205172355813440

SECURITIES AND EXCHANGE COMMISSION
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Company Name	A.T. DE CASTRO SECURITIES CORP
Industry Classification	
Company Type	Stock Corporation

Document Information

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Document Type	ANNUAL AUDITED FINANCIAL REPOR
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REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Metro Manila, Philippines

ANNUAL AUDITED FINANCIAL REPORT

Information Required of Brokers and Dealers Pursuant to Rule 52.1 of the Securities Regulation Code.

Report for the period beginning January 1, 2022 and ended December 31, 2022.

IDENFICATION OF BROKER OR DEALER

Name of Broker/Dealer: **A.T. DE CASTRO SECURITIES CORPORATION**

Address of Principal Place of Business: Suite 1107, The PSE Tower, 28th St. Cor 5th Ave, Bonifacio Global City, Taguig

Name and Phone Number of Person to Contact in Regard to this Report

Name: Mario Jonas D. De Castro — Tel. No. 7940-6120 to 21

IDENFICATION OF ACCOUNTANT

Name of Independent Certified Public Accountant whose opinion is contained in this report:

Name: Anthony D. Paño — Tel. No. 8812-1718 to 22

Fax No. n/a

Address: 18/F Cityland Condominium 10 Tower 1, 156 H.V. Dela Costa Street, Ayala North, Makati City

Certificate Number 141730

PTR Number 9567818 — Date Issued January 04, 2023

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- 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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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

A . T . D E C A S T R O S E C U R I T I E S
C O R P O R A T I O N

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

S U I T E 1 1 0 7 , T H E P S E T O W E R ,
2 8 T H S T . C O R 5 T H A V E ,
B O N I F A C I O G L O B A L C I T Y , T A G U I G

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	C R M D	B R O K E R D E A L E R

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
atdc701@yahoo.com	7940-6120 to 21	0917-791-5401

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
3	October 10	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
Salud D. De Castro	salud.decastro@gmail.com	7946-2690 to 92	N/A

Contact Person's Address

84 A. MELCHOR ST., LOYOLA HEIGHTS, 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.

A.T. DE CASTRO SECURITIES CORPORATION
STOCKBROKERS
Member: Philippine Stock Exchange, Inc.
Suite 1107, 11/F PSE Tower – Bonifacio Global City
28^{TH} Street corner 5^{th} Avenue, Fort Bonifacio
Taguig City, Philippines

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **AT DE CASTRO SECURITIES CORPORATION** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2022 and 2021, in accordance with the Philippine Financial Reporting Standards, 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 Parent Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless Management intends to liquidate the Parent Company or to cease operations, or has no realistic alternative but to do so.

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

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

R.S. Bernaldo & Associates, the independent auditor appointed by the stockholders, has audited the financial statements of the Parent Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

SALUD D. DE CASTRO
Chairman of the Board and President

MARTIN D. DE CASTRO
Treasurer

Signed this 17th day of March 2023.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
A.T. DE CASTRO SECURITIES CORPORATION
(A Wholly-owned Subsidiary of Grupo Salex Incorporated)
Suite 1107 The PSE Tower 28th St. corner
5th Ave., BGC Taguig

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **A.T. DE CASTRO SECURITIES CORPORATION** (the "Company"), which comprise the statements of financial position as at December 31, 2022 and 2021 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, 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, 2022 and 2021, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

BOA /PRC No. 0300 • BIR Accredited • SEC Group A Accredited • BSP Group B Accredited • IC Accredited
18/F Cityland Condominium 10 Tower 1, 156 H.V. dela Costa Street, Ayala North , Makati City, Philippines 1226
Tel: +632 8812-1718 to 22 **Email:** rsbassoc@pkfrsbernaldo.com **www.pkfrsbernaldo.com**

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.

Auditors' 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 auditors' 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 audits. 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 audits 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 auditors' 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 auditors' 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 separate financial statements, including the disclosures, and whether the separate 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on Other Legal and Regulatory Requirements

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 Nos. 15-2010 and 19-2011 in Notes 31 and 32, respectively, to the financial statements, is presented for purposes of filing with Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the Management of **A.T. DE CASTRO SECURITIES CORPORATION**. The information has been subjected to the auditing procedures applied in our audits 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.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until May 28, 2024
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2023
Valid from January 31, 2023 until January 30, 2026
IC Group A Accredited
Accreditation No. 0300-IC
Valid until 2026 audit period

ANTHONY D. PAÑO
Partner
CPA Certificate No.141730
SEC Group A Accredited
Accreditation No. 141730-SEC
Valid until 2025 audit period
BSP Group C Accredited
Accreditation No. 141730-BSP
Valid until 2025 audit period
BIR Accreditation No. 08-007679-000-2022
Valid from March 30, 2022 until March 29, 2025
Tax Identification No. 415-160-393
PTR No. 9567818
Issued on January 4, 2023 at Makati City

March 17, 2023

A.T. DE CASTRO SECURITIES CORPORATION
(A Wholly-owned Subsidiary of Grupo Salex Incorporated)
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021
(In Philippine Peso)

		2022			2021		
			Security Valuation			Security Valuation	
	NOTES	**Book Value**	**Long**	**Short**	Book Value	Long	Short
A S S E T S							
Current Assets							
Cash	7	**37,059,102**			42,374,860		
Trade and other receivables – net	8	**6,688,802**	**138,150,178**		5,319,185	329,562,597	
Due from related parties	15	**1,782,939**			1,152,108		
Financial assets at FVTPL	9	**33,565,500**			45,643,663		
Prepayments and other current assets	10	**1,028,531**			804,644		
		80,124,874			95,294,460		
Non-current Assets							
Property and equipment − net	11	**174,632**			130,293		
Investment properties − net	12	**1,499,756**			1,550,691		
Intangible asset	13	**396,000**			396,000		
Deferred tax assets − net	25	**4,247,018**			-		
		6,317,406			2,076,984		
TOTAL ASSETS		**86,442,280**	**138,150,178**		97,371,444	329,562,597	
S E C U R I T I E S							
In Vault, Transfer Office and Philippine Central Depository, Inc.				**1,320,654,061**			1,607,454,565
LIABILITIES AND STOCKHOLDERS' EQUITY							
L I A B I L I T I E S							
Current Liabilities							
Trade and other payables	14	**37,505,225**	**1,405,878,631**		40,222,146	1,232,247,820	
Loan payable	15	**-**			2,000,000		
		37,505,225			42,222,146		
Non-current Liabilities							
Deferred tax liability − net	25	**-**			4,693,461		
Retirement benefit obligation	22	**2,242,725**			2,705,923		
		2,242,725			7,399,384		
TOTAL LIABILITIES		**39,747,950**	**1,405,878,631**		49,621,530	1,232,247,820	
S T O C K H O L D E R S ' E Q U I T Y							
Capital Stock	16	**33,000,000**			30,000,000		
Unappropriated Retained Earnings		**3,810,854**			8,451,822		
Appropriated Retained Earnings	17	**8,627,762**			8,627,762		
Remeasurements − net	22	**1,255,714**			670,330		
TOTAL STOCKHOLDERS' EQUITY		**46,694,330**			47,749,914		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**86,442,280**	**1,544,028,809**		97,371,444	1,561,810,417	

(See Notes to Financial Statements)

A.T. DE CASTRO SECURITIES CORPORATION
(A Wholly-owned Subsidiary of Grupo Salex Incorporated)
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	NOTES	**2022**	2021
REVENUE	18	**7,175,772**	8,166,861
DIRECT COSTS	19	**5,293,321**	4,567,556
GROSS PROFIT		**1,882,451**	3,599,305
OTHER INCOME	20	**3,132,763**	2,058,007
		5,015,214	5,657,312
OPERATING EXPENSES	21	**6,644,408**	5,433,856
FAIR VALUE GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	9	**(12,078,163)**	12,339,183
PROFIT (LOSS) BEFORE TAX		**(13,707,357)**	12,562,639
INCOME TAX EXPENSE (BENEFIT)	24	**(9,066,389)**	1,997,862
PROFIT (LOSS)		**(4,640,968)**	10,564,777
OTHER COMPREHENSIVE INCOME			
ITEM THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:			
Remeasurements – net of related tax	22	**585,384**	47,802
TOTAL COMPREHENSIVE INCOME (LOSS)		**(4,055,584)**	10,612,579

(See Notes to Financial Statements)

A.T. DE CASTRO SECURITIES CORPORATION

(A Wholly-owned Subsidiary of Grupo Salex Incorporated)

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2022 and 2021

(In Philippine Peso)

	Notes	Capital Stock	Unappropriated Retained Earnings	Appropriated Retained Earnings	Remeasurements – net	Total
Balance at January 1, 2021		30,000,000	-	6,514,807	622,528	**37,137,335**
Profit			10,564,777			**10,564,777**
Other comprehensive income	22				47,802	**47,802**
Appropriation	17		(2,112,955)	2,112,955		**-**
Balance at December 31, 2021	16,17,22	**30,000,000**	**8,451,822**	**8,627,762**	**670,330**	**47,749,914**
Issuance of shares	16	3,000,000				**3,000,000**
Loss			(4,640,968)			**(4,640,968)**
Other comprehensive income	22				585,384	**585,384**
Balance at December 31, 2022	16,17,22	**33,000,000**	**3,810,854**	**8,627,762**	**1,255,714**	**46,694,330**

(See Notes to Financial Statements)

A.T. DE CASTRO SECURITIES CORPORATION
(A Wholly-owned Subsidiary of Grupo Salex Incorporated)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	NOTES	**2022**	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (Loss) before tax		**(13,707,357)**	12,562,639
Adjustments for:			
Fair value loss (gain) on financial assets at fair value through profit or loss	9	**12,078,163**	(12,339,183)
Retirement benefits	19,21,22	**268,532**	231,773
Depreciation	11,12,19,21	**123,284**	105,239
Provision for expected credit losses	8,21	**8,808**	39,692
Finance income	7,20	**(406,738)**	(357,638)
Dividend income	9,20	**(2,676,025)**	(1,700,369)
Operating cash flows before changes in working capital		**(4,311,333)**	(1,457,847)
Increase in operating assets:			
Trade and other receivables		**(1,378,424)**	(1,794,462)
Prepayments and other current assets		**(244,323)**	(282,277)
Increase (Decrease) in trade and other payable:		**(2,716,922)**	1,403,332
Cash used in operations		**(8,651,002)**	(2,131,254)
Dividends received	9,20	**2,676,025**	1,700,369
Net cash used in operating activities		**(5,974,977)**	(430,885)
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income received	7,20	**406,738**	357,638
Collection from advances to related parties	15	**-**	6,600
Additions to property and equipment	11	**(116,688)**	(40,893)
Advances granted to related parties	15	**(630,831)**	(184,465)
Net cash from (used in) investing activities		**(340,781)**	138,880
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares	16	**3,000,000**	-
Payment to subordinated liability	15	**(2,000,000)**	-
Proceeds from subordinated liability	15	**-**	2,000,000
Net cash from financing activities		**1,000,000**	2,000,000
NET INCREASE (DECREASE) IN CASH		**(5,315,758)**	1,707,995
CASH AT BEGINNING OF YEAR		**42,374,860**	40,666,865
CASH AT END OF YEAR		**37,059,102**	42,374,860

(See Notes to Financial Statements)

A.T. DE CASTRO SECURITIES CORPORATION
(A Wholly-owned Subsidiary of Grupo Salex, Incorporated)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

1. CORPORATE INFORMATION

A.T. De Castro Securities Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) with SEC Registration No. 59462 on October 31, 1975. The Company is primarily engaged in stock brokerage business, including but not limited to all kinds of shares, other certificates and bonds and to engage as a dealer in buying and selling of securities of all kinds.

The Company is a wholly-owned subsidiary of Grupo Salex, Incorporated (the "Parent"), a domestic corporation. The Parent's registered office address is located at Unit 1107, 11th Flr. PSE Bldg. 5th Ave., Cor. 28th St., Brgy. Pinagsama, BGC Taguig City 1634.

The Company's principal place of business and registered office address is located at Suite 1107 The PSE Tower 28th St. corner 5th Ave., BGC Taguig.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial and Sustainability Reporting Standards Council (FSRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FSRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

2.01 New and Revised PFRSs Applied with No Material Effect on the Financial

The following new and revised PFRSs have been adopted in these separate financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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

  The following are the amendments to PFRS 16:

  - permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022 (rather than only payments originally due on or before June 30, 2021);
  - require a lessee applying the amendment to do so for annual reporting periods beginning on or after April 1, 2021;
  - require a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
  - specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of PAS 8.

  The amendments are effective for annual reporting periods beginning on or after April 1, 2021.

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

  The following are the amendments in reference to the conceptual framework:

  - update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of 1989 Framework;
  - add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
  - add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

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

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

  The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

  The amendments are effective for annual periods beginning on or after January 1, 2022. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the separate financial statements in which the entity first applies the amendments.

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

  The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

  The amendments are effective for annual periods beginning on or after January 1, 2022. Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparative information is not restated.

- Annual Improvements to PFRS Standards 2018 - 2020 Cycle

  Amendments to PFRS 1, *Subsidiary as a first-time adopter* - The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

  Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities* - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

  Amendments to PFRS 16, *Lease Incentives* - The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Amendments to PAS 41, *Taxation in fair value measurements* - The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

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

2.02 New and Revised PFRSs in Issue but Not Yet Effective

The Parent Company will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS, to have significant impact on the separate financial statements.

2.02.01 Standard Adopted by FSRSC and Approved by the Board of Accountancy (BOA)

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

  The amendments to PAS 1 are the following:

  - clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
  - clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
  - make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

  The amendments defer the effective date of the January 2020 Classification of Liabilities as Current or Non-Current (Amendments to PAS 1) to annual reporting periods beginning on or after January 1, 2023. Earlier application of the January 2020 amendments continues to be permitted.

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

  The definition of accounting estimates has been amended as follows: accounting estimates are "monetary amounts in separate financial statements that are subject to measurement uncertainty".

The amendment also clarifies the following:

- Entities develop accounting estimates if accounting policies require items in separate financial statements to be measured in a way that involves measurement uncertainty.
- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

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

  The amendments to PAS 1 are the following:

  - an entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
  - several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

  The amendments also clarify the following:

  - accounting policy information may be material because of its nature, even if the related amounts are immaterial;
  - accounting policy information is material if users of an entity's separate financial statements would need it to understand other material information in the separate financial statements; and
  - if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

  In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

- Amendment to PAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*

  The amendments introduce an exception to the initial recognition exemption (IRE) in PAS 12. Additional exclusions have been added to the IRE, detailed in paragraphs 15(b)(iii) and 24(c) for deferred tax liabilities and assets respectively. The effects of these amendments essentially mean that the IRE is not available for transactions which involve the recognition of both an asset and liability – which in turn leads to equal and opposite temporary differences – such that deferred taxes are calculated and booked for both temporary differences, both at initial recognition and subsequently. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

  The initial recognition exemption was initially included within PAS 12 to prevent a lack of reporting transparency for transactions which are not business combinations and, at the time of the transaction, do not affect either accounting or taxable profits. Under this exemption, deferred tax assets/liabilities would neither be recognized at initial recognition of the underlying asset/liability, nor subsequently.

  The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, the amendments also apply to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognized as assets at the beginning of the earliest comparative period presented.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early application of the amendments is permitted.

- PFRS 17, *Insurance Contracts*

  PFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It requires an entity that issues insurance contracts to report them on the balance sheet as the total of the fulfilment cash flows and the contractual service margin. It requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts: the insurance service result and the financial result. It requires an entity to report as insurance revenue the amount charged for insurance coverage when it is earned, rather than when the entity receives premium. It requires that insurance revenue to exclude the deposits that represent the investment of the policyholder, rather than an amount charged for services. Similarly, it requires the entity to present deposit repayments as settlements of liabilities rather than as insurance expense.

  PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Early application is permitted for entities that apply PFRS 9, *Financial Instruments* and PFRS 15, *Revenue from Contracts with Customers* on or before the date of initial application of PFRS 17.

An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

- Amendments to PFRS 17, *Insurance Contracts*

  The amendments cover the following areas:

  - Insurance acquisition cash flows for renewals outside the contract boundary;
  - Reinsurance contracts held—onerous underlying insurance contracts;
  - Reinsurance contracts held—underlying insurance contracts with direct participation features; and
  - Recognition of the contractual service margin in profit or loss in the general model.

  The amendments are affective to annual reporting periods beginning on or after January 1, 2025.

- Amendment to PFRS 17, *Initial Application of PFRS 17 and PFRS 9 - Comparative Information*

  The amendment is a transition option relating to comparative information about financial assets presented on initial application of PFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and Insurance contract liabilities, and therefore Improve the usefulness of comparative information for users of separate financial statements.

  PFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after January 1, 2025.

2.02.02 Deferred

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

  The amendments clarify the treatment of the sale or contribution of assets between an investor and its associate and joint venture. This requires an investor in its separate financial statements to recognize in full the gains and losses arising from the sale or contribution of assets that constitute a business while recognize partial gains and losses if the assets do not constitute a business (i.e., up to the extent only of unrelated investor share).

  On January 13, 2016, the FSRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Statement of Compliance

The financial statements have been prepared in conformity with PFRS and are under the historical cost convention, except for certain financial instruments that are carried either at fair value or at amortized cost.

3.02 Functional and Presentation Currency

Items included in the financial statements of the Company are measured using the Philippine Peso (₱), the currency of the primary economic environment in which the Company operates (the "functional currency").

The Company chose to present its financial statements using its functional currency.

3.03 Current and Non-current Presentation

The Company classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within twelve (12) months after the reporting period; or
- The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

The Company classifies all other assets as non-current.

The Company classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within twelve (12) months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Company in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 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.

When measuring fair value the Company takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

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

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

A fair value measurement assumes that a financial or non-financial liability or an entity's own equity instruments (e.g., equity interests issued as consideration in a business combination) is transferred to a market participant at the measurement date. The transfer of a liability or an entity's own equity instrument assumes the following:

- A liability would remain outstanding and the market participant transferee would be required to fulfill the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.
- An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

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

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

4.02 Financial Assets

4.02.01 Initial Recognition and Measurement

The Company recognizes a financial asset in its statements of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Except for trade receivables that do not have a significant financing component, at initial recognition, the Company measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

At initial recognition, the Company measures trade receivables that do not have a significant financing component at their transaction price.

4.02.02 Classification

- Financial Asset at Amortized Cost

  A financial asset shall be measured at amortized cost if both of the following conditions are met:

  - the financial asset is held within a business model whose objective is 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 measured at amortized cost include cash in banks, reserve bank accounts, trade and other receivables, refundable deposit presented under 'prepayments and other current assets' and due from related parties.

  a) Cash in Banks and Reserve Bank Accounts

  Cash in banks and reserve bank account pertain to cash deposits held at call with banks that are subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

b) Trade and Other Receivables and Due from Related Parties

Trade and other receivables and due from related parties are measured at amortized cost using the effective interest method, less any impairment. Finance income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

c) Refundable Deposit

Refundable deposit pertains to amount give to the lessor which is refundable at the end or termination of lease agreements. This is incurred at amortized cost using the effective interest method less any impairment.

- Financial Assets at Fair Value through Profit or Loss

  A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

  Financial assets at fair value through profit or loss includes held for trading investments.

The Company has no financial asset measured at fair value through other comprehensive income in both years.

4.02.03 Reclassification

When, and only when, the Company changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with Note 4.02.02. If the Company reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Company shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

4.02.04 Effective Interest Method

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets and financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired.

4.02.05 Impairment

The Company measures expected losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable assumption that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Company adopted the following approaches in accounting for impairment.

- General Approach

  The Company applies general approach to cash in banks, reserve bank account, other receivables, refundable deposit presented under "prepayments and other current assets", and due from related parties. At each reporting date, the Company measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. However, if the credit risk has not increased significantly, the Company measures the loss allowance equal to 12-month expected credit losses.

  The Company compares the risk of default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition and consider the macro-economic factors such as GDP, interest, inflation and unemployment rates, the status of the counterparties' industry, and the available financial information of each counterparty to determine whether there is a significant increase in credit risk or not since initial recognition.

  The Company determines that there has been a significant increase in credit risk when there is a significant decline in the factors.

  The Company did not apply the 30 days past due rebuttable presumption because the Company determines that there has been no significant increase in credit risk even if collections are more than 30 days past due.

  The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition because the financial instrument is determined to have low credit risk at the reporting date.

  If the Company has measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date, that the credit quality improves (i.e., there is no longer a significant increase in credit risk since initial recognition), then the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

  The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

  The Company performs the assessment of significant increases in credit risk on an individual basis.

  The Company did not apply the 90 days past due rebuttable presumption in determining whether a financial asset is credit-impaired or not because based on the Company's historical experience and aging schedules, a creditor's account will be written-off when they become 365 days past due.

The Company determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

- Simplified Approach

  The Company always measures the loss allowance for trade receivables. The Company determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

  - Significant financial difficulty of the counterparty;
  - A breach of contract, such as a default or past due event;
  - The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; and
  - It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

4.02.06 Derecognition

The Company derecognizes a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. The difference between the carrying amount and the consideration received is recognized in profit or loss.

4.02.07 Write-off

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

4.03 Prepayments and Other Current Assets

4.03.01 Prepayments

Prepayments represent expenses not yet incurred, but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current assets when the expenses related to prepayments are expected to be incurred within one (1) year or the Company's normal operating cycle whichever is longer. Otherwise, prepayments are classified as non-current assets.

4.03.02 Excess Tax Credits

Excess tax credits arise from creditable withholding tax certificates obtained from the Company's customers and overpayment of income taxes in prior years. These are accumulated and are reduced when deducted from income tax payables.

4.03.03 Input VAT - net

Input VAT arises from the purchase of goods or services. This can be applied against output VAT. The remaining balance is recoverable in future periods. This is carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

4.04 Investment Properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation including property under construction for such purposes, are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Lot is not depreciated. Depreciation of residential unit house is computed using the straight-line method based on the estimated useful lives of 21 years.

Transfers to, or from, investment properties shall be made when, and only when, there is a change in use.

Investment property is derecognized by the Company upon its disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

4.05 Property and Equipment

Property and equipment are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Transportation equipment	5 years
Furniture and equipment	5 to 27 years
Condominium unit	21 years

Office improvements are depreciated over the improvements' useful life of 20 years or the remaining life of condominium unit, whichever is shorter.

The residual value, useful life and depreciation method of the Company's property and equipment is reviewed, and adjusted prospectively if appropriate, if there is an indication of a change since the last reporting date.

An item of property and equipment is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of a property and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.06 Intangible Asset

Intangible asset acquired separately is initially carried at cost.

Intangible asset with indefinite life is not amortized. However, such asset is reviewed annually to ensure the carrying amount does not exceed the recoverable amount regardless of whether an indicator of impairment is present. The Company considers its Philippine Stock Exchange (PSE) trading rights as having an indefinite useful life for the reason that there is no limit in the period in which the Company may generate cash inflows from this asset.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.07 Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that any of its assets other than deferred tax assets and financial assets that are within the scope of PFRS 9, *Financial Instruments* may have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

4.08 Financial Liabilities

4.08.01 Initial Recognition and Measurement

The Company recognizes a financial liability in its statements of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument.

At initial recognition, the Company measures a financial liability at its fair value minus, transaction costs that are directly attributable to the acquisition or issue of the liability.

4.08.02 Classification

The Company classifies all financial liabilities as subsequently measured at amortized, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

The Company's financial liabilities measured at amortized cost pertain to trade and other payables (excluding payable to government agencies) and loan payable.

The Company does not have financial liabilities measured at fair value through profit or loss in both years.

4.08.03 Derecognition

The Company removes a financial liability (or part of a financial liability) from its statements of financial position when, and only when, it is extinguished (i.e., when the obligation in the contract is discharged or cancelled or expires).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.09 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity.

4.10 Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

4.11 Employee Benefits

4.11.01 Short-term Employee Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term employee benefits given by the Company to its employees include salaries, wages and bonuses, agent's commission and SSS, PHIC and HDMF contributions.

4.11.02 Post-employment Benefits

The Company has an unfunded and noncontributory defined retirement plan. This benefit defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the Projected Unit Credit Method (PUCM) which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Post-employment expenses include current service cost, past service cost, and net interest on defined benefit asset/liability. Remeasurements which include cumulative actuarial gains and losses, return on plan assets, and changes in the effects of asset ceiling are recognized directly in other comprehensive income and are also presented under equity in the statements of financial position.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

The liability recognized in the statements of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated by an independent actuary using the PUCM.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of market rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

4.12 Provisions

Provisions are recognized when the Company has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.13 Revenue Recognition

The Company recognizes revenue when the Company satisfies a performance obligation by transferring a promised good or service (i.e., asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

4.13.01 Performance Obligations Satisfied Over Time

The Company's revenue from commissions on stock brokerage services is recognized over time. The Company transfers control of a service over time and, therefore, satisfies a performance obligation and recognizes revenue over time when the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

Commission income is recognized upon confirmation of the buying and selling transaction. Commission rates charged differ from one client to another, but should not be below the minimum commission of ₱20 and above the maximum commission of 1.5% set by PSE and SEC.

Per Securities Regulation Code (SRC) Rule 30.2, the following minimum commission rates apply:

Transaction Value	Commission Rate
> ₱100M and below	0.00250
> ₱100M up to ₱500M	0.00150 but not less than ₱250K
> ₱500M up to ₱1B	0.00125 but not less than ₱750K
> ₱1B up to ₱5B	0.00100 but not less than ₱1.25M
> ₱5B up to ₱10B	0.00075 but not less than ₱5M
> ₱10B	0.00050 but not less than ₱7.5M

4.13.02 Principal versus Agent Considerations

The Company should determine whether it is a principal or an agent in a transaction through the nature of its promise in a performance obligation.

The Company determines whether the nature of its promise is a performance obligation to provide a specified service itself (i.e., the Company is a principal) or to arrange for the other party to provide those services (i.e., the Company is an agent).

The Company is a principal if it controls a promised service before it transfers the service to a customer. It recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for those services transferred.

The Company is an agent if its performance obligation is to arrange for the provision of services by another party. It recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its services.

4.13.03 Dividend Income and Finance Income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Finance income is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.14 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Company.

The Company recognizes expenses in the statements of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.15 Leases

4.15.01 The Company as Lessee

The Company considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration. To apply this definition the Company assesses whether the contract meets three key evaluations, which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.

- The Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

The Company has elected to account for short-term leases and low-value assets using the practical expedients. Instead of recognizing an ROU asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

4.16 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Company that is preparing its financial statements. A person or a close member of that person's family is related to Company if that person has control or joint control over the Company, has significant influence over the Company, or is a member of the key management personnel of the Company or of a parent of the Company.

An entity is related to the Company if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.17 Taxation

Income tax expense represents the sum of the current and deferred taxes.

4.17.01 Current Tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.17.02 Deferred Taxes

Deferred taxes are recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-Over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4.17.03 Current and Deferred Taxes for the Period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.17.04 Impact of Change in Tax Regime

Components of tax expense include any adjustments recognized in the period for current tax of prior period and the amount of deferred tax expense (income) relating to changes in tax rates. The provision for current income tax during the year include the difference between income tax per prior year financial statements and prior year income tax return.

Deferred tax assets and liabilities as of reporting period is remeasured using the new tax rates. The impact of remeasurement is recognized in profit or loss (i.e., provision for/benefit from deferred income tax), unless it can be recognized in other comprehensive income or another equity account as provided for in PAS 12.61A.

Any movement in deferred taxes arising from the change in tax rates that will form part of the provision for/benefit from deferred taxes will be included as well in the effective tax rate reconciliation.

4.18 Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the reporting period but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Company's position at the reporting period, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements when material.

4.19 Changes in Accounting Policies

The adoption of the new and revised standards and interpretations disclosed in Note 2.01 was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Company's accounting policies, which are disclosed in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations that Management has made in the process of applying the entity's accounting policies and have the most significant effect on the amounts recognized in financial statements.

5.01.01 Assessment of Contractual Terms of a Financial Asset

The Company determines whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In making its judgments, the Company considers whether the cash flows before and after the changes in timing or in the amount of payments represent only payments of principal and interest on the principal amount outstanding.

Management assessed that the contractual terms of all its financial assets (except financial assets at fair value through profit or loss) are payments of principal and interest that is consistent with the basic lending arrangements.

As of December 31, 2022 and 2021, financial asset at amortized cost amounted to ₱45,539,467 and ₱48,854,774, respectively, as disclosed in Note 27.02.

5.01.02 Assessment of Timing of Satisfaction of Performance Obligations

An entity satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur over time or at a point in time.

Management assessed that its performance obligation from stock brokering is satisfied over time. While, its performance obligation from sale of investments is satisfied at point in time.

Revenue earned on commissions from stock brokerage services is recognized over time when the Company transfers control of a service over time and, therefore, satisfies a performance obligation and when the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

In 2022 and 2021, revenue earned on commissions from stock brokerage services amounted to ₱7,175,772 and ₱8,166,861, respectively, as disclosed in Note 18.

5.01.03 Assessment of the Transaction Price and the Amounts Allocated to Performance Obligations

A performance obligation is a vendor's promise to transfer a good or service that is 'distinct' from other goods and services identified in the contract.

Management assessed that the transaction price for each contract with clients need not be allocated since there is revenue from commissions on stock brokerage services.

5.01.04 Assessment of 30 days Rebuttable Presumption

An entity determines when a significant increase in credit risks occurs on its financial assets based on the credit management practice of the entity.

Management believes that the 30 days rebuttable presumption is not applicable since based on Company's historical experience credit risk has not increased significantly even if collections are more than 30 days past due.

5.01.05 Assessment of 90 Days Rebuttable Presumption

The Company determines when a default occurs on its financial assets based on the credit management practice of the Company.

Management believes that the 90 days rebuttable presumption on determining whether financial assets are credit impaired is not applicable because based on the Company's historical experience and aging schedules, a creditor's account will be written-off when they become 365 days past due.

5.01.06 Distinction between Property and Equipment and Investment Properties

The Company determines whether a property qualifies as investment property. In making its judgments, the Company considers whether the property generates cash flows largely independent of the other assets held by the entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

The Company classified its residential unit house and lot property as investment properties because these are held for capital appreciation. Accordingly, the carrying amounts of investment properties amounted to ₱1,499,756 and ₱1,550,691 as of December 31, 2022 and 2021, respectively, as disclosed in Note 12.

5.01.07 Assessment of Principal-Agency Arrangement

The Company determines whether the nature of its promise is a performance obligation to provide a specified service itself (i.e., the Company is a principal) or to arrange for the other party to provide those services (i.e., the Company is an agent).

In 2022 and 2021, the Company assessed that it is acting as an agent and recognized commission income from agency relationship amounting to ₱7,175,772 and ₱8,166,861, respectively, as disclosed in Note 18.

5.01.08 Determining whether or not a Contract Contains a Lease

Management assessed that lease of office spaces and condominium units qualified as a lease since the contract contains an identified asset, the Company has the right to obtain substantially all of the economic benefits, and the Company has the right to direct the use of the identified asset throughout the period of use.

5.02 Key Sources of Estimation of Uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainties at the end of the reporting periods that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.02.01 Reviewing Residual Values, Useful Lives and Depreciation Method of Property and Equipment and Investment Properties

The residual values, useful lives and depreciation method of the Company's property and equipment and investment properties are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Company's assets are estimated based on the period over which the assets are expected to be available for use.

In determining the useful life of an asset, the Company considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Company's assets. In addition, the estimation of the useful lives is based on Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets.

It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and investment properties would increase the recognized operating expenses and decrease non-current assets.

The Company uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which a Company expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

In both years, Management assessed that there are no significant changes in the residual values, useful lives and depreciation method used from previous estimates since the most recent annual reporting period. As of December 31, 2022 and 2021, the aggregate carrying amounts of depreciable property and equipment and investment properties amounted to ₱611,214 and ₱617,810, respectively, as disclosed in Notes 11 and 12.

5.02.02 Reviewing Residual Value, Useful Life and Amortization Method of Intangible Asset

PSE trading rights are assessed to have indefinite life and are not amortized. However, such assets are reviewed annually to ensure the carrying amount does not exceed the recoverable amount regardless of whether an indicator of impairment is present.

In both years, Management assessed that events and circumstances continue to support an indefinite useful life for its PSE trading rights. In both years, PSE trading rights amounted to ₱396,000 as disclosed in Note 13.

5.02.03 Asset Impairment

Impairment review is performed when certain impairment indicators are present. Determining the fair value of prepayments and other current assets (except refundable deposit), property and equipment, intangible asset and investment properties requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. In assessing value in use, the estimated future cash flows shall be discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

In addition, intangible asset with indefinite useful life is required to test impairment by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the intangible asset may be impaired.

While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

In both years, Management believes that there is no indication of impairment in the aforementioned assets. In both years, Management believes that the recoverable amount of its PSE trading rights approximates its carrying amount, hence, no impairment loss is recognized. As of December 31, 2022 and 2021, the aggregate amounts of the aforementioned assets amounted to ₱3,088,298 and ₱2,871,007, respectively, as disclosed in Notes 10, 11, 12 and 13.

5.02.04 Deferred Tax Assets

The Company reviews the carrying amounts at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized prior to expiration.

In both years, the Company believes that it will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized. As of December 31, 2022 and 2021, the Company's deferred tax assets amounted to ₱4,247,018 and ₱2,271,498, respectively, as disclosed in Note 25.

5.02.05 Estimating Allowance for Expected Credit Losses on Financial Assets

The Company transacts only with individuals referred by existing or previous clients. It is the policy of the Company to know and keep essential financial records of its clients. The Company assesses creditworthiness of the client before entering a new trade transaction. The Company also assesses the current and forecast information of the clients' industry and the macro-economic factors such as GDP, interest, and inflation to determine the possible impact to clients.

The Company determined that counterparty banks and Securities Clearing Corporation of the Philippines (SCCP) have low-credit risk or considered as investment grade and the probability of default is very immaterial. Hence, no provision for expected credit loss was recognized in both years.

In 2022, the Company assessed that the application of PFRS 9 has minimal impact on the recorded allowance for expected credit losses as of reporting dates; hence, no additional provision was made. The Company assessed that certain receivable are doubtful as to collection. Hence, a provision for expected credit losses amounting to ₱8,808 and ₱39,692 was recognized in 2022 and 2021, respectively, as disclosed in Notes 8 and 21. Allowance for expected credit losses amounted to ₱390,812 and ₱382,004 as of December 31, 2022 and 2021, respectively, as disclosed in Note 8.

Other financial assets are immaterial. Hence, Management believes that expected credit loss is immaterial.

As of December 31, 2022 and 2021, the aggregate carrying amounts of financial assets measured at amortized cost amounted to ₱45,539,467 and ₱48,854,774, respectively, as disclosed in Note 27.02. Management believes that the allowance provided is sufficient to cover future losses.

5.02.06 Post-employment Benefits

The determination of the retirement obligation and cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, and rates of compensation increase. In accordance with the PFRS, actual results that differ from the assumptions are accumulated and recognized directly in other comprehensive income as remeasurements.

In both years, the Company believes that the assumptions are reasonable and appropriate, thus, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations. For the years ended December 31, 2022 and 2021, retirement benefits amounted to ₱268,532 and ₱231,773, respectively, as disclosed in Notes 19, 21 and 22. As of December 31, 2022 and 2021, retirement benefit obligation amounted to ₱2,242,725 and ₱2,705,923, respectively, as disclosed in Note 22.

6. OFFSETTING OF FINANCIAL INSTRUMENTS

The following are the quantitative information for recognized financial assets and liabilities:

		Gross carrying amount (before offsetting)		Gross amount set off		Net amount presented in trade and other receivables, and trade and other payables
December 31, 2022						
Financial asset						
Receivable from clearing house (Notes 8 and 14)	₱	**6,485,950**	₱	**(766,900)**	₱	**5,719,050**
Financial liability						
Payable to clearing house (Notes 8 and 14)		**766,900**		**(766,900)**		-
December 31, 2021						
Financial asset						
Receivable from clearing house (Notes 8 and 14)	₱	2,566,833	₱	(782,832)	₱	1,784,001
Financial liability						
Payable to clearing house (Notes 8 and 14)		782,832		(782,832)		-

Payable to clearing house should be paid within three (3) days after the transaction date. Otherwise, the Company will be considered in default and will be charged with penalties.

7. CASH

For the purpose of the statements of cash flows, cash includes petty cash fund, cash in banks and reserve bank accounts.

Cash at the end of the reporting periods as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

		2022		2021
Petty cash fund	₱	**2,000**	₱	2,000
Cash in banks		**8,750,998**		9,902,068
Reserve bank accounts		**28,306,104**		32,470,792
	₱	**37,059,102**	₱	42,374,860

SRC Rule 49.2, Customer Protection Reserves and Custody of Securities requires every broker dealer to maintain at all times a special reserve bank account for the exclusive benefit of the customers which shall be separate from any other bank account of the broker-dealer. Withdrawals may be made from the reserve bank accounts to the extent that at the time of the withdrawals, the amount remaining in the reserve bank accounts are not less than the required minimum balance.

The effective interest rates on bank deposits are 4.125% on the reserve bank account and 0.25% on other bank accounts in both years. Finance income on reserved bank accounts and cash in banks account amounted to ₱406,738 and ₱357,638 in 2022 and 2021, respectively, as disclosed in Note 20.

The Company did not consider the recognition of expected credit loss on cash in banks due to assessed minimal credit risk on liquid funds based on the liquidity and the profitability ratios of the banks.

8. TRADE AND OTHER RECEIVABLES – net

The Company's trade and other receivables consist of:

		2022		2021
Trade	₱	**1,201,735**	₱	3,872,646
Allowance for expected credit losses		**(390,812)**		(382,004)
		810,923		3,490,642
Receivable from clearing house (Note 6)		**5,719,050**		1,784,001
Others		**158,829**		44,542
	₱	**6,688,802**	₱	5,319,185

The average credit period on sales of trading securities is three (3) trading days. No interest is charged on trade receivable.

Receivable from clearing house pertains to the net-selling transactions (i.e., amount of selling transactions less buying transactions) for the last three (3) days of the year, which will be settled in three (3) trading days following the date of the transaction. As of December 31, 2022 and 2021, payable to clearing house amounted to ₱766,900 and ₱782,832, which was offsetted against receivable from clearing house as disclosed in Notes 6 and 14.

The Company holds the securities owned by the customers as collateral over these balances.

The Company's trade receivables as of December 31, 2022 and 2021, arising from its security valuation are as follow:

				2022				
				Security Value of Debit Balances				
		Debit Balances		**Long**		**Short**		**Company Exposure**
Cash and fully secured accounts:								
More than 250%	**₱**	**658,960**	**₱**	**137,914,505**	**₱**	**-**	**₱**	**-**
Between 200% and 250%		**395**		**875**		**-**		**-**
Between 150% and 200%		**2,335**		**4,473**		**-**		**-**
Between 100% and 150%		**5,244**		**5,560**		**-**		**-**
Less than 100%		**387,673**		**224,765**		**-**		**162,908**
Unsecured accounts		**147,128**		-		**-**		**147,128**
	₱	**1,201,735**	**₱**	**138,150,178**	**₱**	**-**	**₱**	**310,036**

				2021				
				Security Value of Debit Balances				
		Debit Balances		Long		Short		Company Exposure
Cash and fully secured accounts:								
More than 250%	₱	3,045,791	₱	328,835,198	₱	-	₱	-
Between 200% and 250%		884		1,977		-		-
Between 150% and 200%		275,876		448,800		-		-
Between 100% and 150%		2,329		2,640		-		-
Less than 100%		400,637		273,982		-		126,654
Unsecured accounts		147,129		-		-		147,129
	₱	3,872,646	₱	329,562,597	₱	-	₱	273,783

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

		2022		2021
Balance at January 1	**₱**	**382,004**	₱	342,312
Provision for expected credit loss (Note 21)		**8,808**		9,692
Balance at December 31	**₱**	**390,812**	₱	382,004

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The fair values of these equity securities are determined by reference to published price quotations in the PSE.

The Company's financial assets at fair value through profit or loss are as follows:

	2022	2021
Outside PSE Index:		
The Philippine Stock Exchange	₱ **33,132,600**	₱ 45,084,968
Chelsea Logistics and Infrastructure Holdings Corp.	**150,000**	207,500
Steniel Manufacturing Corporation	**195**	195
	33,282,795	45,292,663
Inside PSE Index:		
GT Capital Holdings Inc.	**282,705**	351,000
	₱ **33,565,500**	₱ 45,643,663

The listed securities above represent opportunities for return through dividend income and trading gains.

Fair value loss and gain on financial assets at fair value through profit or loss amounted to ₱12,078,163 and ₱12,339,183 in 2022 and 2021, respectively, as presented separately in the statements of comprehensive income.

In 2022 and 2021, the Company received cash dividend for all the shares amounting to ₱2,676,025 and ₱1,700,369, respectively, as disclosed in Note 20.

10. PREPAYMENTS AND OTHER CURRENT ASSETS

The details of the Company's prepayments and other current assets are shown below:

	2022	2021
Prepayments	₱ **199,429**	₱ 232,883
Excess tax credits	**713,945**	474,176
Input VAT	**104,536**	86,964
Refundable deposit	**10,621**	10,621
	₱ **1,028,531**	₱ 804,644

Prepayments pertain to prepaid insurance, rent and association dues of the Company.

Excess tax credits pertain to overpayment of income taxes in prior years and the creditable withholding taxes. These are accumulated and are reduced when deducted from income tax due.

Input VAT arises from the purchase of goods or services. Input VAT is net of output VAT amounting to ₱244,645 and ₱980,041, respectively, in 2022 and 2021.

11. PROPERTY AND EQUIPMENT – net

The carrying amounts of the Company's property and equipment are as follows:

	Condominium Unit	Furniture and Equipment	Transportation Equipment	Office Improvements	Total
January 1, 2021					
Cost	₱ 14,208,933	₱ 2,641,787	₱ 5,508,560	₱ 720,135	₱ **23,079,415**
Accumulated depreciation	(14,208,933)	(2,483,531)	(5,508,560)	(720,135)	**(22,921,159)**
Carrying amount	-	**158,256**	-	-	**158,256**
Movements during 2021					
Balance, January 1, 2021	-	158,256	-	-	**158,256**
Additions	-	40,893	-	-	**40,893**
Depreciation	-	(68,856)	-	-	**(68,856)**
Balance, December 31, 2021	-	**130,293**	-	-	**130,293**
December 31, 2021					
Cost	14, 208,933	2,682,680	5,508,560	720,135	**23,120,308**
Accumulated depreciation	(14,208,933)	(2,552,387)	(5,508,560)	(720,135)	**(22,990,015)**
Carrying amount	-	**130,293**	-	-	**130,293**
Movements during 2022					
Balance, January 1, 2022	-	130,293	-	-	**130,293**
Additions	-	116,688	-	-	**116,688**
Depreciation	-	(72,349)	-	-	**(72,349)**
Balance, December 31, 2022	-	**174,632**	-	-	**174,632**
December 31, 2022					
Cost	14,208,933	2,799,368	5,508,560	720,135	**23,236,996**
Accumulated depreciation	(14,208,933)	(2,624,736)	(5,508,560)	(720,135)	**(23,062,364)**
Carrying amount	₱ -	₱ **174,632**	₱ -	₱ -	₱ **174,632**

In 2022 and 2021, additions amounting to ₱116,688 and ₱40,893, respectively, were paid in cash.

Depreciation is allocated as follows:

		2022		2021
Direct costs (Note 19)	₱	**43,409**	₱	41,314
Operating expenses (Note 21)		**28,940**		27,542
	₱	**72,349**	₱	68,856

In 2022 and 2021, fully depreciated transportation equipment, office improvements, and condominium unit are still in use.

In both years, the Company has determined that there is no indication that impairment has occurred on its property and equipment.

12. INVESTMENT PROPERTIES – net

This account pertains to a residential unit house and lot located at Marian Lakeview Park Executive Homes in Barangay San Martin de Porres, Parañaque City.

The investment properties are held for capital appreciation and are carried at cost less accumulated depreciation and impairment loss.

The carrying amounts of the Company's investment properties are as follows:

		Residential Unit House		Lot		Total
January 1, 2021						
Cost	₱	916,826	₱	1,063,174	₱	**1,980,000**
Accumulated depreciation		(392,926)		-		**(392,926)**
Carrying amount		**523,900**		**1,063,174**		**1,587,074**
Movements during 2021						
Balance, January 1, 2021		523,900		1,063,174		**1,587,074**
Depreciation		(36,383)		-		**(36,383)**
Balance, December 31, 2021		**487,517**		**1,063,174**		**1,550,691**
December 31, 2021						
Cost		916,826		1,063,174		**1,980,000**
Accumulated depreciation		(429,309)		-		**(429,309)**
Carrying amount		**487,517**		**1,063,174**		**1,550,691**
Movements during 2022						
Balance, January 1, 2022		487,517		1,063,174		**1,550,691**
Depreciation		(50,935)		-		**(50,935)**
Balance, December 31, 2022		**436,582**		**1,063,174**		**1,499,756**
December 31, 2022						
Cost		916,826		1,063,174		**1,980,000**
Accumulated depreciation		(480,244)		-		**(480,244)**
Carrying amount	₱	**436,582**	₱	**1,063,174**	₱	**1,499,756**

In both years, the aggregate fair value of the investment properties amounted to ₱4,247,750.

The fair value of the Company's investment property has been determined on the basis of a valuation as of December 31, 2021 and was carried out by ATA Realty & Engineering Services. The valuation was arrived by reference to Professional Valuation Standard.

Depreciation is allocated as follows:

		2022		2021
Direct costs (Note 19)	₱	**30,561**	₱	21,830
Operating expenses (Note 21)		**20,374**		14,553
	₱	**50,935**	₱	36,383

In both years, the Company determined that there is no indication that impairment occurred on its investment properties.

13. INTANGIBLE ASSET

In both years, the Company's intangible asset pertains to PSE Trading Rights amounted to ₱396,000.

The Company determined that there is no indication that impairment occurred on its intangible asset in both years.

13.01 PSE Trading Rights

Republic Act No. 8799 entitled "Securities Regulation Code" prescribes the conversion of the PSE into a stock corporation on August 8, 2001 pursuant to a conversion plan approved by the SEC.

As a result of the conversion plan and on the basis of the relative fair values of the PSE and the trading rights as of the time of demutualization, the Company's membership in the stock exchange, originally amounting to ₱1,000,000 was subdivided and presented in the financial statements as investments at fair value through profit or loss (56%) and PSE trading rights (44%), amounting to ₱560,000 and ₱440,000, respectively in 2013.

There is no impairment in PSE trading rights' value for both years. Trading rights, as the subject of the most recent sale approved by the PSE Board of Directors on December 14, 2011, amounted to ₱8,500,000. This is based on the certification dated March 4, 2014, issued to the Company by the Philippine Stock Exchange, Inc. – Market Regulation Division.

14. TRADE AND OTHER PAYABLES

The components of trade and other payables account are as follows:

		2022		2021
Payable to customers	₱	**36,938,201**	₱	39,687,885
Payable to government agencies		**268,117**		334,556
Others		**298,907**		199,705
	₱	**37,505,225**	₱	40,222,146

Payable to customers are non-interest bearing and are normally paid within three (3) days after the trading date.

Payable to clearing house pertains to the net-buying transactions (i.e., amount of buying transactions less selling transactions) for the last three (3) days of the year, which will be settled in three (3) trading days following the date of the transaction. As of December 31, 2022 and 2021, payable to clearing house amounted to ₱766,900 and ₱782,832, which was offsetted against receivable from clearing house as disclosed in Notes 6 and 8.

The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The Company's payable to customers as of December 31, 2022 and 2021 consists of the following:

		2022				2021		
		Credit Balances		**Security Valuation/ Long**		Credit Balances		Security Valuation/ Long
Free balance								
With money balance	₱	**36,938,201**	₱	**1,405,878,631**	₱	39,637,885	₱	997,945,487
No money balance		-		-		-		234,302,333
	₱	**36,938,201**	₱	**1,405,878,631**	₱	39,637,885	₱	1,232,247,820

15. RELATED PARTY TRANSACTIONS

Nature of relationship of the Company and its related parties are disclosed below:

Related Parties	Nature of Relationship
Grupo Salex, Incorporated (GSI)	Parent
Officers	Members of key management personnel

Balances and transactions between the Company and its related parties are disclosed below:

15.01 Due from Related Parties

Balance of due from related parties is summarized per category as follows:

		2022		2021
Parent	**₱**	**1,431,858**	₱	818,673
Members of key management personnel		**351,081**		333,435
	₱	**1,782,939**	₱	1,152,108

15.01.01 Parent

Transactions and balances with the Parent are detailed as follows:

	December 31, 2022				December 31, 2021			
		Amount/ Volume		**Outstanding Balance**		Amount/ Volume		Outstanding Balance
GSI								
Advances	**₱**	**613,185**	**₱**	**1,431,858**	₱	184,465	₱	818,673

Advances pertain to the amount paid by the Company for legal expenses, professional fees, and miscellaneous expenses on behalf of the Parent.

These are unsecured, non-interest bearing, collectible on demand, and will be collected in cash. No guarantees have been received in respect of these advances. No provisions have been made for expected credit losses in respect of the amounts owed by the Parent.

15.01.02 Members of Key Management Personnel

Transactions with the members of key management personnel and balances of advances to officers are detailed as follows:

	December 31, 2022				December 31, 2021			
		Amount/ Volume		**Outstanding Balance**		Amount/ Volume		Outstanding Balance
Officers								
Advances	**₱**	**17,646**	**₱**	**351,081**	₱	-	₱	333,435

Advances represent unsecured, non-interest-bearing cash advances to officers, mainly to finance their personal use. The amounts outstanding are collectible on demand, and will be settled in cash. No guarantees have been received in respect of these advances. No provisions have been made for expected credit losses in respect of the amounts owed by officers.

In 2022 and 2021, collections from advances amounted to nil and ₱6,600, respectively.

15.02 Due to Related Parties

Balance of due to officers and subordinated liability as shown in the statements of financial position are detailed as follows:

15.02.01 Members of Key Management Personnel

Transactions with the members of key management personnel pertains to subordinated liability.

The Company entered into a new Subordinated Loan Agreement (SLA) with an officer on June 23, 2021. The details of the loan are summarized as follows:

Principal	₱2,000,000
Effective period	June 23, 2021 to June 22, 2022, renewable annually but for a period not exceeding two (2) years
Interest rate	None

As of December 31, 2022 and 2021, subordinated liability amounted to nil and ₱2,000,000, respectively.

15.03 Buying and Selling Transactions

Buying and selling transactions of officers are set out below:

	December 31, 2022		December 31, 2021	
	Amount/ Volume	**Outstanding Balances**	Amount/ Volume	Outstanding Balances
Officers				
Buying	₱ **12,530,435**	₱ **-**	₱ 137,163,563	₱ -
Selling	**17,533,551**	**-**	64,990,055	519,538
	₱ **30,063,986**	₱ **-**	₱ 202,153,618	₱ 519,538

15.04 Remuneration of Key Management Personnel

The remuneration of the directors and other members of key management personnel of the Company is set out below in aggregate for each of the categories specified in PAS 24, *Related Party Disclosures*:

	2022	2021
Short-term benefits	₱ **1,917,504**	₱ 1,620,773
Retirement benefits (income) expense	**(305,873)**	37,099
	₱ **1,611,631**	₱ 1,657,872

16. CAPITAL STOCK

The capital stock of the Company are as follows:

	2022			2021		
	Shares		**Amount**	Shares		Amount
Ordinary shares – ₱100 par value	**500,000**	**₱**	**50,000,000**	500,000	₱	50,000,000
Issued and outstanding						
Balance, January 1	**300,000**	**₱**	**30,000,000**	300,000	₱	30,000,000
Issuances of shares	**30,000**		**3,000,000**	-		-
Balance, December 31	**330,000**	**₱**	**33,000,000**	300,000	₱	30,000,000

Ordinary shares carry one (1) vote per share and a right to dividends.

17. RESERVES

The following are among the reserve fund requirement provisions under Rule 49.1 (B) of SEC Memorandum Circular No. 16 (2004 series), Part I: Adoption of the Risk-based Capital Adequacy (RBCA) Requirement Ratio Framework for all registered Brokers Dealers in accordance with the SRC:

a. Every dealer broker shall annually appropriate a certain minimum percentage of its audited profit after tax and transfer the same to the Appropriated Retained Earnings account in accordance with the balance of its Unimpaired Paid-Up Capital;

b. Consistent with the general usage under SRC Rule 28.1, the term “Unimpaired Paid-Up Capital” shall refer to the firm’s Total Paid Up Capital less any deficiency in the Retained Earnings account”;

c. The amount appropriated shall not be available for the payment of dividends; and

d. Where in any financial year the Broker Dealer’s paid-up capital is impaired, the Broker Dealer is required to transfer from Appropriated Retained Earnings to the capital account an amount equivalent to the impairment. Such amount so transferred out should not be available for payment of dividend.

In accordance with the provisions of this Circular, appropriation was made in 2021 amounting to ₱2,112,955 and no appropriation was made in 2022 since the Company’s operation resulted to loss.

Retained earnings to be appropriated is computed as follows:

Unimpaired Paid-Up Capital	**Minimum percentage of profit after tax to be placed in the Appropriated Retained Earnings**
Between ₱10M – ₱30M	30%
Between ₱30M – ₱50M	20%
More than ₱50M	10%

In both years, appropriated retained earnings amounted to ₱8,627,762.

18. REVENUE

The Company's revenue earned on commissions from stock brokerage services rendered to customers amounted to ₱7,175,772 and ₱8,166,861 in 2022 and 2021, respectively.

The Company charges its clients for the buying and selling of securities at rates ranging from 0.15% to 0.25% based on transaction value.

19. DIRECT COSTS

The following is an analysis of the Company's direct costs:

		2022		2021
Salaries, wages and bonuses (Note 22)	₱	**2,344,230**	₱	2,321,836
Agent's commission (Note 22)		**1,116,383**		949,542
Stock exchange fees and dues		**271,094**		204,683
Postage, telephone and telegraph		**228,779**		244,058
Membership dues and subscription		**201,056**		171,418
SSS, PHIC, and HDMF contributions (Note 22)		**185,691**		161,371
Retirement benefits (Note 22)		**161,119**		92,709
Office supplies		**112,375**		89,365
Power, light and water		**102,907**		99,764
Transportation and travel		**86,967**		87,169
Depreciation (Notes 11 and 12)		**73,970**		63,144
Rent (Note 23)		**-**		58,978
Others		**408,750**		23,519
	₱	**5,293,321**	₱	4,567,556

20. OTHER INCOME

Components of other income are as follows:

		2022		2021
Dividend income (Note 9)	₱	**2,676,025**	₱	1,700,369
Finance income (Note 7)		**406,738**		357,638
Other income		**50,000**		-
	₱	**3,132,763**	₱	2,058,007

21. OPERATING EXPENSES

The account is composed of the following expenses:

		2022		2021
Salaries, wages and bonuses (Note 22)	₱	**1,470,227**	₱	1,334,557
Medical		**1,385,873**		262,323
Condominium fees		**842,558**		537,405
Repairs and maintenance		**484,078**		133,822
Representation and entertainment		**355,552**		253,537
Postage, telephone and telegraph		**343,169**		366,086
Professional fees		**323,222**		494,022
Taxes and licenses		**239,521**		182,910
Meetings and conferences		**232,525**		23,892
Power, light and water		**154,360**		149,646
Penalties		**138,102**		51,387
SSS, PHIC, and HDMF contributions (Note 22)		**123,794**		107,581
Retirement benefits (Note 22)		**107,413**		139,064
Insurance		**79,664**		83,930
Office supplies		**74,917**		59,577
Depreciation (Notes 11 and 12)		**49,314**		42,095
Fuel and oil		**38,096**		46,540
Transportation and travel		**19,882**		11,572
Provision for expected credit losses (Note 8)		**8,808**		39,692
Others		**173,333**		1,114,218
	₱	**6,644,408**	₱	5,433,856

Medical pertains to medicines and eye treatment.

Condominium fees pertain to the monthly dues paid by the Company for its condominium unit.

Others include bank charges, notaries and advertising.

22. EMPLOYEE BENEFITS

Aggregate employee benefits expense comprised of the following, as disclosed in Notes 19 and 21:

		2022		2021
Short-term benefits (Note 22.01)	**₱**	**5,240,325**	₱	4,874,887
Retirement benefits (Note 22.02)		**268,532**		231,773
	₱	**5,508,857**	₱	5,106,660

22.01 Short-term Employee Benefits

Short-term employee benefits are composed of salaries, wages and bonuses, agent's commission and SSS, PHIC and HDMF contributions.

		2022		2021
Salaries, wages and bonuses (Notes 19 and 21)	₱	**3,814,457**	₱	3,656,393
Agent's commission (Note 19)		**1,116,383**		949,542
SSS, PHIC, and HDMF contributions (Notes 19 and 21)		**309,485**		268,952
	₱	**5,240,325**	₱	4,874,887

22.02 Post-employment Benefits

The Company has an unfunded, non-contributory retirement plan covering substantially all of its officers and employees. The Company has a single retirement plan under the regulatory framework of the Philippines. Under the Republic Act (R.A.) No. 7641, "The Retirement Pay Law," the Company is legally obliged to provide minimum retirement pay for qualified employees upon retirement. The framework, however, does not have a minimum funding requirement. The Company's retirement plan is aligned in this framework. Under the plan, the employees are entitled to retirement benefits varying between twenty-two and one-half (22.5) days' pay for every year of credited service on attainment of retirement age of sixty (60) years but not beyond sixty-five (65) years while early retirement age is fifty (50) and with ten (10) years of credited service. Payments for the unfunded benefits are borne by the Company as it falls due.

The most recent actuarial valuations of the present value of the defined benefit obligation (DBO) were carried out on February 21, 2023 by E. M. Zalamea Actuarial Services, Inc. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the PUCM.

The principal assumptions used for the purposes of the actuarial valuations in 2022 and 2021 are as follows:

	2022	2021
Discount rate	**7.15%**	4.96%
Expected rate of salary increase	**3.00%**	3.00%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at age of sixty (60).

	2022	2021
Retiring beyond twenty (20) years after the reporting period		
Male	**5**	5

The sensitivity analysis of the defined benefit obligation of changes in the weighted principal assumption is as follows:

	Impact on Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2022			
Discount rate	100 bps	Decrease by 6.4%	Increase by 7.1%
Salary increase rate	100 bps	Increase by 7.3%	Decrease by 6.8%
2021			
Discount rate	100 bps	Decrease by 8.1%	Increase by 9.1%
Salary increase rate	100 bps	Increase by 9.2%	Decrease by 8.3%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the Projected Unit Credit Method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Assumed life expectancy is not applicable because under the Company's Retirement Plan, benefits are paid in lump sum upon retirement of an employee.

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows. Amounts recognized in profit or loss in respect of these defined benefit plans, as disclosed in Notes 19 and 21 are as follows:

	2022	2021
Current service cost	**₱ 134,318**	₱ 126,764
Interest cost	**134,214**	105,009
	₱ 268,532	₱ 231,773

The retirement benefit expense is allocated as follows:

	2022	2021
Direct costs (Note 19)	**₱ 161,119**	₱ 92,709
Operating expenses (Note 21)	**107,413**	139,064
	₱ 268,532	₱ 231,773

Reconciliation of remeasurements recognized in other comprehensive income is as follows:

		Gain (Loss) Balance at January 1, 2021		Amount recognized during the year		Gain (Loss) Balance at December 31, 2021		Amount recognized during the year		Gain (Loss) Balance at December 31, 2022
Change on demographic assumption	₱	1,096,923	₱	-	₱	1,096,923	₱	579,311	₱	**1,676,234**
Change on financial assumption		257,111		520,042		777,153		370,644		**1,147,797**
Experience adjustment		(464,709)		(349,125)		(813,834)		(218,225)		**(1,032,059)**
Remeasurements		889,325		170,917		1,060,242		731,730		**1,791,972**
Tax Effect (Note 25)		(266,797)		(123,115)		(389,912)		(146,346)		**(536,258)**
Remeasurement gain (Loss) – net	₱	622,528	₱	47,802	₱	670,330	₱	585,384	**₱**	**1,255,714**

As of December 31, 2022 and 2021, retirement benefit obligation included in the statements of financial position arising from the entity's obligation in respect of its defined benefit plans amounted to ₱2,242,725 and ₱2,705,923, respectively.

Movements in the present value of the defined benefit obligation in both periods were as follows:

		2022		2021
Balance, January 1	**₱**	**2,705,923**	₱	2,645,067
Current service cost		**134,318**		126,764
Interest cost		**134,214**		105,009
Experience adjustment		**218,225**		349,125
Change in financial assumptions		**(370,644)**		(520,042)
Change in demographic assumptions		**(579,311)**		-
Balance, December 31	**₱**	**2,242,725**	₱	2,705,923

The Company operates an unfunded defined benefit plan wherein benefit payments are borne by the Company. Thus, the Company maintains appropriate level of liquidity to meet currently maturing defined benefit obligations and has established a level of solvency ratio aimed to pay for long term defined benefit obligations.

The Company's retirement plan is still unfunded, there are no plan assets to match against the plan liabilities.

Expected maturity analysis of undiscounted benefit obligation is as follows:

		Less than five (5) years		More than five (5) years
2022	**₱**	**378,921**	**₱**	**3,689,960**
2021	₱	-	₱	4,523,885

Asset-liability Matching Strategies to Manage Risks

The Company does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the retirement obligation.

Funding Arrangements

The Company does not have a formal retirement plan, benefit claims under the retirement obligation are paid directly by the Company when they become due.

The Company is exposed to a number of risks through its defined benefit plan. The most significant risks are detailed below:

Volatility Risk

The plan liabilities are calculated using a discount rate from government bonds to create virtual zero-coupon bonds as of the valuation dates. The government bonds represent investments in the Philippine government securities only.

The Company intends to reduce the level of volatility risk by maintaining an appropriate level of liquidity and solvency to match the liabilities.

Inflation Risk

Payments for the defined benefit plan of the Company are not linked to inflation, thus, the exposure to this risk is immaterial.

23. LEASE AGREEMENT

23.01 The Company as a Lessee

The Company has elected not to recognize a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

On July 13, 2018, the Company entered into lease agreement with PS to rent trading booth number B-13 beginning February 19, 2018 and expiring on February 18, 2021 unless sooner terminated by either party under the grounds specified in the contract. In 2021, the lease contract has been extended up to August 2021.

Rental charges amounting to nil and ₱58,978 are included under operating expenses for the years ended December 31, 2022 and 2021, respectively, as disclosed in Note 19.

In both years, the Company has no outstanding commitments for future minimum lease payments under non-cancellable operating leases.

24. INCOME TAXES

24.01 Income Tax Recognized in Profit or Loss

Components of income tax expense (benefit) are as follows:

		2022		2021
Current tax expense	₱	**20,436**	₱	25,783
Deferred tax expense (benefit) (Note 25)		**(9,086,825)**		1,972,079
	₱	**(9,066,389)**	₱	1,997,862

A numerical reconciliation between tax expense (benefit) and the product of accounting profit (loss) multiplied by the tax rates of 20% in 2022 and 2021, respectively is as follows:

		2022		2021
Accounting profit (loss)	₱	**(13,707,357)**	₱	12,562,639
Tax expense (benefit) at 20%		**(2,741,471)**		2,512,528
Tax effects of:				
Expiration of DTA on NOLCO		**876,522**		671,508
Non-deductible expense		**361,554**		170,242
Expiration of DTA on MCIT		**28,518**		27,845
Non-taxable other income		**(10,000)**		-
Finance income subject to final tax		**(81,348)**		(71,526)
Dividend income exempt from taxation		**(535,205)**		(340,074)
Reversal of PY DTL on unrealized FMV gain on FA at FVTPL		**(6,964,959)**		-
Correction of DTA on retirement and allowance for expected credit loss		-		16,000
Effect of CREATE on current tax		-		(11,138)
Effect of CREATE to deferred tax		-		(977,523)
	₱	**(9,066,389)**	₱	1,997,862

Details of NOLCO in 2019 and 2022 are as follows:

Year Incurred		Amount		Expired		Unapplied	Expiry Date
2019	₱	4,382,608	₱	4,382,608	₱	-	2022
2022		2,676,849		-		2,676,849	2025
	₱	**7,059,457**	**₱**	**4,382,608**	**₱**	**2,676,849**	

Details of NOLCO covered by Revenue Regulations No. 25-2020 is as follows:

Year Incurred		Amount		Expired		Unapplied	Expiry Date
2020	₱	2,680,818	₱	-	₱	2,680,818	2025
2021		711,881		-		711,881	2026
	₱	**3,392,699**	**₱**	-	**₱**	**3,392,699**	

The Bureau of Internal Revenue (BIR) has issued Revenue Regulations (RR) 25-2020 to inform all concerned on the longer period for claiming NOLCO from taxable years 2020 and 2021.

Pursuant to Section 4 (bbb) of Bayanihan II and as implemented under RR 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three consecutive years only.

Details of Company's excess MCIT which can be claimed as tax credits against regular income tax are as follows:

Year Incurred		Amount		Expired		Unapplied	Expiry Date
2019	₱	28,518	₱	28,518	₱	-	2022
2020		33,414		-		33,414	2023
2021		36,920		-		36,920	2024
2022		20,436		-		20,436	2025
	₱	**119,288**	**₱**	**28,518**	**₱**	**90,770**	

25. DEFERRED TAXES – net

Below is the table for the offsetting of deferred tax assets and deferred tax liability:

		2022		2021
Deferred tax assets (Note 25.01)	₱	**4,247,018**	₱	2,271,498
Deferred tax liability (Note 25.02)		-		(6,964,959)
	₱	**4,247,018**	₱	(4,693,461)

25.01 Deferred Tax Assets

The components of the Company's deferred tax assets and their respective movements are as follows:

		Retirement Benefit Obligation		Allowance for Expected Credit Losses		MCIT		NOLCO		Unrealized FMV Loss on FA at FVTPL		Total
January 1, 2021	₱	817,520	₱	102,693	₱	100,914	₱	3,126,289	₱	-	₱	**4,147,416**
Recognized to profit or loss for the period		30,354		7,938		9,075		(529,132)		-		**(481,765)**
Recognized in OCI		(123,115)		-		-		-		-		**(123,115)**
Effect of CREATE		(183,575)		(34,230)		(11,137)		(1,042,096)		-		**(1,271,038)**
December 31, 2021		**541,184**		**76,401**		**98,852**		**1,555,061**		-		**2,271,498**
Recognized to profit or loss for the period		53,706		1,761		(8,082)		(341,152)		2,415,633		**2,121,866**
Recognized in OCI		(146,346)		-		-		-		-		**(146,346)**
December 31, 2022	₱	**448,544**	₱	**78,162**	₱	**90,770**	₱	**1,213,909**	₱	**2,415,633**	₱	**4,247,018**

25.02 Deferred Tax Liability

The Company's deferred tax liability and its respective movements are as follows:

		Unrealized gain on remeasurement of FA at FVTPL
January 1, 2021	₱	6,745,683
Recognized to profit or loss for the period		2,467,837
Effect of CREATE		(2,248,561)
December 31, 2021		**6,964,959**
Recognized to profit or loss for the period		(6,964,959)
December 31, 2022	**₱**	-

26. FAIR VALUE MEASUREMENTS

26.01 Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Company's financial assets and financial liability as of December 31, 2022 and 2021 are presented below:

		2022				2021		
		Carrying Amount		**Fair Value**		Carrying Amount		Fair Value
Financial Assets:								
Cash	₱	**37,059,102**	₱	**37,059,102**	₱	42,374,860	₱	42,374,860
Trade and other receivables – net		**6,688,802**		**6,688,802**		5,319,185		5,319,185
Due from related parties		**1,782,939**		**1,782,939**		1,152,108		1,152,108
Financial assets at fair value through profit or loss		**33,565,500**		**33,565,500**		45,643,663		45,643,663
Refundable deposit		**10,624**		**10,624**		10,261		10,261
	₱	**79,106,967**	₱	**79,106,967**	₱	94,500,077	₱	94,500,077
Financial Liabilities:								
Payable to customers		**36,938,201**		**36,938,201**		39,687,885		39,687,885
Loan payable		-		-		2,000,000		2,000,000
Others		**298,907**		**298,907**		199,705		199,705
	₱	**37,237,108**	₱	**37,237,108**	₱	41,887,590	₱	41,887,590

The fair values of financial assets and financial liabilities are determined as follows:

- Due to short-term maturities, the carrying amounts of cash, trade and other receivables, due from related parties, refundable deposit, and trade and other payables (except payable to government agencies) approximate their fair values.
- Loan payable bears market interest rate, hence, Management believes that the carrying amount approximates its fair value.
- Financial assets at fair value through profit or loss are measured at fair values as determined by reference to published price quotations in the PSE at the financial reporting dates.

26.02 Fair Value Measurements Recognized in the Statements of Financial Position

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company used Level 1 to value its financial assets at fair value through profit or loss. Accordingly, fair value of the said investments amounted to ₱33,565,500 and ₱45,643,663 as of December 31, 2022 and 2021, respectively.

The Company used Level 3 to value its investment property. Accordingly, fair value of the investment property amounted to ₱4,247,750 in both years.

There were no transfers between Level 1 and 2 in both years.

26.03 Fair Value Determinations of Assets and Liabilities

The following table provides an analysis of assets and liabilities that are measured at fair value on a recurring and non-recurring basis subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which inputs to valuation techniques are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within the Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

26.03.01 Fair Value Hierarchy

Shown below are the fair values of assets:

Recurring Fair Value Measurements

	Level 1	Level 2	Level 3	Total
2022				
Financial assets at fair value through profit or loss	**₱ 33,565,500**	**₱ -**	**₱ -**	**₱ 33,565,500**
2021				
Financial assets at fair value through profit or loss	₱ 45,643,663	₱ -	₱ -	₱ 45,643,663

Fair Value Disclosure

	Level 1		Level 2		Level 3		Total
2022							
Investment properties	**₱**	-	**₱**	-	**₱**	**4,247,750**	**₱ 4,247,750**
2021							
Investment properties	₱	-	₱	-	₱	4,247,750	₱ 4,247,750

26.03.02 Valuation Technique used to Derive Level 3 Fair Value

The fair value of investment property was derived using the market approach. Market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets. Under market approach, the most significant input into this valuation is by reference to recent sale transaction that transpired during the year near the property.

26.03.03 Highest and Best Use

The Company's non-financial asset is composed of investment property being idle and 1held for capital appreciation. However, as of December 31, 2022 and 2022, the Company assessed the highest and best use of the investment property from the perspective of market participants. The investment property could be developed or converted to property held for leasing. As such, the Company determined that the current use of the investment property is not the asset's highest and best use since the property could be leased out or developed for market participants' use and expected to be used on a stand-alone basis. Management is currently assessing probable options by which it can derive best benefits from the property.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

Management is responsible to monitor and manage the financial risks relating to the operations of the Company and analyzes exposures by degree and magnitude of risks. These risks include market risk which includes position risk and price risk, credit risk which includes counterparty risk, liquidity risk and operational risk.

The Company seeks to minimize the effects of these risks through compliance with policies and exposure limits imposed by the SRC, Implementing Rules and Regulation and PSE Trading Rules. Compliance with the policies and exposure limits is reviewed by the Associated Person and the Management on a continuous basis.

27.01 Market Risk Management

27.01.01 Interest Rate Risk Management

The Company's exposure to interest rate risk arises from its cash deposits in banks which is subject to variable interest rates and fixed interest rates, respectively.

The interest rate risk arising from deposits with banks is managed by means of effective investment planning and analysis and maximizing investment opportunities in various local banks and financial institutions.

27.01.02 Other Price Risk Management

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for trading purposes. The Company actively trades these investments.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

	December 31, 2022			December 31, 2021		
	No. of Shares		**Amount**	No. of Shares		Amount
CLC	**125,000**	**₱**	**150,000**	125,000	₱	207,500
GTCAP	**650**		**282,705**	650		351,000
PSE	**209,700**		**33,132,600**	209,700		45,085,500
STN	**750**		**195**	750		195

		Net Effect to Profit	
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2022			
CLC	**5.91%**	**8,860**	**(8,860)**
GTCAP	**4.87%**	**13,768**	**(13,768)**
PSE	**5%**	**1,655,013**	**(1,655,013)**

		Net Effect to Profit	
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2021			
CLC	8.87%	17,959	(17,959)
GTCAP	3%	10,614	(10,614)
PSE	5.62%	2,545,408	(2,545,408)

The Company's sensitivity to equity prices has not changed significantly from the prior year.

27.02 Credit Risk Management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risks from cash in banks, reserve bank account, trade and other receivables, due from related parties, and refundable deposit, all at amortized cost.

The Company considers the following policies to manage its credit risk:

- Banks

  The Company transacts only to banks with investment grade credit rating. This information is supplied by independent rating agencies. The Company uses other publicly available information such as annual report to monitor the financial status of the banks. The Company assesses the current and forecast information of the banking industry and the macro-economic factors such as GDP, interest, and inflation rates to determine the possible impact to banks.

- Trade and Other Receivables

  The Company transacts only with individuals referred by existing or previous clients. It is the policy of the Company to know and keep essential financial records of its clients. The Company assesses creditworthiness of the client before entering a new trade transaction. The Company also assesses the current and forecast information of the clients' industry and the macro-economic factors such as GDP, interest, and inflation to determine the possible impact to clients.

Financial assets measured at amortized cost are as follows:

		2022		2021
Cash in banks and reserve bank accounts	₱	**37,057,102**	₱	42,372,860
Trade and other receivables - net		**6,688,802**		5,319,185
Due from related parties		**1,782,939**		1,152,108
Refundable deposit		**10,624**		10,621
	₱	**45,539,467**	₱	48,854,774

The calculation of allowance for provision for expected credit losses are based on the following three (3) components:

- Probability of Default (PD)

  PD is the likelihood over a specified period, usually one year that a client will not be able to make scheduled repayments. PD depends not only on the client's characteristics, but, also on the economic environment. PD may be estimated using historical data and statistical techniques.

- Loss Given Default (LGD)

  LGD is the amount of money a company loses when a client defaults on a contract. The most frequently used method to calculate this loss is by comparing the actual total losses and the total amount of potential exposure sustained at the time that a contract goes into default.

- Exposure at Default (EAD)

  EAD is the total value a company is exposed to when a loan default. It refers to the gross carrying amount of financial asset.

Below is the summary of computation of provision for expected credit losses in 2022 and 2021:

	PD rate	**LGD rate**		**EAD**		**ECL**
2022	**a**	**b**		**c**		**d=a*b*c**
Cash in banks and reserve bank account	**0.00%**	**0.00% to 87%**		**37,059,102**		-
Receivable from customers						
T + 0-2	**0.05%**	**0.00%**		**512,196**		-
T + 3-13	**0.30%**	**0.00%**		**27,272**		**545**
T+14 - T+30	**3.93%**	**0.00%**		**5,852**		-
T + 31-365	**3.93%**	**0.00%**		**656,415**		**390,267**
Advances to officers and employees	**0.00%**	**100%**		**351,081**		-
Due from related party	**0.00%**	**100%**		**1,431,858**		-
Receivable from clearing house	**0.00%**	**100%**		**5,719,050**		-
Refundable deposit	**0.00%**	**100%**		**10,621**		-
Others	**0.00%**	**100%**		**158,829**		-
				45,932,276		**390,812**

	PD rate	LGD rate		EAD		ECL
2021	a	b		c		d=a*b*c
Cash in banks and reserve bank account	0.00%	0.00% to 98%	₱	42,372,860	₱	-
Receivable from customers						
T + 0-2	0.05%	0.00%		1,720,261		-
T + 3-13	0.30%	0.67%		1,010,423		20,208
T + 31-365	3.93%	32.79%		1,141,962		361,796
Advances to officers and employees	0.00%	100.00%		333,434		-
Due from related party	0.00%	100.00%		818,674		-
Receivable from clearing house	0.00%	100.00%		1,784,001		-
Refundable deposit	0.00%	100.00%		10,621		-
Others	0.00%	100.00%		44,542		-
			₱	49,236,778	₱	382,004

Cash in Banks and Reserve Bank Account

The Company determined the probability of default rate by considering the following: the credit ratings; the past, current, and forecast performance of Banking Industry; the past, current, and forecast macro-economic factors that may affect the banks; and the current and projected financial information. The Company estimated the probability of default to be nil in both years.

Loss given default rate is calculated by taking into consideration the amount of insured deposit and estimated it to be 0.00% to 87% and 0.00% to 98% in 2022 and 2021, respectively.

Exposure at default is equal to the gross carrying amount of cash in banks and reserve bank account in both years.

Receivable from Customers

The Company determined the probability of default rate by considering the following: aging schedules of receivables from customers for the past five (5) years; breakdown of receivables per year; past, current, and forecast macro-economic information; and correlation between default rates and unemployment rates. The Company estimated the probability of default to be 0.05% for T+0-2, 0.30% for T+3-13, 3.93% for T+14-30 and 3.93% for T+31-365 based on the age of the receivable.

In 2022, loss given default rates are 0% for T+0-2, 0% for T+3-13 while 0% and 0% for T+14-30 and T+31-365, respectively. In 2021, loss given default rates are 0% for T+0-2, 0.67% for T+3-13 while 32.79% for T+31-365, respectively.

Exposure at default is equal to the gross carrying amount of receivables from customer.

The Company assessed that the application of PFRS 9 has minimal impact on the recorded allowance for expected credit losses as of reporting dates However, any future material changes that may arise from the application of PFRS 9 will be adjusted.

Advances to Officers and Employees

The Company estimated the probability of default of advances to officers and employees to be 0.00% in both years.

Loss given default rate is calculated by taking into consideration the amount of due from related parties and estimated to be 100.00% in both years.

Exposure at default is equal to the gross carrying amount of advances to officers and employees in both years.

Receivable from Brokers

The Company estimated the probability of default of receivable from brokers to be 0.00% in both years.

Loss given default rate is calculated by taking into consideration the amount of due from related parties and estimated to be 100.00% in both years.

Exposure at default is equal to the gross carrying amount of receivable from brokers in both years.

Due from Related Parties

The Company's due from related parties is assessed to be collectible; hence, expected credit loss written-off amounting to nil are identified in both years. The Company estimated the probability of default to be 0.00% in both years.

Loss given default rate is calculated by taking into consideration the amount of due from related parties and estimated to be 100.00% in both years.

Exposure at default is equal to the gross carrying amount of due from related parties in both years.

Refundable Deposits

Management believes that the effect of provision for expected credit loss is immaterial to the financial statements as a whole; hence, the Company did not recognize expected credit loss.

27.03 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Weighted Average Effective Interest Rate		Within One (1) Year
December 31, 2022			
Payable to customers	-	₱	**36,938,201**
Others	-		**298,907**
		₱	**37,237,108**
December 31, 2021			
Payable to customers	-	₱	39,687,885
Loan payable	-		2,000,000
Others	-		199,705
		₱	41,887,590

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

	Weighted Average Effective Interest Rate	On Demand	Within one (1) Year	Total
December 31, 2022				
Cash	4.125% / 0.25%	**₱ 37,059,102**	₱ -	**₱ 37,059,102**
Financial assets at fair value through profit or loss	-	-	**33,565,500**	**33,565,500**
Trade and other receivables	-	-	**6,688,802**	**6,688,802**
Due from related parties	-	-	**1,782,939**	**1,782,939**
Refundable deposit	-	-	**10,625**	**10,625**
		₱ 37,059,102	**₱ 42,047,866**	**₱ 79,106,968**
December 31, 2021				
Cash	4.125% / 0.25%	₱ 42,374,860	₱ -	₱ 42,374,860
Financial assets at fair value through profit or loss	-	-	45,643,663	45,643,663
Trade and other receivables	-	-	5,319,185	5,319,185
Due from related parties	-	-	1,152,108	1,152,108
Refundable deposit	-	-	10,621	10,621
		₱ 42,374,860	₱ 52,125,577	₱ 94,500,437

28. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

Management manages the Company's capital to ensure that it will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2021.

Pursuant to Section 42 of Revised Corporation Code of the Philippines, Stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except: (1) when justified by definite corporate expansion projects or programs approved by the board of directors; or (2) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or (3) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies. The Company is in compliance with this requirement.

The Board of Directors has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business, operation and industry.

The Company, in maintaining or adjusting the capital structure, may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. This is to ensure that the financial resources of the Company are adequate and available to absorb unforeseen or unanticipated losses.

The Company monitors capital on the basis of the following:

1. Proportion of net debt to equity.

		2022		2021
Debt	₱	**39,747,950**	₱	49,621,530
Cash		**37,059,102**		42,374,860
Net debt		**2,688,848**		7,246,670
Equity		**46,694,330**		47,749,914
Net debt to equity ratio		**0.06:1**		0.15:1

Debt is defined as total liabilities while equity includes all capital and reserves of the Company that are managed as capital.

2. Rules and regulations of the SRC with respect to the minimum:
   a. Unimpaired paid-up capital;
   b. Net liquid capital; and
   c. RBCA ratio.

The following governs the regulatory capital requirements of the Company under the Amended Implementing Rules and Regulations of the SRC issued by the SEC and SEC Memorandum Circular No. 16 series of 2004:

28.01 Paid-up Capital Requirement

Every Broker Dealer shall maintain the minimum unimpaired paid-up capital as governed by the existing requirements of SRC 28.1. For this purpose, the term "paid up capital" shall include the following:

a. Capital contributions of partners or par value or stated value of common stock;
b. Payment made on subscribed common stock;
c. Par or stated value of preferred stock;
d. Payment made on subscribed preferred stock;
e. Common stock to be distributed (arising from a stock dividend declaration);
f. Additional paid in capital for both common and preferred stocks; and
g. Donated capital.

Under present regulations, the minimum paid-up capital for existing broker dealer participating in a registered clearing agency is ₱30 Million, provided it is not (a) a first-time registrant and (b) is not acquiring the business of existing broker-dealer firms. The Company's paid-up capital is ₱33,000,000 and ₱30,000,000 in 2022 and 2021, respectively. As required under present regulations, the Company has filed a surety bond amounting to ₱12,000,000.

28.02 Net Liquid Capital Requirement

Every broker dealer shall, at all times, have and maintain net liquid capital (NLC) of at least ₱5,000,000 or 5% of the aggregate indebtedness (AI), whichever is higher. However, a broker dealer who deals only with proprietary shares and does not keep the shares under its custody shall maintain an NLC of ₱2,500,000 or 2.5% of the AI, whichever is higher.

NLC is the sum of paid-up capital and equities eligible for NLC less non-allowable assets/equities, and collateralized liabilities as specified in the applicable regulations, provided further, that the following items shall be excluded from eligible equity for NLC:

a. Deferred income tax;
b. Revaluation reserves; and
c. Minority interest and any outside investment in affiliates and associates.

The Company's AI is ₱40,498,989 and ₱41,656,572 as of December 31, 2022 and 2021, respectively.

The Company's NLC is ₱39,048,508 and ₱41,718,081 as of December 31, 2022 and 2021, respectively. Hence, the Company is in compliance with the NLC requirement.

28.03 RBCA Ratio Requirement

Every Broker Dealer shall ensure that its Risk-Based Capital Adequacy (RBCA) ratio is greater than or equal to 1.1, its aggregate indebtedness should not be in excess of 2000% of its NLC at all times, and its core equity is at all times greater than its operational risk requirement (ORR). Core equity is the sum of paid up capital and surplus reserves.

RBCA ratio is the ratio of NLC to the Broker Dealer's total risk exposure (Total Risk Capital Requirement), calculated as the Brokers Dealers NLC divided by its Total Risk Capital Requirement (TRCR), which is the sum of:

a. Operational risk requirement;
b. Credit risk requirement which includes requirements for counterparty risk, settlement risk, large exposure risk, and margin lending/financing risk; and
c. Position or market risk requirement.

The Company's RBCA ratio is 153% and 130% as of December 31, 2022 and 2021, respectively. The Company's RBCA ratio is near the required limit.

The Company's ratio of AI to NLC is 112% and 100% in 2022 and 2021, respectively. The Company is in compliance with the required ratio of AI to NLC.

The Company's core equity is ₱50,079,582 and ₱36,514,807 in 2022 and 2021, respectively. The Company's ORR amounted to ₱1,720,127 and ₱1,630,080 in 2022 and 2021, respectively. Hence, the Company is in compliance with the core equity requirement.

29. RECONCILIATION OF LIABILITY FROM FINANCING ACTIVITIES

Reconciliation of liability arising from financing activities is as follows:

		2022		2021
Balance, January 1	₱	**2,000,000**	₱	-
Changes from financing cash flows				
Proceeds from subordinated liability		**(2,000,000)**		2,000,000
December 31	₱	-	₱	2,000,000

30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issuance by the Board of Directors on March 17, 2023.

31. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS NO. 15–2010

The Bureau of Internal Revenue (BIR) released a revenue regulation dated November 25, 2010 amending Revenue Regulations No. 21-2002 setting forth additional disclosures on Notes to Financial Statements. Below are the disclosures required by the said regulation:

31.01 Taxes and Licenses Paid or Accrued

The details of the Company's taxes and licenses fees paid or accrued in 2022 are as follows:

31.01.01 Output VAT

The Company's total output VAT declared during the year amounted to ₱590,162 based on the amount reflected in the revenue.

31.01.02 Input VAT

An analysis of the Company's input VAT claimed during the taxable year is as follows:

Balance, January 1, 2022	₱	86,964
Goods other than for resale or manufacture		50,360
Domestic purchase of services		211,857
Applied against output VAT		(244,645)
Balance, December 31, 2022	**₱**	**104,536**

31.01.03 Other Taxes and Licenses

An analysis on the Company's other taxes and licenses and permit fees paid or accrued during the taxable year is as follows:

Real property tax	₱	87,684
Permit, clearance and licenses		32,914
Documentary stamp tax		30,000
LTO registration		17,520
Others		71,403
	₱	**239,521**

31.01.04 Withholding Taxes

An analysis on the Company's withholding taxes paid or accrued during the taxable year is as follows:

Expanded withholding taxes	₱	199,804
Withholding tax on compensation and benefits		93,556
	₱	**293,360**

32. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS NO. 19–2011

Pursuant to Section 244 in relation to Section 6(H) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are prescribed to revise BIR Form 1702 setting forth the following schedules. Below are the disclosures required by the said regulation:

32.01 Revenue

The Company's revenue for the taxable year pertains to commission amounting to ₱7,175,772.

32.02 Direct Costs

The following is an analysis of the Company's direct costs net of accruals for the taxable year:

Salaries, wages and bonuses	₱	2,344,230
Agent's commission		1,116,383
Stock exchange fees and dues		271,094
Postage, telephone and telegraph		228,779
Membership dues and subscription		201,056
SSS, PHIC, and HDMF contributions		185,691
Office supplies		112,375
Power, light and water		102,907
Transportation and travel		86,967
Depreciation		73,970
Others		408,750
	₱	**5,132,202**

32.03 Itemized Deductions

The following is an analysis of the Company's itemized deductions net of accruals for the taxable year:

Salaries, wages and bonuses	₱	1,470,227
Condominium fees		842,558
Repairs and maintenance		484,078
Postage, telephone and telegraph		343,169
Professional fees		323,222
Taxes and licenses		239,521
Meetings and conferences		232,525
Power, light and water		154,360
SSS, PHIC, and HDMF contributions		123,794
Insurance		79,664
Office supplies		74,917
Representation and entertainment		71,758
Depreciation		49,313
Fuel and oil		38,096
Transportation and travel		19,882
Others		173,335
	₱	**4,720,419**

SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
A.T. DE CASTRO SECURITIES CORPORATION
(A Wholly-owned Subsidiary of Grupo Salex Incorporated)
Suite 1107 The PSE Tower 28th St. corner
5th Ave., BGC Taguig

We have audited the financial statements of **A.T. DE CASTRO SECURITIES CORPORATION** for the years ended December 31, 2022 and 2021 on which we have rendered the attached report dated March 17, 2023.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Company has only one (1) stockholder owning one hundred (100) or more shares.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until May 28, 2024
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2023
Valid from January 31, 2023 until January 30, 2026
IC Group A Accredited
Accreditation No. 0300-IC
Valid until 2026 audit period

ANTHONY D. PAÑO
Partner
CPA Certificate No.141730
SEC Group A Accredited
Accreditation No. 141730-SEC
Valid until 2025 audit period
BSP Group C Accredited
Accreditation No. 141730-BSP
Valid until 2025 audit period
BIR Accreditation No. 08-007679-000-2022
Valid from March 30, 2022 until March 29, 2025
Tax Identification No. 415-160-393
PTR No. 9567818
Issued on January 4, 2023 at Makati City

March 17, 2023

A.T. DE CASTRO SECURITIES CORPORATION
COMPUTATION OF RISK-BASED CAPITAL ADEQUACY (RBCA) RATIO UNDER SRC RULE 49.1
For the Year Ended December 31, 2022
(In Philippine Peso)

Total assets	86,442,280
Less: Total liabilities	39,747,950
Equity as per books	46,694,330
Adjustments	
Add (Deduct):	
Subordinated liability	-
Deferred income tax	(4,247,018)
Revaluation Reserves	(1,255,714)
Equity eligible for net liquid capital	41,191,598
Less: Ineligible assets	
Trading right and intangible asset	396,000
Intercompany receivables	1,431,858
Property and equipment, net	174,632
All other current assets	551,566
Negative exposure (SCCP)	542,700
Other assets including equity investments in PSE	2,485,812
Total ineligible assets	5,582,568
Net liquid capital (NLC)	35,609,030
Less: Operational risk requirement	1,720,127
Position risk requirement	11,719,650
Counter party risk requirement	
Large exposure risk requirement to single issuer and group of companies	9,843,625
Total risk capital requirement	23,283,402
Net RBCA margin (NLC - TRCR)	12,325,628
Liabilities	39,747,950
Less: Exclusions from aggregate indebtedness	
Subordinated liability	-
Deferred tax liability	-
Others	
Aggregate indebtedness (AI)	39,747,950
5% of Aggregate indebtedness	1,987,398
Required NLC (5% of AI or ₱5 million whichever is higher)	5,000,000
Net risk-based capital excess	30,609,030
Ratio of AI to NLC	112%
RBCA Ratio (NLC/TRCR)	153%

A.T. DE CASTRO SECURITIES CORPORATION

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
PURSUANT TO SRC RULE 49.2 (UNDER ANNEX 49.2 - B)
December 31, 2022
(In Philippine Peso)

	Credits	Debits
Free credit balances and other balances in customer securities accounts:		
Due to customers	30,757,020	
Due to clearing house	-	
Debit balances in customers cash accounts:		
Due from clearing house		5,719,050
Due from other brokers		816
Dividends payable		3,713
Unsecured accounts		147,129
Reduction by 1%		57,191
Total	30,757,020	5,927,899
Net credit balance	24,829,121	

Required reserve (100% of net credit if making a weekly computation or 105% if making a monthly computation)	24,829,121
Special reserve account balance prior to computation	28,306,104
Less: Deposit required	24,829,121
Additional Deposit Required	-

A.T. DE CASTRO SECURITIES CORPORATION

INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS
PURSUANT TO SRC RULE 49.2 (UNDER ANNEX 49.2 - A)
December 31, 2022

1. Customers fully paid securities and excess margin securities not in the broker's or dealer's possession or control as of the December 31, 2016, for which instructions to reduce to possession or control had been issued as of the report date but for which the required action was not taken by respondent within the time frame specified under SRC Rule 49.2 (Annex 49.2 - A):

Market Valuation	₱ NIL
Number of Items	NIL

2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under SRC Rule 49.2 (Annex 49.2 - A):

Market Valuation	₱ NIL
Number of Items	NIL

A.T. DE CASTRO SECURITIES CORPORATION

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

December 31, 2022 and 2021

(In Philippine Peso)

	2022	2021
Subordinated liability, beginning of year	**2,000,000**	-
Change in subordinated liability	**(2,000,000)**	2,000,000
Subordinated liability, end of year	**-**	2,000,000

A.T. DE CASTRO SECURITIES CORPORATION

A REPORT DESCRIBING ANY MATERIAL INADEQUACIES FOUND TO EXIST OR FOUND TO HAVE EXISTED SINCE THE DATE OF THE PREVIOUS AUDIT

December 31, 2022

There were no matters involving the Company's internal control structure and its operations that were considered to be material

A.T. DE CASTRO SECURITIES CORPORATION

RESULTS OF MONTHLY SECURITIES COUNT CONDUCTED PURSUANT TO SRC RULE 52.1-10, AS AMENDED

December 31, 2022

There is no discrepancy in the results of the securities count conducted.

A.T. DE CASTRO SECURITIES CORPORATION
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
For the Years Ended December 31, 2022 and 2021

	2022	2021
A. SHORT-TERM LIQUIDITY RATIO		
CURRENT RATIO	**2.14**	2.37
Current Assets	**80,124,874**	95,294,460
Current Liabilities	**37,505,225**	40,222,146
WORKING CAPITAL TO ASSETS	**1.14**	0.57
(Current Assets - Current Liabilities)	**42,619,649**	55,072,314
Total Assets	**37,505,225**	97,371,444
B. LONG-TERM SOLVENCY		
ASSET TO EQUITY	**0.80**	2.04
Total Assets	**37,505,225**	97,371,444
Shareholders' Equity	**46,694,330**	47,749,914
DEBT TO EQUITY	**0.85**	1.04
Total Liabilities	**39,747,950**	49,621,530
Shareholders' Equity	**46,694,330**	47,749,914
LONG-TERM DEBT TO EQUITY	**0.05**	0.06
Long-Term Debt	**2,242,725**	2,705,923
Shareholders' Equity	**46,694,330**	47,749,914
FIXED ASSETS TO EQUITY	**0.04**	0.04
Fixed Assets - Accumulated Depreciation)	**1,674,388**	1,680,984
Shareholders' Equity	**46,694,330**	47,749,914

A.T. DE CASTRO SECURITIES CORPORATION
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
For the Years Ended December 31, 2022 and 2021

CREDITORS EQUITY TO TOTAL ASSETS	**1.06**	0.51
Total Liabilities	**39,747,950**	49,621,530
Total Assets	**37,505,225**	97,371,444
FIXED ASSETS TO LONG-TERM DEBT	**0.75**	0.62
Fixed Assets - Accumulated Depreciation)	**1,674,388**	1,680,984
Long-Term Debt	**2,242,725**	2,705,923
C. RETURN ON INVESTMENTS		
RATE OF RETURN ON TOTAL ASSETS	**(0.05)**	0.12
Net Profit (Loss)	**(4,640,968)**	10,564,777
Average Total Assets	**91,906,862**	89,285,464
RATE OF RETURN ON EQUITY	**(0.10)**	0.25
Net Profit (Loss)	**(4,640,968)**	10,564,777
Average Stockholders' Equity	**47,222,122**	42,443,625
D. PROFITABILITY RATIOS		
GROSS PROFIT RATIO	**0.26**	0.44
Gross Income	**1,882,451**	3,599,305
Commision Income	**7,175,772**	8,166,861
OPERATING INCOME TO COMMISSION IN	**(1.91)**	1.54
Income (Loss) from Operations	**(13,707,357)**	12,562,639
Commission Income	**7,175,772**	8,166,861

A.T. DE CASTRO SECURITIES CORPORATION
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
For the Years Ended December 31, 2022 and 2021

PRETAX INCOME TO COMMISSION INCOM	**(1.91)**	1.54
Pretax Income (Loss)	**(13,707,357)**	12,562,639
Commission Income	**7,175,772**	8,166,861
NET INCOME TO COMMISSION INCOME	**(0.65)**	1.29
Net Income (Loss)	**(4,640,968)**	10,564,777
Commission Income	**7,175,772**	8,166,861
E. INTEREST COVERAGE RATIO		
INTEREST COVERAGE RATIO	**-**	-
Net Income (Loss) Before Interest and Tax	**13,707,357**	(12,562,639)
Interest Expense	**-**	-