GMA HOLDINGS, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Securities and Exchange Commission
G/F Secretariat Building
PICC Complex, Roxas Boulevard
Pasay City, 1307

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

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

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

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

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

FELIPE L. GOZON
Chairman of the Board

GILBERTO R. DUAVIT, JR.
President and Chief Executive Officer

FELIPE S. YALONG
Chief Financial Officer/Treasurer

Signed this 25th day of March 2022.

SUBSCRIBED AND SWORN to before me this APR 0 8 2022 day of ________ 2022, affiants exhibited to me their TIN 106-174-605 (Felipe L. Gozon), TIN 158-147-748 (Gilberto R. Duavit, Jr.), and TIN 102-874-052 (Felipe S. Yalong).

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Page No. 114
Book No. 1
Series of 2022

ATTY. LARRY T. IGUIDEZ
Notary Public
Until Dec. 31, 2022
PTR No. 2443413/1-03-22, Q.C
IBP No. 171610/1-03-22, Q.C
Roll No. 20434
MCLE Compliance No. VI-0017289, 01-24-19
Notarial Comm. Adm Matter
NP 061 (2021-22) RTC Q.C

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

SEC Registration Number

C	S	2	0	0	6	0	2	3	5	6

C O M P A N Y   N A M E

GMA HOLDINGS, INC.

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

UNIT 3K, NORTH WING, FAIRWAYS TOWER CONDOMINIUM, 5TH AVENUE CORNER MCKINLEY ROAD, FORT BONIFACIO TAGUIG

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

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

Company's Email Address	Company's Telephone Number	Mobile Number
–	8816-3716	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
7	May 28	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Ronaldo P. Mastrili	rpmastrili@gmanetwork.com	8816-3716	–

CONTACT PERSON'S ADDRESS

GMA Network Center, Timog Avenue corner EDSA, Quezon 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.*

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
GMA Holdings, Inc.
Unit 3K, North Wing, Fairways Tower Condominium,
5th Avenue corner Mckinley Road,
Fort Bonifacio, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GMA Holdings, Inc. (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 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.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 financial statements, including the disclosures, and whether the 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 19 to the 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 GMA Holdings, Inc. 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 Meynard A. Bonoen.

SYCIP GORRES VELAYO & CO.

Meynard A. Bonoen
Partner
CPA Certificate No. 0110259
Tax Identification No. 301-105-435
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 110259-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. 08-001998-136-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8853476, January 3, 2022, Makati City

March 25, 2022

GMA HOLDINGS, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 14 and 15)	**₱54,510,327**	₱49,088,997
Accounts receivable (Notes 14 and 15)	**1,889,215**	1,258,984
Other current assets	–	22,829
Total Current Assets	**56,399,542**	50,370,810
Total Assets	**₱56,399,542**	₱50,370,810
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 9, 14 and 15)	**₱851,424**	₱882,688
Due to selling shareholders (Notes 13, 14 and 15)	**47,271,600**	47,271,600
Income tax payable	**234,243**	–
Total Current Liabilities	**48,357,267**	48,154,288
Total Liabilities	**48,357,267**	48,154,288
Equity		
Capital stock (Note 10)	**100,000**	100,000
Retained earnings (Note 10)	**7,942,275**	2,116,522
Unrealized gain on debt instrument at fair value through other comprehensive income - net of tax (Note 8)	–	–
Total Equity	**8,042,275**	2,216,522
	₱56,399,542	₱50,370,810

See accompanying Notes to Financial Statements.

GMA HOLDINGS, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020	2019
REVENUE			
Interest income (Notes 7 and 8)	**₱1,739,683**	₱1,291,764	₱2,379,912
Exercise fees (Note 6)	**9,346,668**	2,018,049	275,991
	11,086,351	3,309,813	2,655,903
OPERATING EXPENSES (Note 11)	**982,820**	1,002,591	948,333
INCOME BEFORE INCOME TAX	**10,103,531**	2,307,222	1,707,570
PROVISION FOR INCOME TAX (Note 12)	**2,177,778**	273,295	420,822
NET INCOME	**7,925,753**	2,033,927	1,286,748
OTHER COMPREHENSIVE INCOME (LOSS)			
Item not to be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) on debt instrument at fair value through other comprehensive income - net of tax (Note 8)	–	(167,267)	1,445,529
TOTAL COMPREHENSIVE INCOME	**₱7,925,753**	₱1,866,660	₱2,732,277
Basic/Diluted Earnings Per Share (Note 16)	**₱792.58**	₱203.39	₱128.67

See accompanying Notes to Financial Statements.

GMA HOLDINGS, INC.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	Capital Stock (Note 10)	**Retained Earnings** (Note 10)	**Unrealized Gain (Loss) on Debt Instrument at Fair Value Through Other Comprehensive Income - net of tax** (Note 8)	**Total**
Balance as at January 1, 2021	**₱100,000**	**₱2,116,522**	**₱–**	**₱2,216,522**
Net income	**–**	**7,925,753**	**–**	**7,925,753**
Other comprehensive loss	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**7,925,753**	**–**	**7,925,753**
Cash dividends at ₱1.35 per share	**–**	**(2,100,000)**	**–**	**(2,100,000)**
Balance as at December 31, 2021	**₱100,000**	**₱7,942,275**	**₱–**	**₱8,042,275**
Balance as at January 1, 2020	₱100,000	₱1,382,595	₱167,267	1,649,862
Net income	–	2,033,927	–	2,033,927
Other comprehensive income	–	–	(167,267)	(167,267)
Total comprehensive income	–	2,033,927	(167,267)	1,866,660
Cash dividends at ₱0.30 per share	–	(1,300,000)	–	(1,300,000)
Balance as at December 31, 2020	₱100,000	₱2,116,522	₱–	₱2,216,522
Balance as at January 1, 2019	₱100,000	₱2,305,847	(₱1,278,262)	₱1,127,585
Net income	–	1,286,748	–	1,286,748
Other comprehensive loss	–	–	1,445,529	1,445,529
Total comprehensive income	–	1,286,748	1,445,529	2,732,277
Cash dividends at ₱0.45 per share	–	(2,210,000)	–	(2,210,000)
Balance as at December 31, 2019	₱100,000	₱1,382,595	₱167,267	₱1,649,862

See accompanying Notes to Financial Statements.

GMA HOLDINGS, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱10,103,531**	₱2,307,222	₱1,707,570
Adjustment for interest income (Notes 7 and 8)	**(1,739,683)**	(1,291,764)	(2,379,912)
Operating income (loss) before working capital changes	**8,363,848**	1,015,458	(672,342)
Decrease (increase) in:			
Accounts receivable	**(638,380)**	(1,098,505)	(79,075)
Other current assets	**22,829**	44,752	(35,357)
Increase in accounts payable and other current liabilities	**(31,264)**	203,893	232,176
Cash flows generated from (used in) operations	**7,717,033**	165,598	(554,598)
Interest received	**1,747,832**	1,437,708	2,424,997
Income taxes paid	**(1,943,535)**	(277,791)	(421,027)
Net cash generated from operating activities	**7,521,330**	1,325,515	1,449,372
CASH FLOW FROM AN INVESTING ACTIVITY			
Redemption of debt instrument at fair value through other comprehensive income (Note 8)	**–**	21,000,000	–
CASH FLOW FROM A FINANCING ACTIVITY			
Payment of cash dividends (Notes 10 and 17)	**(2,100,000)**	(1,300,000)	(2,213,886)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5,421,330**	21,025,515	(764,514)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**49,088,997**	28,063,482	28,827,996
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱54,510,327**	₱49,088,997	₱28,063,482

See accompanying Notes to Financial Statements.

GMA HOLDINGS, INC.
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

GMA Holdings, Inc. (the Company) is incorporated in the Philippines to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose real and personal property of every kind and description. The registered office address of the Company is Unit 3K, North Wing, Fairways Tower Condominium, 5th Avenue corner Mckinley Road, Fort Bonifacio, Taguig City. The Company was registered with the Securities and Exchange Commission (SEC) on February 15, 2006.

In 2007, the Company issued Philippine Deposit Receipts (PDRs), which were listed and traded in The Philippine Stock Exchange, Inc. (PSE) (see Note 6).

The Company will not engage in any business or purpose other than in connection with the issuance of the PDRs, the performance of the obligations under the PDRs and the acquisition and holding of the underlying shares of GMA in respect of the PDRs issued. This includes maintaining the Company's listing with the PSE and maintaining its status as a Philippine person for as long as the Philippine law prohibits ownership of GMA's shares by non-Philippine person. Any cash dividends distributed in respect of common shares underlying the PDRs received by the Company shall be applied towards its operating expenses then due for the preceding and current year. A further amount equal to the operating expenses in the preceding year shall be set aside to meet operating or other expenses for the succeeding year. Amounts remaining in excess of such requirements shall be distributed pro rata amongst the outstanding PDR holders pursuant to the PDR instrument.

Since the start of its operations, the BOD has approved to pass on the entire amount of the cash dividends received from GMA without deducting the Company's projected operating expenses. Such expenses shall be covered by the interest income from the Company's cash and cash equivalents and previously existing investment in FVOCI (see Notes 6 and 13).

No reportable segment information is presented as the Company's limited operations are adequately presented in the statements of comprehensive income.

The accompanying financial statements of the Company were approved and authorized for issuance in accordance with a resolution of the Board of Directors (BOD) on March 25, 2022.

2. Basis of Preparation and Statement of Compliance

<u>Basis of Preparation</u>
The financial statements of the Company have been prepared on a historical cost basis, except for the debt instrument at fair value through other comprehensive income (FVOCI) which are measured at fair value. The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

<u>Statement of Compliance</u>
The Company's financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

3. Summary of Significant Changes in Accounting Policies and Disclosures

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

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the 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 January 1, 2021. Early adoption is permitted.

The Company adopted the amendment beginning January 1, 2021. These amendments had no impact on the financial statements of the Company.

- 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. These amendments had no impact on the financial statements of the Company.

Standards Issued but not yet Effective
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.

  The Company is currently assessing the impact of adopting these amendments.

- 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 significant 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.

These amendments are not expected to have any impact to the Company.

- *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.

    These amendments are not expected to have any impact to 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.

    These amendments are not expected to have a significant impact to 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.

The amendments are not expected to have any impact to 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.

  The Company is currently assessing the impact of adopting these amendments.

- 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.

  The Company is currently assessing the impact of adopting these amendments.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

  The Company is currently assessing the impact of adopting these amendments.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

The standard is not applicable to the Company since it is not engaged in providing insurance nor issuing insurance contacts.

Deferred effectivity

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  Adoption of these amendments are not expected to have any impact to the Company.

4. Summary of Significant Accounting Policies

Current versus Noncurrent Classification
The Company presents assets and liabilities in statement of financial position based on current/noncurrent classification.

An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other assets and liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the 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 best economic interest.

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

The 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.

Assets and liabilities for which fair value is measured or disclosed in the Company's 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 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 date.

The Company determines the policies and procedures for both recurring and non-recurring fair value measurements. At each reporting date, the management analyzes 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, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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.

Details as to how the fair value of assets and liabilities are measured are provided in Note 15.

<u>Cash and Cash Equivalents</u>
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 from dates of placement and are subject to an insignificant risk of change in value.

<u>Financial Instruments</u>
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.

<u>*Financial Assets*</u>

Date of Recognition of Financial Assets. The Company recognizes financial assets in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and fair value through profit or loss (FVTPL).

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 trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, 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. Trade 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 fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The 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.

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

The Company has no financial assets at FVTPL as at December 31, 2021 and 2020.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The Company's financial assets are under the financial assets at amortized cost and financial assets at FVOCI with recycling of cumulative gains and losses classification.

- *Financial Assets at Amortized Cost (Debt Instruments)*. This category is the most relevant to the Company. 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 rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

As at December 31, 2021 and 2020, the Company's cash and cash equivalents and accounts receivable are classified under this category.

- *Financial Assets at FVOCI (Debt Instruments)*. The Company measures debt instruments at FVOCI if both 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 statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

  The Company has no financial assets at FVOCI as at December 31, 2021 and 2020.

Derecognition of Financial Assets. A financial asset (or, when applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

- the rights to receive cash flows from the asset have expired; and
- the Company transfers a financial asset and the transfer qualify for derecognition.

The Company transfers a financial asset if, and only if, it either: (a) transfers the contractual rights to receive the cash flows of the financial asset; or (b) retains the contractual rights to receive the cash flows of the financial asset (the "original asset"), but assumes a contractual obligation to pay the cash flows to one or more recipients (the "eventual recipients") in an arrangement that meets the following conditions:

- The Company has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the Company with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.
- The Company is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows.
- The Company has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

When the Company transfers a financial asset, it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

- if the Company transfers substantially all the risks and rewards of ownership of the financial asset, the Company shall derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.

- if the Company retains substantially all the risks and rewards of ownership of the financial asset, the Company shall continue to recognize the financial asset.
- if the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Company shall determine whether it has retained control of the financial asset. In this case: (a) if the Company has not retained control, it shall derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer; and (b) if the Company has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Impairment of Financial Assets. The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. 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 cash and cash equivalents and debt instrument at FVOCI, the Company applies the low credit risk simplification. The Company evaluates whether the debt instrument is considered to have low credit risk based on the external credit rating of the debt instrument. 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 loss allowance will be based on the lifetime ECL.

For trade-related accounts receivable, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For other receivables, the Company applies the general approach and calculates ECL based on the 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instruments since initial recognition.

The Company considers a financial asset in default when contractual payments are 90 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.

Financial Liabilities

Initial Recognition and Measurement. 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.

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.

As at December 31, 2021 and 2020, the Company's accounts payable and other current liabilities (excluding deferred output VAT and withholding tax payable) and due to selling shareholders are included under this category.

The Company has no financial liabilities at FVPL or derivative liabilities designated as hedging instruments.

Subsequent Measurement. The subsequent measurement of financial liabilities depends on their classification as described below.

Payables. After initial recognition, payables 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 interest expense in the statement of comprehensive income.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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 assets and settle the liabilities simultaneously. 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.

Other Current Assets

Other current assets are recorded at cost. Other current assets include prepaid taxes and input value-added taxes (VAT). Prepaid taxes represent taxes that are deductible from the Company's income tax payable.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained Earnings. Retained earnings represent the Company's accumulated earnings, net of dividends declared.

Dividends. The Company recognizes a liability to make cash distribution to its equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws in the Philippines, a distribution is authorized when it is approved by the BOD. A corresponding amount is recognized directly in the equity. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the reporting date.

Revenue
Revenue from contracts with customers is recognized when control to the 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 services. The Company assesses its revenue arrangements against specific criteria 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 services before transferring them to the customer.

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

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

Exercise Fees. Revenue is recognized at a point in time upon conversion of PDRs to common shares.

Interest Income
Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Expenses
Expenses presented as "Operating expenses" account in the statement of comprehensive income are recognized as incurred.

Taxes

Current Tax. Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at reporting date.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been to be enacted or substantively enacted at the reporting date.

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

Income tax relating to OCI is recognized in OCI section of the statements of comprehensive income.

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

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

The net amount of VAT recoverable from, or payable to, the taxation authority is presented as part of “Other current assets” or part of “Accounts payable and other current liabilities” accounts in the statement of financial position, respectively.

Deferred Output VAT. Deferred output VAT represents the output VAT from sale of services that are not yet collected. Deferred output VAT is recognized as part of “Accounts payables and other current liabilities” account in the statement of financial position.

<u>Earnings per Share (EPS)</u>
Basic EPS amounts are calculated by dividing net income for the year by the weighted average number of ordinary shares outstanding during the year. The Company has no dilutive potential common shares outstanding, therefore, basic EPS is the same as diluted EPS.

<u>Provisions</u>
Provisions are recognized when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of

the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

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

Events after the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

5. Summary of Significant Accounting Estimates and Assumptions

The preparation of the financial statements in compliance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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 determinable under the circumstances.

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when these occur.

Estimating Realizability of Deferred Income Tax Assets. The Company's assessment on the recognition of deferred income tax assets on carryforward benefits of NOLCO and excess MCIT is based upon the likely timing and level of forecasted taxable income in the subsequent periods. This forecast is based on the Company's future expectations on revenue and expenses.

The Company did not recognize deferred income tax assets amounting to ₱5,520 and ₱39,799 as at December 31, 2021 and 2020, respectively as management believes that sufficient taxable profit will not be available against which the deductible temporary differences can be utilized (see Note 12).

6. Philippine Deposit Receipts

On July 30, 2007 and August 21, 2007, the Company issued 822,115,000 and 123,317,000 PDRs relating to GMA shares, respectively. Total number of issued PDRs is 945,432,000 for a consideration of ₱8.50 per share or ₱8,036,172,000.

Each PDR grants the holders, upon payment of the exercise price and subject to certain other conditions, the delivery of one GMA share or the sale of and delivery of the proceeds of such sale of one GMA share. The Company remains to be the registered owner of the GMA shares covered by the PDRs. The Company also retains the voting rights over the GMA shares.

The GMA shares are still subject to ownership restrictions on shares of corporations engaged in mass media and GMA may reject the transfer of shares to persons other than Philippine nationals. The PDRs were listed in the PSE on July 30, 2007, and the same may be exercised at any time from said date. Any cash dividends or other cash distributions in respect of GMA shares received by the Company shall be applied toward the operating expenses of the Company for the current and preceding years. A further amount equal to the operating expenses in the preceding year shall be set aside to meet operating or other expenses for the succeeding years. Any amount in excess of the aggregate of the operating expenses paid and the operating fund for such period shall be distributed to PDR holders pro-rata on the first business day after such cash dividends are received by the Company.

Upon exercise of the PDRs, an exercise price of ₱0.05 (VAT inclusive) per share shall be paid by the PDR holders. The exercise price is shown as “Exercise fees” account in the statement of comprehensive income. Exercise fees amounted to ₱9.35 million, ₱2.02 million and ₱0.28 million in 2021, 2020 and 2019, respectively.

Immediately prior to the closing of the PDR offering and additional issuances described above, GMA, to which the Company is affiliated, transferred 945,432,000 GMA shares to the Company in relation to which the PDRs were issued. For as long as the PDRs are not exercised, the shares underlying the PDRs will continue to be registered in the name of, and owned by the Company, and all rights pertaining to these shares, including voting rights, shall be exercised by the Company. The obligations of the Company to deliver the GMA shares on exercise of the right contained in the PDRs are secured by the Pledge of Shares in favor of the Pledge Trustee acting on behalf of each holder of a PDR over the GMA shares.

At any time after the PDR offering, a GMA shareholder may, at his option and from time to time, deliver shares to the Company in exchange for an equal number of PDRs. The exchange is based on prevailing traded value of GMA shares at the time of transaction with the corresponding PDR option price.

The following are the details and movements of the PDRs and the underlying GMA shares for the years ended December 31:

	PDRs		Number of Shares	
	2021	2020	**2021**	2020
Balance at beginning of year	**₱5,800,916,800**	₱6,185,153,350	**682,460,800**	727,665,100
Exercise of PDRs	**(1,779,605,492)**	(384,236,550)	**(209,365,352)**	(45,204,300)
Balance at end of year	**4,021,311,308**	₱5,800,916,800	**473,095,448**	682,460,800

On March 26, 2021, the Company’s BOD approved a cash distribution to PDR holders of ₱1.35 per share totaling ₱909.9 million, in relation to dividends declared by GMA to all shareholders of record as at April 22, 2021. These were remitted to the PDR holders on May 19, 2021.

On August 10, 2020, the Company’s BOD has approved to purchase and acquire PDRs issued by the Company at ₱4.55 per share but the PDR holders did not avail on the offer.

On June 9, 2020, the Company's BOD approved a cash distribution to PDR holders of ₱0.30 per share totaling ₱216.6 million, in relation to dividends declared by GMA to all shareholders of record as at June 24, 2020. These were remitted to the PDR holders on July 16, 2020.

On March 29, 2019, the Company's BOD approved a cash distribution to PDR holders of ₱0.45 per share totaling ₱329.2 million, in relation to dividends declared by GMA to all shareholders of record as at April 22, 2019. These were remitted to the PDR holders on May 15, 2019.

The BOD approved a resolution to pass on the entire amount of the cash dividends received from GMA without deducting the Company's 2021, 2020 and 2019 projected operating expenses on March 26, 2021, June 9, 2020 and March 29, 2019, respectively. Such expenses shall be covered by the interest income from the Company's cash and cash equivalents and previously existing investment in FVOCI. Accordingly, the entire amount of the cash dividends received from GMA were remitted to the PDR holders.

7. Cash and Cash Equivalents

	2021	2020
Cash on hand and in bank	**₱7,189,453**	₱907,104
Short-term deposits	**47,320,874**	48,181,893
	₱54,510,327	₱49,088,997

Cash in bank earns interest at bank deposit rate. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

Interest income earned from cash in bank and short-term deposits amounted to ₱1.74 million, ₱1.14 million and ₱1.25 million in 2021, 2020 and 2019, respectively.

8. Debt Instrument at Fair Value Through Other Comprehensive Income

In 2014, the Company purchased at par a ten-year Union Bank of the Philippines (UBP) Tier Note with a face value of ₱21.00 million bearing a fixed interest rate of 5.38% from the 1st to the 21st interest payment dates and an interest rate based on the five year (5Y) PDST-R2 plus 196 basis point (bps) from the 22nd interest payment date to the last interest payment date. The interest is payable quarterly. The maturity date of this note is on February 20, 2025. However, on February 20, 2020, the issuer, UBP, redeemed the note at face amount plus the interest earned and accrued on the note.

The movements in this account are as follows:

	2021	2020
Cost		
Balance at beginning of year	**₱–**	₱21,000,000
Disposal during the year		21,000,000
Balance at end of year	–	–
Cumulative unrealized gain (loss) on debt instrument at FVOCI		
Balance at beginning of year	–	238,953
Unrealized gain (loss) during the year	–	(238,953)
Balance at end of year	–	–
	₱–	₱–

Movements in the "Unrealized gain (loss) on debt instrument at fair value through other comprehensive income - net of tax" account, presented under equity, as at December 31, 2021 and 2020 are as follows:

	2021	2020
Balance at beginning of year	**₱–**	₱167,267
Unrealized gain (loss) due to changes in fair value of debt instrument at FVOCI		(238,953)
Tax impact (Note 12)	–	71,686
	–	(167,267)
Balance at end of year	**₱–**	₱–

Interest income earned from the UBP Tier Note amounted to ₱nil million, ₱0.15 million, and ₱1.13 million in 2021, 2020 and 2019, respectively.

9. Accounts Payable and Other Current Liabilities

	2021	2020
Accounts payable		
Third party	**₱76,723**	₱79,071
Related party (Note 13)	–	104,314
Accrued professional fees (Note 13)	**578,400**	563,400
Deferred output VAT	**196,301**	127,903
Withholding tax payable	–	8,000
	₱851,424	₱882,688

Accounts payable, accrued expenses and withholding tax payable are noninterest-bearing and are normally settled within the next financial year. Accrued expenses represent audit fees, retainer fees, trust fees and miscellaneous expenses.

10. Equity

a. Capital Stock

The Company has 10,000 authorized, issued and outstanding common shares with ₱10.00 par value per share. As at December 31, 2021 and 2020, the total number of shareholders is seven (7).

The following summarizes the information on the Company's registration of securities with the SEC as required by Revised Securities Regulation Code Rule 68:

Date of SEC Approval	Authorized Number of PDRs	Number of Issued PDRs	Issue/ Offer Price
July 30, 2007	945,432,000	945,432,000	₱8.50

As at December 31, 2021 and 2020, the total number of PDR holders, which includes Philippine Central Depositary Nominee Corporation, is 148 and 151, respectively.

b. Retained Earnings

On March 26, 2021, the BOD approved the Company's declaration and distribution of cash dividends amounting to ₱2.10 million to all stockholders of record as at April 22, 2021 and were paid on May 18, 2021.

On April 13, 2020, the BOD approved the Company's declaration and distribution of cash dividends amounting to ₱1.30 million to all stockholders of record as at April 27, 2020 and were paid on June 2, 2020.

On March 29, 2019, the BOD approved the Company's declaration and distribution of cash dividends amounting to ₱2.21 million to all stockholders of record as at April 22, 2019 and were paid on May 14, 2019.

11. Operating Expenses

	2021	2020	2019
Professional fees	**₱535,000**	₱515,000	₱475,000
Listing fees	**410,019**	396,876	393,412
Taxes and licenses	**21,513**	36,965	36,029
Others	**16,288**	53,750	43,892
	₱982,820	₱1,002,591	₱948,333

12. Income Taxes

Provision for income tax as shown in the statements of comprehensive income consists of the following:

	2021	2020	2019
Final tax on interest income	**₱103,972**	₱170,360	₱415,302
RCIT	**2,073,806**	102,935	–
MCIT	**–**	–	5,520
	₱2,177,778	₱273,295	₱420,822

The reconciliation of the provision for income tax computed at statutory income tax rate to provision for income tax as shown in the statements of comprehensive income is summarized as follows:

	2021	2020	2019
Provision for income tax computed at statutory income tax rate of 25%	**₱2,525,883**	₱692,167	₱512,271
Income tax effects of:			
Interest income subjected to final tax	**(330,949)**	(217,169)	(298,672)
Expired NOLCO and MCIT	**34,279**	–	154,935
Movement in unrecognized deferred tax assets	**(34,279)**	(201,703)	52,288
Adjustment to current income tax due to change in tax rate	**(17,156)**	–	–
	₱2,177,778	₱273,295	₱420,822

Deferred Tax Assets
The components of unrecognized deferred tax assets are as follows:

	2021	2020
MCIT	**₱5,520**	₱39,799
NOLCO	–	–
	₱5,520	₱39,799

As at December 31, 2021, MCIT amounting to ₱5,520 can be claimed as deduction from RCIT with carryforward benefit up to December 31, 2022.

The movements in NOLCO and MCIT follow:

	2021	2020
NOLCO:		
Balance at beginning of year	**₱–**	₱672,342
Application	–	(672,342)
Balance at end of year	**₱–**	₱–
MCIT:		
Balance at beginning of year	**₱39,799**	₱39,799
Expiration	**(34,279)**	–
Balance at end of year	**₱5,520**	₱39,799

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte 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 took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

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

- Reduction in the RCIT rate from 30% to 20% for entities with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the business entity's office, plant and equipment are situated);
- Reduction in the RCIT from 30% to 25% for all other corporations;
- Reduction in the MCIT rate from 2% to 1% of gross income for 3 years or until June 30, 2023; and
- Repeal of the imposition of 10% improperly accumulated earnings tax (IAET).

Applying the provisions of the CREATE Act, the Company has been subjected to the lower RCIT rate of 20% of taxable income or the reduced MCIT rate of 1% of gross income, effective July 1, 2020.

The Company recognized in its financial statements as at and for the year ended December 31, 2021, a reduction in Provision for income tax - current to ₱17,156 pertaining to the change in tax rate for the year ended December 31, 2020.

13. Related Party Disclosures

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Company has an approval requirement such that material related party transactions (RPTs) shall be reviewed by the Audit and Risk Management Committee (the Committee) and submitted to the BOD for approval. Material RPTs are those transactions that meet the threshold value amounting to ten percent (10%) or higher of the Company's total assets based on its latest audited financial statements either individually, or in aggregate over a twelve (12)-month period with the same related party.

<u>Terms and Conditions of Transactions with Related Parties</u>
There have been no guarantees provided or recovered for any related party receivables or payables and settlements occur in cash. The Company's financial statements include the following amounts resulting from the transactions with related parties as at December 31:

Category	Year	Amount/Volume of Transactions	Outstanding Payable	Terms	Conditions
Shareholders					
Portion of proceeds retained from the issuance of PDRs	**2021**	**₱–**	**₱47,271,600**	On demand upon exercise of PDRs, noninterest-bearing	Unsecured
	2020	–	47,271,600		
(Forward)					
Belo, Gozon, Elma Law Firm (see Note 9)	**2021**	**–**	**428,400**	On demand, noninterest-bearing	Unsecured
	2020	80,000	428,400		
GMA Network, Inc. (see Note 9)	**2021**	**104,314**	–	On demand, noninterest-bearing	Unsecured
	2020	104,314	104,314		

The outstanding balance of "Due to selling shareholders" account in the statements of financial position pertains to the portion of the original proceeds from the issuance of PDRs retained by the Company as the PDR issuer in consideration for the rights granted under the PDRs equivalent to ₱0.05 per PDR. This amount will be used for the liquidation of expenses related to the issuance of the PDRs. Any excess is to be remitted to the selling shareholders.

The outstanding payable to GMA pertain to reimbursable charges on professional fees paid on behalf of the Company.

There is no compensation provided to the Company's key management personnel.

14. Financial Risk Management Objectives and Policies

The Company's principal financial instruments include cash and cash equivalents. The main purpose of these financial instruments is to finance the Company's operations. The Company has other financial assets and liabilities such as accounts receivable, accounts payable and other current liabilities (excluding deferred output VAT and withholding tax payable) and due to selling shareholders, which arise directly from its operations.

The main risks arising from the Company's financial statements are as follows:

- *Liquidity Risk.* Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments.

- *Credit Risk.* Credit risk arises from default of the counterparty.

The BOD reviews and approves the Company's objectives and policies.

Liquidity Risk
The Company's objective in liquidity management is to ensure that the Company has sufficient liquidity to meet obligations under normal and adverse circumstances and is able to take advantage of investment opportunities as they arise.

The Company manages its liquidity risk by using its cash and cash equivalents from operations, and interest income from cash and cash equivalents and debt instrument at FVOCI to meet its short-term liquidity needs. The Company likewise regularly evaluates other financing instruments and arrangements to broaden the Company's range of financing sources.

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

	2021			
	On Demand	**3 to 12 Months**	**More than 1 year**	**Total**
Financial assets at amortized cost				
Cash and cash equivalents	**₱54,510,327**	**₱–**	**₱–**	**₱54,510,327**
Accounts receivable	**1,889,215**	–	–	**1,889,215**
	56,399,542	–	–	**56,399,542**
Loans and borrowings				
Accounts payable and other current liabilities*	**655,123**	–	–	**655,123**
Due to selling shareholders	**23,616,828**	**23,654,772**	–	**47,271,600**
	24,271,951	**23,654,772**	–	**47,926,723**
Liquidity portion (gap)	**₱32,127,591**	**(₱23,654,772)**	**₱–**	**₱8,472,819**

**Excluding deferred output VAT and withholding tax payable amounting to ₱196,301.*

	2020			
	On Demand	3 to 12 Months	More than 1 year	Total
Financial assets at amortized cost				
Cash and cash equivalents	₱49,088,997	₱–	₱–	₱49,088,997
Accounts receivable	1,258,984	–	–	1,258,984
Financial asset at FVOCI				
Debt instrument at FVOCI	–			0
	50,347,981			50,347,981
Loans and borrowings				
Accounts payable and other current liabilities*	746,785	–	–	746,785
Due to selling shareholders	13,148,560	34,123,040	–	47,271,600
	13,895,345	34,123,040	–	48,018,385
Liquidity portion (gap)	₱36,452,636	(₱34,123,040)	₱	2,329,596

**Excluding deferred output VAT amounting to ₱135,903.*

Credit Risk
With respect to credit risk arising from cash and cash equivalents, accounts receivable and debt security, the Company's exposure to credit risk arises from default of the counterparty. The maximum exposure of accounts receivables and debt security is equal to their carrying amounts. For cash and cash equivalents, the maximum exposure is ₱54.02 million and ₱48.58 million as at December 31, 2021 and 2020, respectively, or the carrying amount less insured amount by the Philippine Deposit Insurance Corporation equivalent to the actual cash in bank balance to a maximum of ₱0.50 million per depositor per bank. It is the Company's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Company has an internal mechanism to monitor the granting of credit and management of credit exposures. The Company will make provisions, when necessary, for potential losses on credits extended. The Company does not require any collateral for its financial assets.

As at December 31, 2021 and 2020, the financial assets are generally viewed by management as good and collectible considering the credit history of the counterparties. No financial assets were identified by the Company as past due or impaired financial assets as at December 31, 2021 and 2020.

Credit Quality of Financial Assets
The Company's cash and cash equivalents (excluding cash on hand), other receivables and debt instrument at FVOCI are grouped under stage 1 assessment as at December 31, 2021 and 2020. These are financial assets that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk. All of the Company's financial assets are considered high grade since these are from counterparties who are not expected to default in settling their obligations.

Capital Management
The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

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

No changes were made in the objectives, policies or processes for the three years ended December 31, 2021, 2020 and 2019.

The Company's capital management is undertaken by GMA. The Company's capital includes the total equity, before other comprehensive income, which amounted to ₱8.04 million and 2.22 million as at December 31, 2021 and 2020, respectively.

The Company is not subject to externally imposed capital requirements.

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15. **Fair Value Measurement**

The following methods and assumptions are used to estimate the fair value of each financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Accounts Receivable, Accounts Payable and Other Current Liabilities (excluding Deferred Output VAT and Withholding Tax Payable) and Due to Selling Shareholders
The carrying amounts of these financial instruments approximate their fair values due to the short-term maturities of these financial instruments.

16. Basic/Diluted Earnings Per Share Computation

Basic/diluted EPS is computed as follows:

	2021	2020	2019
Net income attributable to equity holders (a)	**₱7,925,753**	₱2,033,927	₱1,286,748
Common shares issued at beginning and end of year (b)	**10,000**	10,000	10,000
Basic/diluted earnings per share (a/b)	**₱792.58**	₱203.39	₱128.67

The Company has no dilutive potential common shares outstanding therefore basic EPS is same as diluted EPS.

17. Note to Statements of Cash Flows

Changes in liability arising from a financing activity are as follows:

	2021	2020
Dividends payable, at beginning of year	**₱–**	₱–
Dividend declaration (Note 10)	**2,100,000**	1,300,000
Cash outflow	**(2,100,000)**	(1,300,000)
Dividends payable, at end of year	**₱–**	₱–

18. Events after the Reporting Period

Cash Distribution and Dividends
On March 25, 2022, the Company's BOD approved a cash distribution to PDR holders of ₱1.45 per share in relation to dividends declared by GMA to all shareholders of record as at April 25, 2022 and will be paid on May 18, 2022.

On the same date, the BOD approved a resolution to pass on the entire amount of the cash dividends received from GMA without deducting its operating expenses and approved the use of the interest income from its cash and cash equivalents to cover for these expenses. Further, the BOD approved the Company's declaration and distribution of cash dividends amounting to ₱7.9 million to all stockholders of record as at April 25, 2022.

19. Supplementary Tax Information Required Under Revenue Regulations (RR) 15-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes and license fees accrued and paid during the taxable year.

The Company reported and/or paid the following types of taxes in 2021:

VAT
The Company's sales and receipts are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

a. Net sales/receipts and output VAT declared in the Company's VAT returns

   The Company is a VAT-registered Company with output VAT declaration of ₱1,053,202 for the year based on the gross receipts of exercise fees of ₱8,776,865 as included in the "Exercise fee" account in the statement of comprehensive income.

b. Input VAT

Balance at January 1, 2021	₱19,860
Current year's domestic purchases for services	49,340
Total input VAT	69,200
Applied against output VAT	(69,200)
Balance at December 31, 2021	₱–

Other Taxes and Licenses
All other local and national taxes paid for the year ended December 31, 2021 consist of:

Local taxes and license fees	₱21,013
Registration fees	500
	₱21,513

Withholding Taxes
Withholding taxes paid and/or withheld for the year ended December 31, 2021 consist of:

Final withholding tax	₱29,788,750
Expanded withholding tax	36,700
	₱29,825,450

Tax Assessments and Cases
As at December 31, 2021, the Company has no final tax assessments and cases pending before the Bureau of Internal Revenue (BIR). Likewise, the Company has no other pending tax cases outside the administration of the BIR as at December 31, 2021.

SGV
Building a better working world

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
GMA Holdings, Inc.
Unit 3K, North Wing, Fairways Tower Condominium,
5th Avenue corner Mckinley Road,
Fort Bonifacio, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of GMA Holdings, Inc. as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 and have issued our report thereon dated March 25, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Meynard A. Bonoen
Partner
CPA Certificate No. 0110259
Tax Identification No. 301-105-435
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 110259-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. 08-001998-136-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8853476, January 3, 2022, Makati City

March 25, 2022

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INDEPENDENT AUDITOR'S REPORT
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
GMA Holdings, Inc.
Unit 3K, North Wing, Fairways Tower Condominium,
5th Avenue corner Mckinley Road,
Fort Bonifacio, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of GMA Holdings, Inc. (the Company) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 25, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Meynard A. Bonoen
Partner
CPA Certificate No. 0110259
Tax Identification No. 301-105-435
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PTR No. 8853476, January 3, 2022, Makati City

March 25, 2022

GMA HOLDINGS, INC.
Index to the Supplementary Schedules
December 31, 2021

GMA HOLDINGS, INC.

Supplementary Schedules Required by Revised Securities Regulation Code Rule 68, Annex 68-J
December 31, 2021

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Amount shown in the statements of financial position	Income received and accrued
Cash and cash equivalents		
Cash on hand	5,000	₱–
Cash in bank - Union Bank of the Philippines	7,184,453	6,099
Total cash on hand and in banks	7,189,453	6,099
Cash equivalents - Unicapital, Inc.	26,092,956	1,645,134
Cash equivalents – Abacus Capital & Investment Corp.	21,227,918	88,450
Total cash equivalents	47,320,874	1,733,584
	₱54,510,327	₱1,739,683
Debt instrument at fair value through other comprehensive income	₱–	₱–

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties)

			Deductions				
Name and designation	Balance as at January 1, 2021	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance as at December 31, 2021

Not Applicable: The Company has no receivable from directors, officer, employees, related parties and principal stockholders (other than related parties) as at December 31, 2021.

Schedule C. Amounts of Receivables from Related Parties which are Eliminated during Consolidation of Financial Statements

			Deductions				
Name and designation	Balance as at January 1, 2021	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance as at December 31, 2021

Not Applicable: The Company has no receivable from related parties which are consolidated as at December 31, 2021.

Schedule D. Long-Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related statement of financial position	Amount shown under caption "Long-term debt" in related statement of financial position
Not Applicable: The Company has no long-term debt as at December 31, 2021.			

Schedule E. Indebtedness to Related Parties (Long-term Loans from Related Parties)

Name of related party	Balance at January 1, 2021	Balance at December 31, 2021
Not Applicable: The Company has no long-term loan from a related party as at December 31, 2021.		

Schedule F. Guarantees of Securities of Other Issuers

Name of issuing entity of Securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which the statement is filed	Nature of guarantee
Not Applicable: The Company has no guarantees of securities of other issuers as at December 31, 2021.				

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers, and employees	Others
Common stock	10,000	10,000	–	–	10,000	–

SCHEDULE II

GMA HOLDINGS, INC.

Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2021

Unappropriated retained earnings, beginning	₱2,116,522
Net income during the year closed to retained earnings	7,925,753
Dividend declaration during the year	(2,100,000)
Unappropriated retained earnings available for dividend declaration, end	₱7,942,275

GMA HOLDINGS, INC.
Supplementary Schedule on Financial Soundness Indicators
As at December 31, 2021

Ratio	Formula	2021	2020
Current Ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets ₱56,399,542 Divided by: Total Current Liabilities 48,357,267 Current Ratio 1.17	**1.17**	1.05
Asset-to-Equity Ratio	Total Assets divided by Total Equity Total Assets ₱56,399,542 Divided by: Total Equity 8,042,275 Asset-to-Equity Ratio 7.01	**7.01**	22.73
Debt-to-Equity Ratio	Total Debt divided by Total Equity Total Debt ₱48,357,267 Divided by: Total Equity 8,042,275 Debt-to-Equity Ratio 6.01	**6.01**	21.73
Return on Equity	Net Income divided by Average Total Equity Net Income ₱7,925,753 Divided by: Average Total Equity 5,129,399 Return on Equity 154.52%	**154.52%**	105.21%
Return on Assets	Net Income divided by Average Total Assets Net Income ₱7,925,753 Divided by: Average Total Assets 53,385,176 Return on Assets 14.85%	**14.85%**	4.07%
EBITDA Margin	Earnings Before Interest, Tax and Depreciation and Amortization divided by Total Revenue Earnings Before Interest, Tax and Depreciation and Amortization ₱10,103,531 Divided by: Total Revenue 11,086,351 EBITDA Margin 91.13%	**91.13%**	69.71%
Net Profit Margin	Net Income divided by Total Revenue Net Income ₱7,925,753 Divided by: Total Revenue 11,086,351 Net Profit Margin 71.49%	**71.49%**	61.45%

Quinto, Abelardo T.

From: Areola, Farley D.
Sent: Monday, April 18, 2022 11:19 AM
To: Quinto, Abelardo T.
Subject: FW: Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph <eafs@bir.gov.ph>
Sent: Monday, April 18, 2022 11:00 AM
To: Areola, Farley D. <FDAreola@gmanetwork.com>
Cc: Areola, Farley D. <FDAreola@gmanetwork.com>
Subject: Your BIR AFS eSubmission uploads were received

You don't often get email from eafs@bir.gov.ph. Learn why this is important

Hi GMA HOLDINGS INC,

Valid files

- EAFS244658896ITRTY122021.pdf
- EAFS244658896AFSTY122021.pdf
- EAFS244658896RPTTY122021.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-4QXT211N0CFJ7976HQ4W3VWR10M4MVN4SQ**
Submission Date/Time: **Apr 18, 2022 11:00 AM**
Company TIN: **244-658-896**

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.

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