206292234709729

SECURITIES AND EXCHANGE COMMISSION

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SEC Registration No.	A200002127
Company Name	KINGS POWER SECURITIES INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

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Page 1 of 73 pages
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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

KING'S POWER SECURITIES, INC.

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

UNIT 1706-1707 PSE TOWER
5TH AVENUE CORNER 28TH STREET
BONIFACIO GLOBAL CITY
TAGUIG CITY

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

COMPANY INFORMATION

Company's email Address	Company's Telephone Number	Mobile Number
kings_389@yahoo.com.ph	8242-3048 or 49	8241-1417

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
9		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
KIMBERLY CHAN	kingpowersec@gmail.com	8242-3048 or 49	0917-8903389

CONTACT PERSON's ADDRESS

Rm. 1602 FEDERAL TOWER DASMARIÑAS ST., BINONDO, MANILA

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 thirthy (30) calendar days from the occurance 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.*

KING’S POWER SECURITIES, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2022

TEODORO SANTAMARIA AND CO.
CERTIFIED PUBLIC ACCOUNTANTS

Suite 2108 Cityland 10 Tower 1
156 H.V. Dela Costa St.
Salcedo Village 1226
Makati City, Philippines
Tel. (632) 8869-4309
(632) 8856-3649
Fax: (632) 8812-4202
Email: info@tsc.ph

Trust Service Commitment

Supplemental Written Statement Accompanying
Report of Independent Auditors

The Board of Directors and Stockholders
King's Power Securities, Inc.
Unit 1706 – 1707 PSE Tower
5th Ave. Cor. 28th St., Bonifacio
Global City, Taguig City

We have audited the financial statements of King's Power Securities Inc. for the year ended December 31, 2022 on which we have rendered the attached report dated March 13, 2023.

In compliance with SRC Rule 68 we are stating that the above Company has a total number of nine (9) shareholders, all of whom own one hundred (100) or more shares each.

TEODORO SANTAMARIA AND CO.

By: Rachel Lydia T. Santamaria
Partner
CPA License No. 083524
Valid until December 9, 2023
BOA Accreditation No. 5593
Valid until September 26, 2024
SEC Accreditation No. 83524-SEC (Individual)
Valid until 2025 Financial Statements of SEC covered institutions
SEC Accreditation No. 5593-SEC (Firm)
Valid until 2025 Financial Statements of SEC covered institutions
BIR A.N. 08-008055-001-2022 (Individual)
Valid until March 30, 2025
BIR A.N. 08-008055-000-2022 (Firm)
Valid until March 30, 2025
T.I.N. 102-921-088
PTR No.9574972 / Makati City
January 11, 2023

March 13, 2023
Makati City, Philippines

KING'S POWER SECURITIES, INC.
MEMBER: PHILIPPINE STOCK EXCHANGE

Unit 1706-1707 PSE Tower
5th Avenue corner 28th Street,
Bonifacio Global City, Taguig City

Tel. Nos.: 8242-3048/49 or 8242-3055
Fax No. 8241-1417
Email Address: kings_389@yahoo.com.ph

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION
Philippine International Convention Center
Pasay City

The Management of King's Power Securities Inc. (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Teodoro Santamaria and Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its reports to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

CARLOS J. CHING
Chairman of the Board and President

JANESSA C. ANG
Treasurer

Signed this 13th day of March 2023.

TEODORO SANTAMARIA AND CO.
CERTIFIED PUBLIC ACCOUNTANTS

Suite 2108 Cityland 10 Tower 1
156 H.V. Dela Costa St.
Salcedo Village 1226
Makati City, Philippines
Tel. (632) 8869-4309
(632) 8856-3649
Fax: (632) 8812-4202
Email: info@tsc.ph
Trust Service Commitment

Report of Independent Auditors

The Board of Directors and Stockholders
King's Power Securities, Inc.
Unit 1706 – 1707 PSE Tower
5th Ave. Cor. 28th St., Bonifacio
Global City, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **King's Power Securities, Inc.**, which comprise the statements of financial position as at December 31, 2022 and 2021, and the related statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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 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 audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Status of Operations

As discussed in Note 1, the Capital Markets Integrity Corporation (CMIC) and The Philippine Stock Exchange (PSE) has, in a resolution dated December 15, 2020, approved the application for voluntary suspension of King's Power Securities, Inc. (the Company) after its compliance with the relevant rules and regulations of PSE and the CMIC.

The Company cited financial incapacity brought about by the decrease in trading transactions and the on-going pandemic in its application for voluntary suspension which shall be effective beginning January 1, 2021 until December 31, 2021. The client accounts of the Company have been transferred to the following successor-brokers: COL Financial Group, Inc., Solar Securities, Inc. and Quality Investments & Securities Corporation.

On November 29, 2021, the CMIC did not interpose any objection on the Company's application for extension of it's voluntary suspension from January 1 to December 31, 2022, without prejudice to the requirements of the PSE and other regulatory authorities. (See Note 28)

On October 26, 2022, the Board of Directors of PSE denied the request of the Company for another full year extension instead resolved to grant a final extension of six (6) months beginning January 1, 2023 until June 30, 2023.

The Company intends to continue its operations after the voluntary suspension and has no plans of liquidating in the near future. Hence, the Company continues to use the going-concern basis in accounting for its financial statements.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Supplemental Information required by the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 30 of the Notes to Financial Statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management and 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 materials respects in relation to the basic financial statements taken as a whole.

Report on Supplementary Information required by the Securities and Exchange Commission

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in the attached Schedules 1 to 7 is presented for the purpose of filing with the Securities and Exchange Commission as required under the Revised Securities Regulation Code, (SRC) Rule 68, and is not a required part of the basic financial statements. Such information is the responsibility of the management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all materials respects in relation to the basic financial statements taken as a whole.

TEODORO SANTAMARIA AND CO.

By: Rachel Lydia T. Santamaria
Partner
CPA License No. 083524
Valid until December 9, 2023
BOA Accreditation No. 5593
Valid until September 26, 2024
SEC Accreditation No. 83524-SEC (Individual)
Valid until 2025 Financial Statements of SEC covered institutions
SEC Accreditation No. 5593-SEC (Firm)
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Valid until March 30, 2025
BIR A.N. 08-008055-000-2022 (Firm)
Valid until March 30, 2025
T.I.N. 102-921-088
PTR No.9574972 / Makati City
January 11, 2023

March 13, 2023
Makati City, Philippines

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Metro Manila, Philippines

ANNUAL AUDITED FINANCIAL STATEMENTS

Information Required of Brokers and Dealers Pursuant to Rule 37 (a)-6 to the Revised Securities Act.

Report for the Period Beginning January 1, 2022 to December 31, 2022

IDENTIFICATION OF BROKER OR DEALER

Name of Dealer: KING'S POWER SECURITIES, INC

Address of Principal Place of Business: Unit 1706 - 1707 PSE Tower
5th Ave. Cor. 28th St., Bonifacio
Global City, Taguig City

Name and Phone Number of persons to Contact in Regards to this Report:

Name: Ms. Alma De Leon
Tel. No. 8242-3048
Fax. No. 8241-1417

IDENTIFICATION OF ACCOUNTANT

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

Name: TEODORO SANTAMARIA AND CO Telefax No. 8812-4202

Address: Suite 2108 Cityland 10 Tower 1, 156 H.V. Dela Costa St.,
Salcedo Village, Makati City.

CPA Certificate Number:	083524	Valid until: December 9, 2023
SEC Accreditation Number:	83524-SEC	Valid until: 2025
PTR Number:	9574972	Date Issued: January 11, 2023

KING'S POWER SECURITIES, INC.

STATEMENTS OF FINANCIAL POSITION

	Notes	As of December 31		Market Value of Securities			
				December 31, 2022		December 31, 2021	
		2022	2021	Long	Short	Long	Short
		(In Philippine Peso)					
Assets							
Current assets							
Cash	7	**2,951,091**	2,371,946				
Prepayments	13	**9,059,147**	9,959,741				
Total current assets		**12,010,238**	12,331,687				
Non-current assets							
Financial assets at FVOCI, net	10	**3,000,000**	3,000,000				
Investment property	11	**166,276,197**	166,276,197				
Property and equipment, net	12	**35,270,980**	33,372,483				
Trading right	13	**8,000,000**	9,000,000				
Deferred tax assets	25	**1,826,502**	1,636,908				
Other non-current assets	13	**240,261**	98,714				
Total non-current assets		**214,613,940**	213,384,302				
Total assets		**226,624,178**	225,715,989				
Securities							
In box, with Philippine Central Depository, Inc., transfer offices and clearing house							

-forward-

-forwarded-

		As of December 31		Market Value of Securities			
				December 31, 2022		December 31, 2021	
	Notes	**2022**	2021	Long	Short	Long	Short
		(In Philippine Peso)					
Liabilities and Equity							
Current liabilities							
Loans payable - current	16	**74,000,000**	64,000,000				
Other current liabilities	15	**2,792,415**	603,509				
Total current liabilities		**76,792,415**	64,603,509				
Non-current liabilities							
Loans payable	16	**13,500,000**	31,500,000				
Deferred tax liability	25	**1,712,253**	1,578,087				
Retirement liability	24	**306,010**	547,633				
Other non-current liabilities	17	**10,577,889**	8,702,456				
Total non-current liabilities		**26,096,152**	42,328,176				
Total liabilities		**102,888,568**	106,931,685				
Equity							
Share capital	18	**100,000,000**	100,000,000				
Reserves	10,24	**6,595,963**	6,193,466				
Retained earnings							
Appropriated	19	**5,630,403**	5,175,523				
Unappropriated	19	**11,509,243**	7,415,315				
Total equity		**123,735,610**	118,784,304				
Total liabilities and equity		**226,624,178**	225,715,989	-	-	-	-

See accompanying notes to financial statements.

KING'S POWER SECURITIES, INC.

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	For the year ended December 31	
		2022	2021
		(In Philippine Peso)	
Revenue			
Commission revenue	20	**-**	326,498
Cost of services	20	**(623,458)**	(608,776)
Gross loss		**(623,458)**	(282,278)
Other revenue	21	**20,907,446**	20,419,739
Operating expense	22	**(10,638,211)**	(9,347,951)
Finance cost	16	**(3,351,503)**	(3,506,937)
Income before income tax		**6,294,274**	7,282,573
Income tax expense	25	**(1,745,466)**	(2,682,358)
Net income		**4,548,809**	4,600,215
Other comprehensive income:			
Not to be reclassified in profit or loss in subsequent periods:			
Actuarial gain on retirement liability, net of tax	24	**402,497**	1,381,475
Total comprehensive income		**4,951,306**	5,981,690

See accompanying notes to financial statements.

KING'S POWER SECURITIES, INC.

STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2022 and 2021

(In Philippine Peso)

	Share Capital (Note 18)	**Net Unrecognized Actuarial Gains (Losses) on Retirement Liability** (Note 24)	**Market Adjustment** (Note 10)	**Retained Earnings** (Note 19)		**Total**
				Appropriated	**Unappropriated**	
Balance, January 1, 2021	100,000,000	2,806,711	1,804,800	4,715,501	3,637,637	112,964,649
Total comprehensive income	-	1,381,475	-	-	4,600,215	5,981,690
Adjustment on changes of tax rate	-	200,480	-	-	-	200,480
Adjustment to MCIT	-	-	-	-	(362,515)	(362,515)
Appropriation per SRC rule. 49.1 (B)	-	-	-	460,022	(460,022)	-
Balance, December 31, 2021	100,000,000	4,388,666	1,804,800	5,175,523	7,415,315	118,784,304
Total comprehensive income	-	402,497	-	-	4,548,809	4,951,306
Appropriation per SRC rule. 49.1 (B)	-	-	-	454,881	(454,881)	-
Balance, December 31, 2022	**100,000,000**	**4,791,163**	**1,804,800**	**5,630,403**	**11,509,243**	**123,735,610**

See acompanying notes to financial statements.

KING'S POWER SECURITIES, INC.

STATEMENTS OF CASH FLOWS

	Notes	For the year ended December 31 2022	2021
		(In Philippine Peso)	
Cash flows from operating activities			
Income before income tax		**6,294,274**	7,282,573
Adjustments for -			
Depreciation	12,22	**617,871**	465,289
Provision for retirement liability	22,24	**295,040**	474,704
Interest income	7,21	**(3,522)**	(11,239)
Provision/(Reversal) of impairment	13,21,22	**1,000,000**	(500,000)
Operating profit before working capital changes		**8,203,663**	7,711,327
Decrease / (Increase) in -			
Prepayments and other current assets	13	**900,594**	(156,958)
Increase/ (Decrease) in -			
Other current liabilities	15	**2,188,906**	(546,147)
Cash generated from operations		**11,293,163**	7,008,222
Benefits paid	24	**-**	(634,392)
Interest received	7,21	**3,522**	11,239
Income tax paid		**(1,935,060)**	(287,317)
Net cash provided by operating activities		**9,361,625**	6,097,752
Cash flow from investing activities			
Change in non-current asset	13	**(141,547)**	742,259
Change in non-current liabilities	17	**1,875,433**	-
Acquisition of property, plant and equipment	12	**(2,516,368)**	-
Net cash (used in)/provided by investing activities		**(782,481)**	742,259
Cash flow from financing activity			
Loan repayment, net	16	**(8,000,000)**	(49,000,000)
Net cash used in financing activity		**(8,000,000)**	(49,000,000)
Net increase/(decrease) in cash		**579,145**	(42,159,989)
Cash, January 1		**2,371,946**	44,531,935
Cash, December 31	7	**2,951,091**	2,371,946

See accompanying notes to financial statements.

Supplementary disclosure arising from non-cash transactions from financing and investing activities

Non-cash transactions in the statements of cash flows include the changes in the retirement liability that was incorporated in net unrecognized actuarial gain net of adjustment in tax rates totalling P402,497 in 2022 and P1,581,955 in 2021 under the reserve account.

NOTES TO FINANCIAL STATEMENTS
(Amounts in Philippine Peso, unless otherwise stated.)

1. Corporate Information

King's Power Securities, Inc. (the Company) was incorporated in the Philippines, registered with the Securities and Exchange Commission with SEC Reg No. A200002127 on February 24, 2000 primarily to engage in and carry on the business of dealing, purchasing or otherwise acquiring, owning, holding, managing using or obtaining an interest, in all kinds of securities, including but not limited to, shares of stock, bonds, debentures, warrants, notes and other debts securities.

The Company's registered office, which is also its principal place of business, is located at Room 1602 Federal Tower Dasmarinas St., Binondo, Manila. The Company employed 7 and 13 office personnel in years 2022 and 2021, respectively.

On May 16, 2022, the Securities and Exchange Commission (SEC) approved the Company's amended Articles of Incorporation changing its principal office to Unit 1706 – 1707 PSE Tower, 5th Avenue Corner 28th Str., Bonifacio Global city, Taguig City.

The financial statements of the Company as at and for the years ended December 31, 2022 and 2021 were authorized for issue by the Company's Board of Directors (BOD) on March 13, 2023.

Status of Operations
The Capital Markets Integrity Corporation (CMIC) and The Philippine Stock Exchange (PSE) has, in a resolution dated December 15, 2020 approved the application for voluntary suspension of King's Power Securities, Inc. (the Company) after its compliance with the relevant rules and regulations of PSE and the CMIC.

The Company cited financial incapacity brought about by the decrease in trading transactions and the on-going pandemic in its application for voluntary suspension which shall be effective beginning January 1, 2021 until December 31, 2021. The client accounts of the Company have been transferred to the following successor-brokers: COL Financial Group, Inc., Solar Securities, Inc. and Quality Investments & Securities Corporation.

On November 29, 2022, the CMIC did not interpose any objection on the Company's application for extension of it's voluntary suspension from January 1 to December 31, 2022, without prejudice to the requirements of the PSE and other regulatory authorities. (See Note 28)

On October 26, 2022, the Board of Directors of PSE denied the request of the Company for another full year extension instead resolved to grant a final extension of six (6) months beginning January 1, 2023 until June 30, 2023.

The Company intends to continue its operations after the voluntary suspension and has no plans of liquidating in the near future. Hence, the Company continues to use the going-concern basis in accounting for its financial statements.

2. Summary of Significant Accounting Policies

Statement of Compliance

The accompanying financial statements were prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), Interpretation of the Philippine Interpretations Committee (PIC), Standing Interpretation Committee (SIC), and International Financial Reporting Standards Interpretations Committee (IFRS IC) which have been adopted by the Financial Reporting Standards Council (FRSC) and approved by the Board of Accountancy (BOA) and the SEC.

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost convention method, as modified for financial assets at FVPL, financial assets at FVOCI and financial assets at amortized cost. The preparation of the financial statements in accordance with PFRS requires the use of critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in Note 3.

Functional and Presentation Currency

These financial statements are presented in Philippine Peso, the Company's functional currency and all values are rounded to the nearest Peso, except when otherwise indicated.

Current Versus Non-current Classification

The Company presents assets and liabilities in the statement of financial position on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The accounting policies adopted by the Company are consistent with those of the previous financial year, except for the adoption of the following new standards and amendment to standards effective in 2022.

Except as otherwise indicated, the adoption of these new standards and amendment to standards did not significantly affect the financial statements of the Company.

- *Amendments to PFRS 3 Reference to the Conceptual Framework*
  The amendments to PFRS 3 Business Combination – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

  The Board also added an exception to the recognition principle of PFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37 or IFRIC Levies, if incurred separately.

  At the same time, the Board decided to clarify existing guidance on PFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

- *Amendments to PAS 16 Property, Plant and Equipment: Proceeds before Intended Use*
  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- *Amendment to PAS 37 Onerous Contracts – Cost of Fulfilling a Contract*
  The amendments specify which cost an entity needs to include when assessing whether a contract is onerous or loss-making.

  The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless there are explicitly chargeable to the counterparty under the contract.

Annual Improvements to IFRS Standards 2018-2020 Cycle:

- *Amendments to PFRS 1 First-time Adoption of Philippine Financial Reporting Standards-Subsidiary as a first-time adopter*
  Annual improvements to PFRS standards process, the amendment to PFRS 1 First-time Adoption of Philippine Financial Reporting Standards. The amendments permit a subsidiary that elects to apply paragraph D16 (a) of PRFS 1 to measure cumulative translation difference using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of PFRS 1.

- *Amendment to PFRS 9 Financial Instruments – Fee in the '10 per cent' test for derecognition of financial liabilities*
  As part of its 2018-2020 annual improvements to PFRS, the amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning on the annual reporting period in which the entity first applies the amendment.

- *Illustrative Example Accompanying PFRS 16 Lease – Lease Incentives*
  The improvement merely removes from the example the illustration of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.

- *Amendments to PAS 41*, *Agriculture, Taxation in Fair Value Measurements*
  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flowsfor taxation when measuring the fair value of assets within the scope of PAS 41.

Future Adoption of New or Revised and Amendments to Standards
The Company will adopt the following new standards and amendments to standards when these become effective and applicable. Except as otherwise indicated, the Company does not expect the adoption of these new standards and amendments to standards to have a significant effect on the financial statements.

Effective for annual periods beginning on or after January 1, 2023. The following amendments are not expected to have a material effect on the Company, unless otherwise stated:

- *Amendments to PFRS 17 Insurance Contracts*
  The amendments to PFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4 Insurance Contracts (PFRS 4) that was issued in 2005. PFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

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

  The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts.

  PFRS 17 is effective for reporting periods beginning on or after 1 January 2023 (amended to January 1, 2025), with comparative figures required. Early application is permitted provided the entity also applies PFRS 9 and PFRS 15 on or before the date it first applies PFRS 17.

These amendments are not applicable and have no significant impact on the Company's financial performance and financial position.

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

  The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

- *Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure of Accounting Policies*
  The amendments to PAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to PFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments to PAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

- *Amendments to PAS 8 Definition of Accounting Estimates*
  The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to PAS 8 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

- *Amendments to PAS 12 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*
  The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

Significant Accounting Policies

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

Foreign currency translation
Transactions in foreign currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the functional currency rate of exchange ruling at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income, the gain or loss is then recognized net of the exchange component in other comprehensive income.

Financial instruments
Date of recognition
Financial instruments are recognized in the statements of financial position when the Company becomes a party to the contractual provisions of the instrument. All regular way of purchases or sales of financial assets are recognized on the trade date, which is the date the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The Company has no financial liabilities at FVPL or derivatives for the calendar years ended December 31, 2022 and 2021.

Classification, measurement and reclassification of financial assets
The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below and in the succeeding pages.

Financial assets at amortized cost
Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("held to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

All financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Where the business model is to hold assets to collect contractual cash flows, the Company assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Loans and Other receivables, Investment securities at amortized cost and certain accounts under Other Assets account in the statement of financial position. For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, and investment securities at amortized cost with original maturities of three months or less from placement date.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of income as part of Interest Income.

Financial assets at fair value through other comprehensive income
The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Company for trading or as mandatorily required to be classified as FVPL. The Company has designated equity instruments as at FVOCI on initial application of PFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of NUGL account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the NUGL account is not reclassified to profit or loss but is reclassified directly to Surplus Free account except for those debt securities classified as FVOCI wherein fair value changes are recycled back to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss as part of Miscellaneous under Other Operating Income account, when the Company's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and, the amount of dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

Financial assets at fair value through profit or loss
Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVPL. Also, equity securities are classified as financial assets at FVPL, unless the Company designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Company's financial assets at FVPL include equity securities which are held for trading purposes or designated as at FVPL. Financial assets at FVPL are measured at fair value with gains or losses recognized in profit or loss as part of Trading Gain – net under Other Operating Income in the statements of income. Related transaction costs are recognized directly as expense in profit or loss.

The fair values of these financial assets are determined by reference to active market transactions or using valuation technique when no active market exists. Interest earned on these investments is recorded as Interest Income and dividend income is reported as part of Dividends both under Other Income account in the statements of income. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI. The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes.

Accordingly, the Company is required to reclassify financial assets:

(i) from amortized cost to FVPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and,

(ii) from FVPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will take effect only at the beginning of the next reporting period following the change in the business model.

Effective interest rate method and interest income

Interest income is recognized using the effective interest rate (EIR) method for all financial instrument measured at amortized cost and financial instrument designated at FVPL. Interest income on interest bearing financial assets measured at FVOCI are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. The EIR is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of EIR. The Company recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan.

Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges). If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive (negative) adjustment to the carrying amount of the asset in the balance sheet with an increase (reduction) in Interest income. The adjustment is subsequently amortized through interest and similar income in the statements of income. The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Impairment of financial assets

The Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost, debt instruments measured at FVOCI and other contingent accounts. No impairment loss is recognized on equity investments. Recognition of credit losses or impairment is no longer dependent on the Company's identification of a credit loss event. Instead, the Company considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments for which they are measured as 12-month ECL:

- debt securities that are identified to have 'low credit risk' at the reporting date; and,
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for impairment is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). Unless there has been a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments). 'Stage 2' financial instruments also include those loan accounts and facilities where the credit risk has improved and have been reclassified from 'Stage 3'. A lifetime ECL shall be recognized for 'Stage 3' financial instruments, which include financial instruments that are subsequently credit-impaired, as well as purchased or originated credit impaired (POCI) assets.

Measurement of ECL The key elements used in the calculation of ECL are as follows:

- Probability of Default (PD) – it is an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.
- Loss Given Default (LGD) – it is an estimate of loss arising in case where a default occurs at a given time (either over the next 12 months or 12-month LGD), or over the remaining lifetime or lifetime LGD). It is based on the difference between the contractual cash flows of a financial instrument due from a counter party and those the Company would expect to receive, including the realization of any collateral. It is presented as a percentage loss per unit of exposure at the time of default.
- Exposure at Default (EAD) – it represents the gross carrying amount of the financial instruments subject to impairment calculation; hence, this is the amount that the Group expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD). In case of a loan commitment, the Company shall include the undrawn balance (up to the current contractual limit) at the time of default should it occur.

The measurement of the ECL reflects:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(ii) the time value of money; and,

(iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

<u>Derecognition of financial assets</u>

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

<u>Other financial receivables</u>

Other financial receivables include "Trade receivables" which are recorded when due and measured at the original invoice amount then subsequently carried at amortized cost less allowance from any uncollectible amount. The carrying value of insurance receivables is reviewed from impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in the Statement of comprehensive income.

Impairment of financial assets at amortized cost
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the statements of comprehensive income. The asset together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statements of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

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

The principal or the most advantageous market must be accessible to the Company.

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

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

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

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

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

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

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

<u>Other financial liabilities</u>
Issued financial instruments or their components, which are not classified as financial liabilities at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder or lender, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. The amortization is included as part of interest expense in the statements of comprehensive income. Any effect of restatement of foreign currency-denominated liabilities is recognized in foreign exchange gains/(losses) account in the statements of comprehensive income.

As at December 31, 2022 and 2021, the Company's other financial liabilities include trade payables, payable to non-customers and other current liabilities, except taxes payable, accrued expenses and due to SSS/PHIC and HDMF.

<u>Derecognition of financial liabilities</u>
Financial liabilities are derecognized in the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

<u>Derivative financial instruments</u>
Derivatives are initially recognized at fair value on the date on which derivative contract is entered into and are subsequently measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate.
All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The best evidence of the fair value of a derivative at initial recognition is the transaction price (the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data

from observable markets. When such evidence exists, the Company recognizes profit or loss at initial recognition. When entering into a transaction, the financial instrument is recognized initially at the transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price.

This initial difference in fair value indicated by valuation techniques is recognized as profit or loss depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable. The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks as well as other factors.

Financial assets are no longer bifurcated; instead, the whole instrument (including the host contract) is measured at FVPL. Certain derivatives, if any, may be designated as either:

(i) hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge); or,
(ii) hedges of highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedge).

Changes in the fair value of derivatives are recognized in profit or loss. The method of recognizing the resulting fair value gain or loss on derivatives that qualify as hedging instrument, if any, depends on the hedging relationship designated by the Company.

As of December 31, 2022 and 2021, the Company has no derivative financial instruments.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

Investment property
Investment property refers to properties held to earn rentals or for capital appreciation or both.

Investment property shall be recognized as an asset when it is probable that the future economic benefit that are associated with the investment property will flow to the entity and the cost of the Investment Property can be measured reliably.

Investment Property is measured initially at acquisition cost. Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to the asset when initially recognized.

Following initial recognition at cost, investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on the straight- line basis over the estimated useful lives of the investment property.

An investment property's carrying amount is written down immediately to its recoverable amount.

The residual value and estimated useful life of investment property is reviewed, and adjusted if appropriate, at each reporting date to ensure that the residual values, period and method of depreciation and amortization are consistent with expected pattern of economic benefits from invested property, and adjusted if appropriate, at each reporting date.

Derecognition of investment property
Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in profit or loss in the period of the retirement or disposal.

Transfers are made to investment property only when there is change in use, evidenced by ending of owner-occupation, or commencement of an operating lease to another party. Transfers are made from investment property only when there is change in use, evidenced by commencement of owner- occupation or commencement of development with view to sell.

Property and equipment
Property and equipment, including owner-occupied properties, are computed at cost less accumulated depreciation, amortization and accumulated impairment in value. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Condominium unit	5-20 years
Furniture and fixtures	5 years
Transportation equipment	5 years

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to operations as incurred. Leasehold improvements are amortized over estimated useful life of the improvements or the term of the relate lease, whichever is shorter. When assets are sold, retired or otherwise disposed of, their cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss charged to current operations.

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at each reporting period.

Derecognition of property and equipment
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of comprehensive income in the year the item is derecognized. This is not applicable to items that still have useful lives but are currently classified as idle. Depreciation continues for those items until fully depreciated or disposed.

Intangible assets
Intangible asset include trading rights. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful lives (ranging from 3 to 10 years) as the lives of these intangible assets are considered limited. In addition, other intangible assets are subject to impairment testing

Trading Right
Trading right represents the value from the conversion of former exchange seat to 50,000 PSE shares and Rights after demutualization of the exchange in August 2001 and the listing of PSE shares on December 2003 which allows the Company to trade in the Philippines Stock Exchange (PSE). This asset is classified as having an indefinite useful life and shall not be amortized. The useful life of this asset is reviewed every period to determine whether events and circumstances continue to support an indefinite useful life assessment.

The Company recognized its trading right initially at cost. After initial recognition, the trading right is carried at cost less impairment loss.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater that its estimated recoverable amount.

Trading right is tested annually for impairment and carried at cost less allowance for impairment.

Impairment of non-financial assets
At each reporting date, the Company assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists (or when annual impairment testing for an asset is required), the Company estimates the recoverable amount of the impaired assets. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less cost of disposal. Where the carrying amount of an asset exceeds its recoverable amount, the impaired asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.An impairment loss is charged to profit or loss in the period when it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged directly to the revaluation increment of the said asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the net recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount.

The reversal can be made only to the extent that the resulting carrying value does not exceed the carrying value that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Leases

Policy Applicable upon adoption of PFRS 16

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses definition of a lease in PFRS 16. This policy is applied to contracts entered into on or after January 1, 2019.

Short-term Leases and Leases of Low-Value Assets

The Company has elected not to recognize right-of-use assets and liabilites for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Related party relationships and transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (2) associates; (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

Transactions between related parties are accounted for at arms' length prices or on terms similar to those offered to non-related entities in an economically comparable market.

Equity

Share capital is determined using the par value of shares that have been issued.

Retained earnings include all current and prior period results as disclosed in the statements of comprehensive income.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized;

- Commission- Revenue is recognized upon confirmation of trade deals computed on an agreed flat rate for every trade transactions.
- Interest- Revenue is recognized as the interest accrues (taking into account the effective yield on the interest)
- Dividends- Revenue is recognized when the shareholders' right to receive the payment is established.
- Gain on sale of financial assets at FVPL is recognized upon actual derecognition of the financial assets, and the ownership of the financial asset had been transferred to the buyer.

Revenue is measured by reference to the fair value of consideration received or receivable by the Company.

Costs and expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease equity, other than those relating to distributions to equity participants. Cost and expense are recognized when the related revenue is earned or when the service is incurred.

Retirement benefits
Retirement liability, as presented in the statement of financial position, is the aggregate of the present value of the defined benefit liability at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for the effect of limiting a net defined asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under defined benefit plan is actuarially determined using the projected unit credit method. The retirement benefit costs comprise of the service cost, net interest on the net defined liability or asset and the remeasurements of net defined liability or assets.

Service costs which include service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendments or curtailments occurs. These amounts are calculated periodically by independent qualified actuaries.

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

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

Termination benefits
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of other employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Income taxes
Current tax assets or liabilities comprise those claims from, or obligation to, taxation authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statements of comprehensive income.

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

Under the balance sheet liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against deductible temporary differences.

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

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statement of comprehensive income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

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

Earnings per share

Earnings per share is computed by dividing net profit by the weighted average number of shares subscribed and issued and outstanding at the end of the year.

Provisions and contingencies

Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

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

Contingent liabilities are not recognized in the financial statements, however, they are disclosed in those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

Events after reporting period

Events after reporting period that provide additional information about the Company's position at reporting period (adjusting events) are reflected in the financial statements. Post year-end non-adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments and Estimates

The Company's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

Determination of functional and presentation currency

The Company has determined that its functional currency is the Philippine Peso, which is the currency of the primary environment in which the Company operates and its revenue and expenses are denominated in Philippine Peso.

Categories of financial instruments

The Company classifies a financial instrument, or its component parts, on initial recognition as financial assets, a financial liability or an equity instrument based with the substance of the contractual arrangement and the definitions of financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classifications in the statement of financial position. The Company determines the classifications at initial recognition and re-evaluates this designation at every financial reporting period (Please see Note 5).

Impairment of financial assets

The Company determines when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its costs; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Provisions and contingencies

Judgment is exercise by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2 – Provisions.

Valuation of financial instruments

The Company carries certain financial instruments at fair value which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence from observable active markets and other valuation techniques including the use of mathematical models. However, the amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity.

Management valuation methods and assumptions in determining the fair value of the Company's financial instruments are discussed in Note 5

Estimates
The estimates and assumptions used in the financial statements are based upon managements' evaluation of relevant facts and circumstances of the Company's financial statements. Actual results could differ from those estimates. The following are the relevant estimates performed by Management on its 2022 and 2021 financial statements:

Impairment of receivables
Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

Allowance for impairment losses of receivables
Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

The Company recognized fair value loss on its financial assets at FVPL amounting to nil both in 2022 and 2021 in the Statement of Comprehensive Income.

Useful lives of property and equipment
The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of assets. In addition, estimation of the useful lives of property and equipment is based on 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 estimated useful lives of property and equipment would increase recorded operating expenses and decrease non-current assets.

Property and equipment, net of accumulated depreciation, amounted to P35,270,980 in 2022 and P33,372,483 in 2021. (Please see Note 12).

Realizable amount of deferred taxes
The Company reviews its deferred taxes at each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Impairment of non-financial assets
PFRS requires that an impairment review be performed when certain impairment indicators are present. The Company's policy on estimating the impairment of non-financial asset is discussed in detail in Note 2 – Impairment of non-financial assets. Though management believes 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 effect on the results of operations. Based on Management assessment, there is no impairment loss on non-financial assets needed to be recognized in 2022 and 2021.

Retirement benefits
The determination of the Company's obligation and a cost of pension and other retirement benefits is depend on the selection of certain assumptions used by actuaries in calculating in such amounts. Those assumptions are described in Note 24 and include, among others, discount rates and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

4. Risk Management Objectives and Policies

The Company's principal financial instruments comprise of financial assets at FVPL, cash, trade receivables and trade payables. The Company has also various financial assets such as advances to officers and employees and financial assets at FVOCI while it's other financial liabilities are trade payable to non-customers and other current liabilities which directly arise from its operations.

Since the Company is exposed to a variety of risks such as credit risk, liquidity risk, and market risk, the Board of Directors makes it a point to have adequate risk management guiding principles, which will institutionalize a focused approach in addressing its exposure to different business risks.

The Company's risk management policy is addressed as follows:

Credit risks
Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due.

It is inherent to the stock brokerage business that potential losses may arise due to the failure of its customer and counterparties to fulfill their trading obligation on settlement date or the possibility that the value of collateral held to secure obligations becoming inadequate due to adverse market conditions.

The Company manages credit risk by setting limits for individual customers and group of customers. The Company monitors credit exposures and continually assesses the credit worthiness of counterparties.

The Company's financial assets which have the maximum credit risk rate exposure are as follows:

	Notes	**2022**	2021
Cash in banks	7	**2,921,091**	2,341,946
Financial assets at FVOCI	10	**3,000,000**	3,000,000
		5,921,091	5,341,946

The Company's financial assets have the maximum exposure to credit risk (credit quality) as presented in the financial statements as summarized as follows:

2022	Neither past due nor impaired				Allowance	
	High Grade	Standard Grade	Low Grade	Past Due	for credit losses	Total
Loans and receivables						
Cash in banks	2,921,091	-	-	-	-	2,921,091
Financial assets at FVOCI	-	-	3,000,000	-	.	3,000,000
Other current assets			-	-	-	-
	2,921,091	-	3,000,000	-	-	5,921,091

2021	Neither past due nor impaired				Allowance	
	High Grade	Standard Grade	Low Grade	Past Due	for credit losses	Total
Loans and receivables						
Cash in banks	2,341,946	-	-	-	-	2,341,946
Financial assets at FVOCI	-	-	3,000,000	-	.	3,000,000
Other current assets			-	-	-	-
	2,341,946	-	3,000,000	-	-	5,341,946

Cash deposits are limited to reputable banks duly approved by the Board of Directors, hence, high grade.

Low grade financial assets at FVOCI are investments in City Club shares and are not currently traded in the stock market.

Liquidity risks

Liquidity risks or funding risks is the risks that the Company will encounter in raising funds to meet commitments financial instruments. Liquidity risks may result from difficulty in collections or inability to generate cash inflows as anticipated. The Company's objective in managing its profile is:

a. to ensure that adequate funding is available at all times;
b. to meet commitments as they arise without incurring unnecessary cost;
c. to be able to access funding when needed at the least possible cost.

Company's other current financial liabilities are as follows:

	Notes	**2022**	2021
Loans payable - current	16	**74,000,000**	64,000,000
Other current liabilities	15	**2,792,415**	603,509
		76,792,415	64,603,509

Company's other current liabilities have contractual maturities of less than six (6) months as of December 31, 2022 and 2021.

Market risks

Market risk is the risk of loss to future earnings to fair values or to future cash flows that may result from change in the price of financial instruments. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes.

The Company's management monitors market risk from all financial instruments such as financial assets at FVPL in daily-published quotations and regularly reports the results to the Board of Directors.

As of December 31, 2022 and 2021, the Company has no financial assets at FVPL.

Interest rate risk

The Company has no significant exposures to interest rate risk, since the Company's cash deposits with banks are the only subject to interest rate risk and has insignificant change in value.

2022

	Change in +10 basis points		Change in -10 basis points	
	Effect on net results	Effect on Equity	Effect on net results	Effect on Equity
Cash in banks	2,921	2,337	(2,921)	(2,337)

2021

	Change in +10 basis points		Change in -10 basis points	
	Effect on net results	Effect on Equity	Effect on net results	Effect on Equity
Cash in banks	2,342	1,874	(2,342)	(1,874)

Foreign currency risk

The Company has no significant exposure to foreign currency risks as most transactions are denominated in Philippine Peso, its functional currency.

5. Categories and Fair Values of Financial Assets and Financial Liabilities

Comparison of carrying values and fair values

The carrying value and fair values of the categories of financial assets and liabilities presented in the statement of financial positions are shown below:

		2022		2021	
	Notes	**Carrying values**	**Fair values**	Carrying values	Fair values
Financial assets					
Loans and receivables:					
Cash	7	**2,951,091**	**2,951,091**	2,371,946	2,371,946
		2,951,091	**2,951,091**	2,371,946	2,371,946
Financial assets at FVOCI, net	10	**3,000,000**	**3,000,000**	3,000,000	3,000,000
Other current assets		**-**	**-**	-	-
		5,951,091	**5,951,091**	5,371,946	5,371,946
Other financial liabilities					
Loans payable	16	**87,500,000**	**87,500,000**	95,500,000	95,500,000
Other current liabilities	15	**2,792,415**	**2,792,415**	603,509	603,509
		90,292,415	**90,292,415**	96,103,509	96,103,509

Because of their short term nature, Management considers the carrying amounts recognized in the statements of financial positions to be reasonable estimates of the fair values of cash, other current assets, loans payable - current, and other current liabilities.

The fair value of financial assets at FVOCI is based on the quoted selling price or transaction price of the shares as of December 31, 2022 and 2021 as certified by Alphaland Makati Place, Inc.

Fair value hierarchy measurements

The table below presents the hierarchy of fair value measurements used by the Company

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Financial assets at FVOCI	**-**	**3,000,000**	-	**3,000,000**
	-	**3,000,000**	**-**	**3,000,000**
December 31, 2021				
Financial assets at FVOCI	-	3,000,000	-	3,000,000
	-	3,000,000	-	3,000,000

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: 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: inputs for the asset or liability that are not based on observable market data (unobservable input).

There were no transfer of financial instruments between Level 1, 2, and 3 in 2022 and 2021.

6. Capital Management Objectives, Policies and Procedures

The Company's objective when managing capital is to maintain its ability to continue as a going concern entity and to maintain optimal capital structure so as to maximize shareholder value. In order to or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities less cash. Total capital is calculated as equity plus net debt.

	2022	2021
Net debt	**99,937,477**	104,559,739
Net equity	**123,735,610**	118,784,304
Total capital	**223,673,086**	223,344,043
Gearing ratio	**45%**	47%

Minimum capital requirement

In 2000, the SEC passed the implementing Rules and Regulations of the new SRC effective January 2, 2001 which include the guideline on the segregation of broker and dealer functions within a brokerage firm and maintenance of a required minimum paid up capital of P100 million, except for: (a) non-exchange members who deal only in proprietary shares, which should have a minimum capital of P5 million and, (b) brokers and dealers not engaged in market-making transactions and with paid up capital below the required minimum amount which should file surety bonds not less than P5 million for brokers andP1 million for dealers.

On September 24, 2008, the Board of Directors of the Philippine Stock Exchange (PSE) approved resolution No. 186, Series of 2008 the increase in the required minimum unimpaired paid up capital for all brokers from P10 million to P20 million by December 31, 2009 and from P20 million to P30 million by December 31, 2010. The PSE waited for comments and suggestion from all trading participants and concerned parties up to January 9, 2009 before submitting said resolution to the Securities and Exchange Commission for approval.

In June 18, 2009, the Philippine Stock Exchange issued Memorandum No. 2009-0319 which was approved on 28 May 2009 by the Securities and Exchange Commission, the minimum unimpaired paid-up capital requirement: "Trading participants have a minimum unimpaired paid-up capital, as defined by the Securities and Exchange Commission, of Twenty Million Pesos (P20,000,000) effective December 31, 2009; Provided further, that effective December 31, 2010 and onwards, the minimum unimpaired paid-up capital shall be Thirty Million Pesos (P30,000,000)."

In a meeting held on 21 October 2010, the SEC issued SEC Res. No. 489 and 492 granting the deferment of the P30 million unimpaired paid-in capital requirement of Trading Participants effective 1 January 2011 until 30 November 2011 provided that Trading Participants with unimpaired paid-up capital falling below P30 million shall post surety bond amounting to P10 million on top of surety bond of P12 million in compliance with SRC Rule No. 28.1 for the same period until securities held and controlled by the Trading Participant shall be recorded under the name of the individual clients in the books of the Transfer Agent or in the sub-account with the Philippine Depository and Trust Corporation at the option of the client. Compliance with the requirement is a condition for the renewal of the Broker Dealer license for the period covering 1 January 2011 to 31 December 2013.

In compliance with section 2 of D, Article VII of the amended market Regulation Rules, which was approved by the Securities and Exchange Commission on 8 September 2009, effective 1 November 2009, the surety bond, shall be Ten Million Pesos (P10,000,000) for Brokers and Two Million Pesos (P2,000,000) for Dealers.

Risk-based capital adequacy rule

On November 11, 2004, the SEC approved Memorandum Circular No. 16, which provides the guidelines on the adoption in the Philippines of the Risk Based Capital Adequacy (RBCA) Framework for all registered brokers dealers in accordance with SRC. These guidelines cover the following: (a) position or market risk, (b) credit risks such as counter party, settlement, large exposure, and margin financing risks, and (c) operational risk. Among others, the RBCA rules provide for specific guidelines on the treatment of new subordinated loan agreements and investment in PSE shares. The Circular provides for a transition period from net capital to RBCA until November 30, 2005. During the transition period, the broker dealer is required to comply with the continuing reportorial requirements if the SRC and its IRR, including the RBCA rules. Starting December 1, 2005, every broker dealer is expected to comply with all the requirements of the RBCA rules. The first filing of the RBCA report, postposition, shall reflect the computed RBCA ratio as of December 31, 2005

The Company, being a registered broker in securities is subject to the stringent rules of the SEC and other regulatory agencies with respect to the maintenance of specific levels of RBCA ratios. RBCA is a ratio that compares the broker or dealer's total measured risk to its liquid capital. As a rule, the company must maintain an RBCA ratio of at least 120% and a net liquid capital (NLC) of at least P5.0 million or five percent (5%) of its aggregate indebtedness, whichever is higher. Also, the aggregate indebtedness (AI) of every stockbroker should not exceed two thousand percent (2,000%) of its NLC. In the event that the minimum RBCA ratio of 120% or the minimum NLC is breached, the company shall immediately cease doing business as a broker and shall notify the PSE and SEC.

As of December 31, 2020, the Company is compliant with the foregoing requirements.

As discussed in Note 1, the Company is under voluntary suspension in 2022 and 2021 and, thus have no trading operations. As a result, no RBCA ratio was computed for the year.

7. Cash

This account consists of:

	2022	2021
Cash on hand	**30,000**	30,000
Cash in banks	**2,921,091**	2,341,946
Total	**2,951,091**	2,371,946

Cash in bank includes Special Reserve Bank Account amounting to P151,211 and P150,136 in 2022 and 2021, respectively, which was created and maintained for the exclusive benefit of customers as prescribed under SRC Rule 49.2 (Customer Protection Reserves and Custody of Assets) and mentioned in Part I (Rule 49.C) of this rule. The company is in compliance with this rule.

Interest income amounted to P3,522 in 2022 and P11,239 in 2021. (See note 21)

8. Trade Receivables, net

All receivables from customers do not bear any interest and are due after three days from the time of transaction, except for those on which allowance for impairment has already been provided. No receivable is denominated in foreign currency in 2022 and 2021.

Receivable from customer are secured by securities owned by customers. The collateral's fair value (market value) are based on the quoted market at the PSE as at December 31 on the last trading day of each year.

All accounts receivables from customers are subject to credit risks exposure. However, the Company does not identify concentration of credit risks with regards to receivable from customers, as the amounts recognized resemble a large number of receivables from various customers.

Allowance for credit losses is provided for when objective evidence is received that the Company will not be able to collect certain amounts due to it in accordance with original term of the receivables.

There are no security values of the debit balances of the customer's and non-customer's account since there are no trade receivables for the years 2022 and 2021.

There were no allowance for credit losses as of December 31, 2022 and 2021.

There were no significant concentrations of credit risk on short-term financial assets for the years 2022 and 2021. The fair value of these short-term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

9. Financial Assets at Fair value through Profit or Loss

This account represents equity securities that are acquired principally for the purpose of selling or repurchasing them in the near term; or part of a portfolio of identified securities that are managed together and for which there is evidenced of a recent actual pattern of short- term profit- taking.

The Company's financial assets designated as at fair value through profit or loss amounted to nil both in 2022 and 2021.

No dividends were earned for both years presented.

10. Financial Asset at Fair Value Through Other Comprehensive Income, net

The fair value of financial assets at FVOCI is based on the quoted selling price or transaction price of the shares as of December 31, 2022 and 2021 as certified by Alphaland Makati Place, Inc.

The carrying amounts at the beginning and end of 2022 and 2021 are shown below:

	2022	2021
Cost	**1,080,000**	1,080,000
Unrealized gain on fair value	**1,920,000**	1,920,000
Net amount	**3,000,000**	3,000,000

On March 16, 2011, The Company purchased two (2) proprietary shares of The City Club at Alphaland Makati Place, Inc. at P540,000 per share totaling to P1,080,000. Alphaland Makati Place, Inc. is a corporation duly organized and existing under the laws of the Republic of the Philippines with the Principal office located at Alphaland Makati Place, Ayala Avenue cor Malugay St., Makati City Philippines.

The City Club is an integral component of Alphaland Makati Place. All residential unit owners are automatically members of the City Club, and non- residents may also purchase memberships. The City Club had opened its doors at the end of 2012.

Market adjustment under Reserves pertains to the balance of unrealized gain on fair value net of the deferred tax.

11. Investment Property

The carrying amounts of investment property as of December 31, 2022 and 2021 are shown below:

	Carrying Value	**Market Value**
2022		
Land located in Central Business Park, Brgy. 76, Zone 10, Dist. I, San Rafael, Pasay City with total area of 3,102 sq. meter	**166,276,197**	**1,572,714,000**
2021		
Land located in Central Business Park, Brgy. 76, Zone 10, Dist. I, San Rafael, Pasay City with total area of 3,102 sq. meter	166,276,197	1,572,714,000

These properties are held to earn rentals. For the years 2022 and 2021, the Company recognized rental revenue amounting to P20,903,924 and P19,908,499, respectively. (See Note 21)

Appraisal of Property
The Company had its investment property consisting a parcel of land located along EDSA Extension and extends to Road Lot 1, within the Central Business Park, Pasay City Metro Manila, appraised by Cuervo Appraisers, Inc. whose report dated December 29, 2021 disclosed a total fair value thereof amounting to P1,572,714,000.

The same investment property was appraised by Professional Asset Valuers, Inc. whose report dated January 4, 2017 disclosed a total fair value thereof of amounting to P647,387,000. The methodology used was Market Data Approach which is the process of correlation and analysis of comparable lots, either recently sold or offered for sale I the market, upon which the market value of the property was estimated.

Other factors include ocular inspection on the property, observed development in the locality, local market conditions with consideration given to the extent, character and utility of the property, sales and holding prices of similar land and highest and best use of the property.

Property used as collateral
The Company's investment properties located at the Central Business Park and then related leasehold rental are used partially to secure the Company's credit facilities, amounting to P87.5 Million and P95.5 Million in year 2022 and 2021, respectively. (See Note 16)

12. Property and Equipment, net

This account consists of furniture and fixtures, transportation equipment, and condominium the movement as follows:

	Furniture and Fixtures	Transportaion Equipment	Condominium	Total
	fixtures	Equipment		
Cost				
January 1, 2021	2,630,274	7,288,036	53,108,541	63,026,851
Acquisition	-	-	-	-
December 31, 2021	2,630,274	7,288,036	53,108,541	63,026,851
Acquisition	-	-	2,516,367	2,516,367
December 31,2022	2,630,274	7,288,036	55,624,908	65,543,217
Accumulated Depreciation				
January 1, 2021	4,045,075	15,032,171	19,842,474	38,919,720
Disposal	(1,422,572)	(8,308,070)	-	(9,730,642)
Depreciation	7,771	296,804	160,714	465,289
December 31, 2021	2,630,274	7,020,905	20,003,189	29,654,367
Depreciation		262,364	355,507	617,871
December 31,2022	2,630,274	7,283,268	20,358,696	30,272,237
Net Book Value				
December 31,2022	**-**	**4,768**	**35,266,212**	**35,270,980**
December 31,2021	-	267,132	33,105,353	33,372,483

Condominium Units
The Company's condominium consists of office units located in the PSE One Bonifacio High Street, Fort Bonifacio Global City Taguig and at the Federal Tower, Dasmariñas corner Muelle De Binondo Streets Barangay 282, Binondo, City of Manila.

Property used as collateral
The Company's condominium units located at the Federal Tower, Dasmarinas corner Muelle De Binondo Streets Barangay 282, Binondo, City of Manila are used partially to secure the Company's credit facilities, amounting to P87.5 Million and P95.5 Million in year 2022 and 2021, respectively. (See Note 16)

Property and equipment are subject to annual impairment testing and whenever there is an indication of impairment. No impairment losses were recognized in 2022 and 2021 as the carrying values of property and equipment are lower than their recoverable amounts.

All fully depreciated property and equipment were disposed and no longer in use. The disposal for this year was accumulated from prior years and only accounted for this year.

13. Other Assets

Prepayments

	Notes	**2022**	2021
Prepaid tax withheld		**6,763,044**	7,652,203
Prepaid taxes and licences		**2,235,311**	2,235,311
Prepaid insurance		**32,292**	45,708
Prepaid and other current assets		**28,500**	26,518
Total		**9,059,147**	9,959,741

Intangible assets
The intangible assets of the Company consist of trading right. As at December 31, 2022 and 2021, the fair value less costs to sell of the exchange trading right amounted to P8,000,000 and P9,000,000, respectively, representing the transacted price of the exchange trading right of the most recent sale approved by the PSE on November 16, 2022 and in September 26, 2021. As at December 31, 2022 and 2021, the carrying value of the exchange trading right amounted to P8,000,000 and P9,000,000, respectively.

The component of trading right is as follows:

	2022	2021
Cost	**15,000,000**	15,000,000
Impairment	**7,000,000**	6,000,000
Carrying value, December 31	**8,000,000**	9,000,000

Movement of impairment loss is as follows:

	Notes	**2022**	2021
Balance, beginning		**6,000,000**	6,500,000
Provision/(Reversal) of impairment loss	21, 22	**1,000,000**	(500,000)
Balance, end		**7,000,000**	6,000,000

Other non-current assets

	Notes	2022	2021
Refundable deposit		**240,261**	40,261
Deferred Input tax		**-**	58,453
Total		**240,261**	98,714

14. Trade Payables

Payable to customers are usually due within three (3) days and 31 days from transaction date. Payable to customers does not bear interest.

As of December 31, 2022 and 2021, the Company has no existing trade payables.

15. Other Current Liabilities

This account consists of:

	2022	2021
Accrued expense	**425,578**	308,529
Vat payable	**68,719**	149,850
Withholding tax- compensation	**36,594**	41,402
Withholding tax- expanded	**12,553**	3,729
Other liabilities	**2,148,972**	-
Miscellaneous payable	**100,000**	100,000
Total	**2,792,415**	603,509

Other liabilities pertains to payable to suppliers and contractors for renovation works of new office located at Unit 1706 – 1707 PSE Tower, 5th Ave. Cor. 28th St., Bonifacio Global City, Taguig City.

16. Loans Payable

	2022	2021
Current portion	**74,000,000**	64,000,000
Non-current portion	**13,500,000**	31,500,000
Ending balance	**87,500,000**	95,500,000

	2022	2021
Beginning balance	**95,500,000**	144,500,000
Additions	**10,000,000**	9,000,000
Payment	**(18,000,000)**	(58,000,000)
Ending balance	**87,500,000**	95,500,000

The Credit Facility

On February 9, 2015, the Company obtained a credit line facility with a local unibank amounting to P355,000,000. On September 30, 2015, the facility has been increased to P400,000,000. The breakdown of the facility is P174,000,000 credit line, P100,000,000 domestic bills purchased line and P126,000,000 7-year term loan. P100,000,000 out of the

P174,000,000 credit line has been made available to the President and his wife provided availment is within the credit line limit.

The credit line facilities consists of the following:

Facility No.	Facilities	Currency	From Aggregate Principal Amount	To Aggregate Principal Amount
1	Credit line	Php	**174,000,000**	225,000,000
2	Domestic bills purchasedlLine	Php	**100,000,000**	100,000,000
3	7-year term loan	Php	**126,000,000**	-

Collateral to the Facility

This facility is secured by a Real Estate Mortgage on two of the Company's condominium properties used as office and an investment property located at the Central Business Park in Pasay City.

No additions were made in 2022 and 2021 and made a total payment of P8,000,000 in 2022 and P49,000,000 in 2021. The loan is presented as current and non-current loans payable in the statement of financial condition. The outstanding balance of the loans as of December 31, 2022 and 2021 amounting to P87,500,000 and P95,500,000 with interest ranging from 4.75%-5.00% per annum to be repriced every 30-180 days as agreed by the parties.

Finance cost related to loans payable amounted to P3,351,503 in 2022 and P3,506,937 in 2021.

17. Other Non-current Liabilities

This accounts represents security deposit of Phoenix lessee for six (6) months advance rent amounting to P10,577,889 in 2022 and P8,702,456 in 2021.

18. Share Capital

		2022	2021
Authorized - Par value, P100 per share:			
1,000,000 shares	P 100,000,000		
Subscribed - 1,000,000 shares		**100,000,000**	100,000,000
Subscribed and paid-up		**100,000,000**	100,000,000

As of December 31, 2022 and 2021, the Company has nine (9) shareholders, all of whom own one hundred or more shares each.

19. Retained Earnings

SEC Memorandum Circular No. 16 dated November 11, 2004, states that every broker dealer is expected to comply with all requirements of the Risk Based Capital Adequacy (RBCA) rules which part of it requires that every broker dealer shall annually appropriate certain percentage of its audited profit after tax and transfers the same to Appropriated Retained Earnings. Appropriation shall be 30%, 20% and 10% of profit after tax for broker dealers with unimpaired paid-up capital of between 10,000,000 to 30,000,000, between 30,000,000 to 50,000,000 and above 50,000,000 respectively.

The Company incurred net income in 2022 and 2021 and appropriation was made in the amount of P454,881 and P460,022, respectively.

The Company is in compliance with SRC Rule 49.1 (B).

20. Cost of Services

This account consists of the following:

	Notes	2022	2021
PSE dues and fees		**623,458**	608,776
Personnel cost - operations	23	**-**	-
Retirement benefit cost	24	**-**	-
Total		**623,458**	608,776

Commission Revenue

There were no commission revenue for the year 2022. Commission Revenue for 2021 amounting to P326,498 pertains to commission in 2020 trading transaction that were only ascertained and received in 2021.

21. Other Revenue

This account consists of the following:

	Notes	2022	2021
Rental income	11	**20,903,924**	19,908,499
Interest income	7	**3,522**	11,239
Reversal of impairment loss	13	**-**	500,000
Total		**20,907,446**	20,419,739

22. Operating Expense

The breakdown of operating expenses follows:

	Notes	2022	2021
Personnel cost - administration	23	**3,587,508**	3,778,273
Taxes and licenses	30	**3,129,434**	2,787,592
Provision for impairment loss - Trading Rights	13	**1,000,000**	-
Condominium dues and fees		**889,121**	886,346
Depreciation	12	**617,871**	465,289
Retirement benefit cost	24	**295,040**	474,704
Postage, telephone and communication		**243,811**	267,236
Insurance expense		**203,060**	247,363
Utilities		**190,022**	150,716
Entertainment, amusement and recreation		**150,467**	25,855
Repairs and maintenance		**91,283**	61,025
Gas and oil		**83,969**	68,273
Office supplies		**49,568**	5,903
Professional fees		**45,714**	62,821
Transportation and travel		**27,508**	598
Subscription and periodicals		**-**	19,845
Penalty, surcharges and interest		**-**	17,802
Notarial and parking fee		**-**	-
Miscellaneous expense		**33,835**	28,310
Total		**10,638,211**	9,347,951

23. Personnel Cost

Details of this account are broken down as follows:

2022	Cost of services	Operating expenses	Total
Salaries and wages	**-**	**2,791,497**	**2,791,497**
Employee welfare	**-**	**378,737**	**378,737**
13th month pay and related benefits	**-**	**232,845**	**232,845**
SSS contribution	**-**	**127,170**	**127,170**
Philhealth contribution	**-**	**51,059**	**51,059**
HDMF fund contribution	**-**	**6,200**	**6,200**
Total	**-**	**3,587,508**	**3,587,508**

2021	Cost of services	Operating expenses	Total
Salaries and wages	-	3,031,221	3,031,221
13th month pay and related benefits	-	251,971	251,971
SSS contribution	-	300,700	300,700
Employee welfare	-	148,645	148,645
HDMF fund contribution	-	7,300	7,300
Philhealth contribution	-	38,436	38,436
Total	-	3,778,273	3,778,273

24. Retirement Liability

The present value of the retirement benefits obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method as computed by an independent actuary.

The assumptions used in determining retirement benefit obligation for the Company are as follows:

	2022	2021
Present value of the obligation	**4,054,707**	4,358,419
Fair value of plan assets	**(3,748,697)**	(3,810,786)
Liability to be recognized in the Statement of financial position	**306,010**	547,633

The movements of present value of the retirement benefits liability recognized in the books are as follows:

	2022	2021
Balance, beginning	**4,358,419**	6,310,913
Interest cost	**221,844**	195,638
Current service cost	**267,165**	405,509
Benefits paid	**-**	(634,392)
Actuarial (gain)/loss		
- Changes in financial assumptions	**(334,238)**	(703,811)
- Changes in demographic assumptions	**-**	1,581
- Experience	**(458,483)**	(1,217,019)
Balance, ending	**4,054,707**	4,358,419

The movements of fair value of the plan assets recognized in the books are as follows:

	2022	2021
Balance, beginning	**3,810,786**	4,396,017
Interest cost	**193,969**	126,443
Benefits paid	**-**	(634,392)
Remeasurement gain/(loss)	**(256,058)**	(77,282)
Balance, ending	**3,748,697**	3,810,786

The movements of present value of the retirement benefits liability recognized in the books are as follows:

	2022	2021
Balance, beginning	547,633	1,914,896
Interest cost	221,844	195,638
Current service cost	267,165	405,509
Actuarial (gain) loss		
- Change in assumptions (financial)	(334,238)	(703,811)
- Change in assumptions (demographic)	-	1,581
- Experience	(458,483)	(1,217,019)
Changes in fair value of plan assets	62,089	(49,161)
Accumulated loss in other comprehensive income, ending	306,010	547,633

The amounts of retirement benefit costs recognized in the Statements of comprehensive income are as follows:

	2022	2021
Current service cost	267,165	405,509
Net interest cost	27,875	69,195
Expense recognized during the year	295,040	474,704

Defined benefit cost recognized in Other comprehensive income (OCI):

	2022	2021
Accumulated loss/(gain) in other comprehensive income, beginning	(5,851,554)	(4,009,587)
Actuarial (gain)/loss- DBO	(792,721)	(1,919,249)
Remeasurement gain - plan assets	256,058	77,282
Remeasurement gain - changes in the effect of the asset ceiling	-	-
Defined benefit cost in OCI - (income)/expense	(536,663)	(1,841,967)
Accumulated loss in other comprehensive income, ending	(6,388,217)	(5,851,554)

For the determination of the movement of the retirement benefit liability, the following actuarial assumptions were used:

	2022	2021
Discount rate	**6.62%**	5.09%
Salary increase rate	**5.00%**	5.00%

Sensitivity analysis as follows:

Decrease in DBO due to 100 bps increase in discount rate	**(187,101)**	**;**	(282,391)
Increase in DBO due to 100 bps decrease in discount rate	**211,100**	**;**	326,874
Increase in DBO due to 100 bps increase in salary increase rate	**212,414**	**;**	323,854
Decrease in DBO due to 100 bps decrease in salary decrease rate	**(191,538)**	**;**	(285,144)

Expected future benefit payments as follows:

Financial Year	Amount
Year 1	859,532
Year 2	578,322
Year 3	61,588
Year 4	2,697,099
Year 5	11,033
Year 6 - 10	97,332

The Company's average remaining working life was 6.6 and 10.2 years in December 31, 2022 and 2021, respectively.

The weighted average duration of Defined Benefit obligation is 4.9 years and 7.0 years in December 31, 2022 and 2021, respectively.

25. Income Tax

This account consists of the following:

	2022	2021
Current:		
Regular income tax	**(1,934,355)**	(1,417,450)
Final tax on interest income	**(704)**	(2,248)
Application of NOLCO	**-**	(293,443)
Deferred:		
Provision for allowance - Trading Rights	**250,000**	(450,000)
Provision for retirement benefits	**(60,406)**	(519,216)
Total	**(1,745,466)**	(2,682,358)

The reconciliation of tax on pretax income computed at the applicable statutory rates to income tax expense as reported in the statements of income follows:

	2022	2021
Income tax at 25%	**(1,573,569)**	(1,820,643)
Adjustment for income subject to lower tax rates	**176**	562
Nondeductible expense	**(172,073)**	(127,751)
Non-taxable income	**-**	283,598
Reversal of deferred items	**-**	(724,680)
NOLCO applied	**-**	(293,443)
Total	**(1,745,466)**	(2,682,358)

As provided by BIR Revenue Regulations No. 25-2020 (Section 4) dated September 30, 2020, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of RA No. 11494 provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.

Under the National Internal Revenue Code (NIRC) of 1977, the income tax liability of Corporations shall be the higher between RCIT and the Minimum Corporate Income Tax (MCIT). MCIT is computed at 2% of the modified gross income. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years.

<u>CREATE Act</u>

On March 26, 2021, the Republic Act (RA) 11534, known as "The Corporate Recovery or Tax incentives for Enterprises Act" (Create Act), was passed into law. The salient provisions of the Create Act applicable to the Association are as follow:

1. Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 20, 2023;
3. Percentage tax reduced from 3% to 1% effective July 1, 2020, to June 30, 2023; and
4. The imposition of improperly accumulated earnings is repealed.

Deferred tax assets/(liability)

Deferred income tax assets/(liability) consist of:

	2022			
	Balance at the beginning of year	Charged to income	Charged to equity/ applied	Balance at the end of year
Deferred tax asset:				
Retirement benefit obligations	136,908	(60,406)	-	**76,502**
Allowance for impairment on intangible asset	1,500,000	250,000	-	**1,750,000**
Total deferred tax asset	1,636,908	189,594	-	**1,826,502**
Deferred tax liability:				
Fair value adjustments on actuarial gain	1,462,887	134,166	-	**1,597,053**
Fair value adjustments on financial assets at FVOCI	115,200	-	-	**115,200**
Total deferred tax liability	1,578,087	134,166	-	**1,712,253**
Deferred tax asset/(liability), net	58,821	55,428	-	**114,249**

	2021			
	Balance at the beginning of year	Charged to income	Charged to equity/ applied	Balance at the end of year
Deferred tax asset:				
Retirement benefit obligations	656,124	(519,216)	-	136,908
NOLCO	293,443	(293,443)	-	-
MCIT	860,506	-	(860,506)	-
Allowance for impairment on intangible asset	1,950,000	(450,000)	-	1,500,000
Total deferred tax asset	3,760,073	(1,262,659)	(860,506)	1,636,908
Deferred tax liability:				
Fair value adjustments on actuarial gain	1,202,876	260,011		1,462,887
Fair value adjustments on financial assets at FVOCI	115,200			115,200
Total deferred tax liability	1,318,076	260,011	-	1,578,087
Deferred tax asset/(liability), net	2,441,997	(1,522,670)	(860,506)	58,821

26. Lease Commitments – Company as Lessor

The Company's management is of the opinion that losses, if any, that may arise form lease commitments will not have a material effect on the Company's financial statements.

On October 11, 2012, the Company entered into an agreement with Phoenix Petroleum Philippines, Inc. over one of its investment property, a 3,102 sq.m. parcel of land located at EDSA Extension, Pasay City covering 15 years to be renewed upon mutual agreement of the parties. The contract provides for a rent-free grace period of eight (8) months upon signing of contract and rent payment to start thereafter. Security deposit covers six (6) months' rent of P6,818,602 and advance rental covers three (3) months or P3,409,300 to be applied to the first three (3) months of the lease.

On July 1, 2013, the lease contract was amended, changing the commencement of the lease to April 15, 2013, shortening free rent to six (6) months and changing the first year rental (net of VAT) from P1,085,700 to P1,136,437 due to withholding tax computation.

Total revenue earned on rent amounted to P20,903,924 in 2022 and P19,908,499 in 2021. (See Note 21)

The Company's minimum lease collectible as of December 31, 2022 and 2021 is as follows:

	2022	2021
Less than 1 year	**21,949,121**	20,903,924
More than 1 year but less than 5 years	**121,282,747**	117,761,158
5 years and more	**33,429,476**	33,429,476

27. Related Party Transactions

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

As at December 31, 2022 and 2021, there are no related party transactions.

Below is the salary of the Company's key management personnel such as the director, operations manager and associated person.

	2022	2021
Salary	**1,195,331**	1,203,731
13th month and other benefits	**192,362**	183,962
Total	**1,387,692**	1,387,692

28. Effect of COVID 19 Pandemic to Operations

The Philippines is currently experiencing a pandemic due to the novel coronavirus (COVID-19). The rapid spread of the disease has forced the Philippine Government to declare a state of calamity throughout the country which resulted in the imposition of an Enhanced Community Quarantine (ECQ) throughout Luzon starting midnight of March 16, 2020 until May 15, 2020. As of December 31, 2022, the National Capital Region is under Alert level 1 with certain business and industry restrictions. On January 14, 2022, trading hours have been reduced by the Philippine Stock Exchange (PSE) to 9:00 am – 1:00 pm from the normal 9:30 am – 3:00 pm due to surge of COVID-19 cases caused by Omicron variant. Normal trading hours resumed on March 1, 2022 and remains effective as of December 31, 2022.

This event, as at December 31, 2022, has significantly and materially affected the Company since it has voluntarily suspended operations in 2022.

- Decrease in operating hours by 100% since March 15, 2020 to December 31, 2022.
- Closing of some operations or service areas by 100% since December 19, 2020.

As of report date, the Covid19 pandemic continues to disrupt businesses and economic activities with continued rounds of quarantine restrictions in the NCR and other regions. This event may continue to affect the Company's operations and performance.

Extension of Voluntary Suspension
On October 12, 2021, the Company submitted to the Capital Markets Integriry Corporation (CMIC) its application for extension of voluntary suspension from January 1 to December 31, 2022.

CMIC has noted that there are no significant movements in its accounts balances vis-à-vis its account balances at the close of its business operation on December 29, 2020. Thus, it can be ascertained that the Company has not resumed operations.

While in voluntary suspension, the Company source of income is the rental income from its investment property with remaining lease term of six (6) years. This sufficiently covers its operating expenses and the revenue surplus may prevent impairment of the Company's core equity.

Considering the foregoing circumstances, CMIC interposed no objection to the Company application for extension of its voluntary suspension from January 1 to December 31, 2022, without prejudice to the requirements of the Philippine Stock Exchange and other regulatory authorities.

On October 26, 2022, the Board of Directors of PSE denied the request the Company for another full year extension instead resolved to grant a final extension of six (6) months beginning January 1, 2023 until June 30, 2023.

29. Approval of Financial Statements

The Board of Directors authorized the accompanying financial statements for issue on March 13, 2023.

30. Supplementary Information required by the Bureau of Internal Revenue

Revenue regulation no. 15-2010
Revenue Regulation 15-2010 issued by the Bureau of Internal Revenue, requires, in addition to the disclosures mandated under the Philippine Financial Reporting Standards, and such other standards and/or conventions as may heretofore be adopted, the Notes to Financial Statements to include information on taxes, duties and license fees paid or accrued during the taxable year, as follow:

Value-added tax

	2022	2021
Income subject to VAT	**20,903,924**	20,234,997
Tax rate	**12%**	12%
Output VAT for the year	**2,508,471**	2,428,200
Input VAT	**500,598**	944,140
Input VAT for the year	**500,598**	944,140

Withholding taxes

	2022	2021
Tax withheld by the company on:		
Compensation	**354,949**	351,478
Expanded	**73,924**	53,044
	428,873	404,522

Taxes and licenses

	2022	2021
Real estate taxes	**2,202,456**	2,207,096
DST on loan instrument	**536,363**	452,189
Municipal taxes, licenses and permits	**359,199**	76,797
Community tax certificate	**10,908**	10,500
Annual vat registration fee	**500**	500
Others	**20,008**	40,510
Total taxes and licences paid	**3,129,434**	2,787,592

As of the year ended December 31, 2022, the Company has no pending tax assessment and litigation.

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TEODORO SANTAMARIA AND CO.
CERTIFIED PUBLIC ACCOUNTANTS

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156 H.V. Dela Costa St.
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Trust Service Commitment

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
King's Power Securities, Inc.
Unit 1706 – 1707 PSE Tower,
5th Ave. Cor. 28th St., Bonifacio
Global City, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the financial statement of **King's Power Securities, Inc.** as at December 31, 2022, and have issued our report thereon dated March 13, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statement taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statement as at December 31, 2022 year then ended and no material exceptions were noted.

TEODORO SANTAMARIA AND CO.

By: Rachel Lydia T. Santamaria
Partner
CPA License No. 083524
Valid until December 9, 2023
BOA Accreditation No. 5593
Valid until September 26, 2024
SEC Accreditation No. 83524-SEC (Individual)
Valid until 2025 Financial Statements of SEC covered institutions
SEC Accreditation No. 5593-SEC (Firm)
Valid until 2025 Financial Statements of SEC covered institutions
BIR A.N. 08-008055-001-2022 (Individual)
Valid until March 30, 2025
BIR A.N. 08-008055-000-2022 (Firm)
Valid until March 30, 2025
T.I.N. 102-921-088
PTR No.9574972 / Makati City
January 11, 2023

March 13, 2023
Makati City, Philippines

KING'S POWER SECURITIES, INC.

As of December 31, 2022

Ratio	Formula		2022	2021
Current Ratio	Total Current Assets divided by Total Current Liabilities		0.16	0.19
	Total Current Assets	12,010,238.00		
	Divided by: Total Current Liabilities	76,792,415.31		
	Current Ratio	0.16		
Acid test Ratio	Quick Assets (Totsl Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities		0.16	0.19
	Total Current Assets	12,010,238.00		
	Less: Inventories	-		
	Other Current Assets	-		
	Quick Assets	12,010,238.00		
	Divide by: Total Current Liabilities	76,792,415.31		
	Acid test Ratio	0.16		
Working Capital to Total Asset	Working Capital divided by Total Asset		(0.29)	(0.23)
	Working Capital	(64,782,177.31)		
	Divided by: Total Asset	226,624,178.00		
		(0.29)		
Debt to Total Assets Ratio	Total Debt Divided by Total Asset		0.45	0.46
	Total Debt	102,888,567.78		
	Divided by: Total Asset	226,624,178.00		
		0.45		
Debt to Equity Ratio	Total Debt divided by Total Equity		0.83	0.88
	Total Debt	102,888,567.78		
	Divided by: Total Equity	123,735,609.68		
		0.83		
Asset to Equity Ratio	Total Asset divided by Total Equity		1.83	1.90
	Total Asset	226,624,178.00		
	Divided by: Total Equity	123,735,609.68		
		1.83		
Gearing Ratio	Net Debt divided by Total Capital		0.45	0.47
	Net Debt	99,937,476.78		
	Divided by: Total Capital	223,673,086.46		
		0.45		
Interest Coverage Ratio	EBIT divided by Interest Expense		Not Applicable	
	EBIT			
	Divided by: Interest Expense			

Gross Profit Margin	Gross Profit Divided by Commission Revenue Gross Profit (623,457.89) Divided by: Commission Revenue - -	-	(0.86)
Profit Margin	Net Income/(Loss) Divided by: Commission Revenue Net Income/(Loss) 4,548,808.88 Divided by: Commission Revenue - -	-	14.09
Return on Asset (ROA)	Net Income/(Loss) Divided by: Average Asset Net Income/(Loss) 4,548,808.88 Divided by: Average Asset 226,170,083.50 0.02	0.02	0.01
Return on Equity	Net Income/(Loss) Divided by: Average Equity Net Income/(Loss) 4,548,808.88 Diveded by: Average Equity 121,259,956.84 0.04	0.04	0.03