2 to Level 1 fair value measurement.

For the years ended December 31, 2021 and 2020, there were no transfers other than those mentioned above.

24. Changes in Liabilities Arising from Financing Activities

	2021						
	January 1, 2021	**Dividend Declaration**	**Advances**	**Cash Flows for Repayments**	**Non-cash**	**Foreign exchange movement**	**December 31, 2021**
Dividends payable	**₱366,069,163**	**₱1,875,000,000**	**₱–**	**(₱725,217,670)**	**(₱996,322,321)**	**₱–**	**₱519,529,172**
Advances to affiliates	**27,805,900**	–	**76,551,124**	–	–	–	**104,357,024**
Total	**₱393,875,063**	**₱1,875,000,000**	**₱76,551,124**	**(₱725,217,670)**	**(₱996,322,321)**	**₱–**	**₱623,886,196**

	2020						
	January 1, 2020	Dividend Declaration	Advances	Cash Flows for Repayments	Non-cash	Foreign exchange movement	December 31, 2020
Long-term debt	₱114,295,500	₱–	₱–	(₱113,850,000)	₱–	(₱445,500)	₱–
Advances to affiliates	–	–	27,805,900	–	–	–	27,805,900
Dividends payable	283,974,578	1,875,000,000	–	(813,501,230)	(979,404,185)	–	366,069,163
Total	₱398,270,078	₱1,875,000,000	₱27,805,900	(₱927,351,230)	(₱979,404,185)	(₱445,500)	₱393,875,063

25. Notes to Parent Company Statements of Cash Flow

The Company's noncash investing and financing activities are as follows:

a. *Investing Activity*
- The dividends received in 2021 and 2020 is net of dividend income from a subsidiary amounting to ₱614.5 million and ₱936.0 million, respectively.
- The Company made additional investment to AHI by applying its receivables to AHI amounting to ₱50.0 million in 2020 (nil in 2021).

b. *Financing Activity*
The dividends paid in 2021 and 2020 are net of the dividends for the shares of common stock held by Anscorcon amounting to ₱954.3 million and ₱937.4 million, respectively.

26. Subsequent Event

On February 23, 2022, the BOD approved the declaration of cash dividend of ₱0.50 per common share, payable on April 5, 2022 to common stockholders of record as at March 11, 2022.

27. Supplementary Information Required Under Revenue Regulations No. 15-2010

In compliance with BIR Revenue Regulation No. 15-2010 issued on November 25, 2010, mandating all taxpayers to disclose information on taxes, duties and licenses paid or accrued during the taxable year, summarized on the next page are the taxes paid or accrued by the Company in 2021.

VAT

a. Net receipts and output VAT declared in the Company's VAT returns filed for 2021:

	Net Sales/ Receipts	Output VAT
Taxable Sales:		
Sale of services	₱116,431,191	₱13,971,743
Leasing income (rental)	10,494,274	1,259,313
	₱126,925,464	₱15,231,056

The Company's sales that are subjected to VAT are reported under "Management fees", "Interest income" and "Others - net" accounts.

The Company's sales of services and leasing income reported for VAT purposes are based on actual collections received during the year, hence may not be the same with the amounts accrued in the parent company statement of comprehensive income under "Management fees", "Interest income" and "Others - net" accounts.

b. Input VAT

Balance at January 1, 2021	₱27,472,872
Current year's domestic purchases/payments for:	
Domestic purchases of services	2,251,102
Domestic purchases of goods other than capital goods	598,809
Capital goods subject to amortization	283,928
	30,606,711
Applied against output VAT	(10,160,414)
Balance at December 31, 2021	₱20,446,297

Other Taxes and Licenses

These include all other taxes, local and national, including real estate taxes, licenses and permit fees.

Details consist of the following:

Deficiency taxes and penalties	₱4,756,130
Real property/estate tax and transfer tax	1,191,621
Fringe benefit tax	676,832
Business permit	314,341
Licenses	60,000
Car vehicle registration	25,815
Documentary stamp tax on insurance premium	4,801
Others	1,377,769
	₱8,407,309

Withholding Taxes

Details of withholding taxes for the year are as follows:

	Total	Outstanding Balance
Withholding taxes on compensation and benefits	₱15,914,929	₱1,181,359
Final withholding taxes	90,540,324	30,134,615
Expanded withholding taxes	1,363,195	216,334
	₱107,818,448	₱31,532,308

Withholding taxes payable is presented as part of "Accounts payable and accrued expenses" account in the parent company balance sheet as at December 31, 2021.

Tax Assessment

The Company has no deficiency tax assessments as at December 31, 2021. Also, the Company has no pending cases outside the administration of BIR.

A. SORIANO CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of A. Soriano Corporation is responsible for the preparation and fair presentation of the parent 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 parent 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 parent financial statements including the schedules attached therein, and submits the same to the stockholders or members.

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

ANDRES SORIANO III
Chairman, President and
Chief Executive Officer

ERNEST K. CUYEGKENG
Executive Vice President and
Chief Financial Officer

Signed this 24th day of February 2022

REPUBLIC OF THE PHILIPPIENS)
MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this 22nd day of February 2022, affiants exhibited to me the following:

Andres Soriano III	506368805	Jan. 14, 2015 to Jan 13, 2025 / U.S.
Ernest K. Cuyegkeng	P7236847A	May 19, 2018 to May 18, 2028 / DFA NCR South

Doc. No. 196
Page No. 31
Book No. XXII
Series of 2022

ATTY. REGINALDO L. HERNANDEZ
Notary Public for and in the City of Makati
Appointment No. M-345; Roll No. 20642
Commission expires on 12-31-22
MCLE Compliance No. VI-0008138
PTR No. 8886929; 1-28-22; Makati City
IBP No. 177887; 02-09-22; Pasig City
TIN: 100-364-501

A. SORIANO CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY
FOR ANNUAL INCOME TAX RETURN

The Management of A. SORIANO CORPORATION is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2021. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of A. SORIANO CORPORATION, complete and correct in all material respects. Management likewise affirms that:

a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
(c) the A. SORIANO CORPORATION has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

ANDRES SORIANO III
Chairman, President and Chief Executive Officer

KAV

ERNEST K. CUYEGKENG
Executive Vice President and Chief Financial Officer