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 Shareholders and the Board of Directors
Phil-Progress Securities Corporation
R-110 PPL Building, U.N. Ave.
cor. San Marcelino St., Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Phil-Progress Securities Corporation (the 'Company'), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Phil-Progress Securities Corporation as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

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.

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 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 statement 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 the Supplementary Information Required by the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation No. 34-2020 and Revenue Regulation No. 15-2010 in Note 24 to the 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 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 material respects in relation to the basic financial statements taken as a whole.

RECEIVED
MAY 17 2021
MARY CATHERINE R. DIRECTO
Collection Section

TEODORO SANTAMARIA AND CO., CPAs
BOA/ PRC Registration No. 5593
Valid until September 26, 2024
SEC Accreditation No. 0366-F
Valid until November 05, 2021

For the Firm:

RACHEL LYDIA T. SANTAMARIA
CPA Cert. No. 083524
Valid until December 09, 2023
TIN 102-921-088-000
PTR No. 8543642
Issued on January 12, 2021, Makati City
SEC Accreditation No. 1714-A
Valid until November 05, 2 021
BIR Accreditation No. 08-003408-002-2019
Valid until April 04, 2022

Makati City, Philippines
May 06, 2021

PHIL-PROGRESS SECURITIES CORPORATION
STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Securities and Exchange Commission
PICC Complex, Roxas Boulevard
Pasay City

The management of Phil-Progress Securities Corporation (the 'Company') is responsible for the preparation and fair presentation of the Company's financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed 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 (BOD) is responsible for overseeing the Company's financial reporting process.

The BOD reviews and approves the financial statements including the schedules attached therein, and submits the same to the shareholders.

Teodoro Santamaria Canlas & Co. the independent auditors appointed by the shareholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the shareholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

RDO NO. 34 PACO-PANDACAN STA. ANA SAN ANDRES
RECEIVED
MAY 17 2021
MARY CATHERINE R. DIRECTO
Collection Section

JOHNNY C. YAP
Chairman and President

ENRIQUE RAYMOND I. YAP
Treasurer

Signed this 6th day of May 2021

PHIL-PROGRESS SECURITIES CORPORATION
STATEMENTS OF FINANCIAL POSITION

	Notes	December 31 2020	December 31 2019	Security Position 2020 LONG	Security Position 2020 SHORT	Security Position 2019 LONG	Security Position 2019 SHORT
ASSETS							
Current Assets							
Cash	5,19	₱ **5,496,458**	₱ 6,457,958				
Other current assets	6	**512,854**	982,616				
Tax credits		**34,264**	33,211				
		6,043,576	7,473,785				
Noncurrent Assets							
Financial asset at fair value through other comprehensive income (FVOCI)	7	**35,089,200**	40,512,500	₱ **35,089,200**		₱ 40,512,500	
Furniture, fixtures and equipment	8	**24,279**	29,697				
Trading right	9	**8,500,000**	8,500,000				
		43,613,479	49,042,197				
TOTAL ASSETS		₱ **49,657,055**	₱ 56,515,982				
LIABILITIES AND SHAREHOLDERS' EQUITY							
LIABILITIES							
Current Liabilities							
Payable to clearing house	10	₱ **-**	₱ 1,289,050				
Other current liabilities	11	**236,559**	49,486				
		236,559	1,338,536				
Noncurrent liabilities							
Deferred tax liability, net	7,17	**3,344,760**	4,861,500				
Other noncurrent liabilities		**800,000**	-				
		4,144,760	4,861,500				
SHAREHOLDERS' EQUITY							
Share capital	12	**57,950,000**	57,950,000				
Deficit	13	**(20,478,704)**	(18,977,554)				
Unrealized gain on financial assets at FVOCI	7	**7,804,440**	11,343,500				
		45,275,736	50,315,946				
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		₱ **49,657,055**	₱ 56,515,982				
Securities in Box, Transfer Offices, Philippine Depository and Trust Corporation					**265,397,623**		287,577,690
Securities without money balance				**230,308,423**		247,065,190	
				₱ **265,397,623**	₱ **265,397,623**	₱ 287,577,690	₱ 287,577,690

See Accompanying Notes to Financial Statements.

PHIL-PROGRESS SECURITIES CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Notes		For the Year Ended December 31 2020		2019
COMMISSION INCOME		₱	**533,012**	₱	167,081
COST OF SERVICES	*14*		**1,624,865**		2,148,138
GROSS LOSS			**(1,091,853)**		(1,981,057)
OPERATING EXPENSES	*15*		**673,578**		680,929
LOSS FROM OPERATION			**(1,765,431)**		(2,661,986)
OTHER INCOME	*16*		**265,618**		2,523,386
LOSS BEFORE TAX			**(1,499,813)**		(138,600)
INCOME TAX	*17*		**-**		-
NET LOSS			**(1,499,813)**		(138,600)
OTHER COMPREHENSIVE LOSS					
Items that will not be reclassified to profit and loss					
Fair value loss at FVOCI	*7*		**(5,055,800)**		(1,532,500)
Tax effect	*17*		**1,516,740**		459,750
			(3,539,060)		(1,072,750)
TOTAL COMPREHENSIVE LOSS		₱	**(5,038,873)**	₱	(1,211,350)
LOSS PER SHARE					
Basic and Diluted	*18*	₱	**(2.59)**	₱	(0.24)

See Accompanying Notes to Financial Statements.

PHIL-PROGRESS SECURITIES CORPORATION
STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2020

	Share Capital *(Note 12)*	Deficit *(Note 13)*	Unrealized Gain on Financial Asset at FVOCI *(Note 7)*	Total
Balances, January 01	**₱ 57,950,000**	**₱ (18,977,554)**	**₱ 11,343,500**	**₱ 50,315,946**
Prior period adjustment	**-**	**(1,337)**	**-**	**(1,337)**
Net loss for the year	**-**	**(1,499,813)**	**-**	**(1,499,813)**
Other comprehensive loss	**-**	**-**	**(3,539,060)**	**(3,539,060)**
Balances, December 31	**₱ 57,950,000**	**₱ (20,478,704)**	**₱ 7,804,440**	**₱ 45,275,736**

For the Year Ended December 31, 2019

	Share Capital *(Note 12)*	Deficit *(Note 13)*	Unrealized Gain on Financial Asset at FVOCI *(Note 7)*	Total
Balances, January 01	₱ 57,950,000	₱ (18,838,954)	₱ 12,416,250	₱ 51,527,296
Net loss for the year	-	(138,600)	-	(138,600)
Other comprehensive loss	-	-	(1,072,750)	(1,072,750)
Balances, December 31	₱ 57,950,000	₱ (18,977,554)	₱ 11,343,500	₱ 50,315,946

See Accompanying Notes to Financial Statements.

COVER SHEET
FOR
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

		A	S	0	9	4	9	8	1	2

COMPANY NAME

PHIL-PROGRESS SECURITIES CORPORATION

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

R-110 PPL BLDG., U.N. AVE. COR. SAN MARCELINO ST. MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS	CRMD	BROKER DEALER

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
phil_progress@yahoo.com.ph	(02) 8526-4207	09362896161

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
8	LAST MONDAY OF MAY	DECEMBER 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
RICHELLE F. MORA	chelle.mora@yahoo.com	(02) 8526-4207	09058879366

CONTACT PERSON'S ADDRESS

RM. 110 PPL BLDG. U.N AVENUE COR. SAN MARCELINO STREET, MANILA

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

Note 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.

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

ANNUAL AUDITED FINANCIAL REPORT

Information required of Brokers and Dealers Pursuant to Rule 52.1-5 to the Revised Securities Regulation Code.

Report for the Period Beginning January 1, 2020 and December 31, 2020.

IDENTIFICATION OF BROKER

Name of Broker:	**Phil-Progress Securities Corporation**		
Address of Principal Place of Business:	**R-110 PPL Bldg., U.N. Ave., cor.**		
	San Marcelino St., Manila		
Name and Phone Number of Person to Contact in Regard to this Report			
Name:	**Richelle F. Mora**	*Tel. No.*	**8526-4207**
		Fax No.	**8526-4208**

IDENTIFICATION OF ACCOUNTANT

Name of Independent Certified Public Accountant whose opinion is contained in this report:			
Name:	**Rachel Lydia Teodoro-Santamaria**	*Tel No.*	**8869-4309**
		Fax No.	**8812-4202**
Address:	**Suite 2108 Cityland 10 Tower 1**		
	156 H.V. Dela Costa Street, Salcedo Village Makati City		
Certificate Number	**83524**		
PTR Number	**8543642**	*Date Issued*	**January 12, 2021**

PHIL-PROGRESS SECURITIES CORPORATION
ANNUAL AUDITED FINANCIAL REPORT
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PHIL-PROGRESS SECURITIES CORPORATION

AUDITED FINANCIAL STATEMENTS
December 31, 2020 and 2019

with Report of Independent Auditors

PHIL-PROGRESS SECURITIES CORPORATION

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Securities and Exchange Commission
SEC Building, EDSA Greenhills
Mandaluyong City

The management of Phil-Progress Securities Corporation (the 'Company') is responsible for the preparation and fair presentation of the Company's financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed 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 (BOD) is responsible for overseeing the Company's financial reporting process.

The BOD reviews and approves the financial statements including the schedules attached therein, and submits the same to the shareholders.

Teodoro Santamaria & Co. CPA's the independent auditors appointed by the shareholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the shareholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

____
JOHNNY C. YAP
Chairman and President

____
ENRIQUE RAYMOND I. YAP
VP and Treasurer

Signed this 6th day of May 2021

REPORT OF INDEPENDENT AUDITORS

The Shareholders and the Board of Directors
Phil-Progress Securities Corporation
R-110 PPL Building, U.N. Ave.
cor. San Marcelino St., Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Phil-Progress Securities Corporation (the 'Company'), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Phil-Progress Securities Corporation as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

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.

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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 statement 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 the Supplementary Information Required by the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation No. 34-2020 and Revenue Regulation No. 15-2010 in Note 24 to the 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 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 material respects in relation to the basic financial statements taken as a whole.

TEODORO SANTAMARIA AND CO., CPAs
BOA/ PRC Registration No. 5593
Valid until September 26, 2024
SEC Accreditation No. 0366-F
Valid until November 05, 2021

For the Firm:

RACHEL LYDIA T. SANTAMARIA
CPA Cert. No. 083524
Valid until December 09, 2023
TIN 102-921-088-000
PTR No. 8543642
Issued on January 12, 2021, Makati City
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Valid until November 05, 2 021
BIR Accreditation No. 08-003408-002-2019
Valid until April 04, 2022

Makati City, Philippines
May 06, 2021

PHIL-PROGRESS SECURITIES CORPORATION
STATEMENTS OF FINANCIAL POSITION

	Notes	December 31 2020	December 31 2019	Security Position 2020 LONG	Security Position 2020 SHORT	Security Position 2019 LONG	Security Position 2019 SHORT
ASSETS							
Current Assets							
Cash	*5,19*	₱ **5,496,458**	₱ 6,457,958				
Other current assets	*6*	**512,854**	982,616				
Tax credits		**34,264**	33,211				
		6,043,576	7,473,785				
Noncurrent Assets							
Financial asset at fair value through other comprehensive income (FVOCI)	*7*	**35,089,200**	40,512,500	₱ **35,089,200**		₱ 40,512,500	
Furniture, fixtures and equipment	*8*	**24,279**	29,697				
Trading right	*9*	**8,500,000**	8,500,000				
		43,613,479	49,042,197				
TOTAL ASSETS		₱ **49,657,055**	₱ 56,515,982				
LIABILITIES AND SHAREHOLDERS' EQUITY							
LIABILITIES							
Current Liabilities							
Payable to clearing house	*10*	₱ **-**	₱ 1,289,050				
Other current liabilities	*11*	**236,559**	49,486				
		236,559	1,338,536				
Noncurrent liabilities							
Deferred tax liability, net	*7,17*	**3,344,760**	4,861,500				
Other noncurrent liabilities		**800,000**	-				
		4,144,760	4,861,500				
SHAREHOLDERS' EQUITY							
Share capital	*12*	**57,950,000**	57,950,000				
Deficit	*13*	**(20,478,704)**	(18,977,554)				
Unrealized gain on financial assets at FVOCI	*7*	**7,804,440**	11,343,500				
		45,275,736	50,315,946				
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		₱ **49,657,055**	₱ 56,515,982				
Securities in Box, Transfer Offices, Philippine Depository and Trust Corporation					**265,397,623**		287,577,690
Securities without money balance				**230,308,423**		247,065,190	
				₱ **265,397,623**	₱ **265,397,623**	₱ 287,577,690	₱ 287,577,690

See Accompanying Notes to Financial Statements.

PHIL-PROGRESS SECURITIES CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Notes		For the Year Ended December 31 2020		2019
COMMISSION INCOME		₱	**533,012**	₱	167,081
COST OF SERVICES	*14*		**1,624,865**		2,148,138
GROSS LOSS			**(1,091,853)**		(1,981,057)
OPERATING EXPENSES	*15*		**673,578**		680,929
LOSS FROM OPERATION			**(1,765,431)**		(2,661,986)
OTHER INCOME	*16*		**265,618**		2,523,386
LOSS BEFORE TAX			**(1,499,813)**		(138,600)
INCOME TAX	*17*		**-**		-
NET LOSS			**(1,499,813)**		(138,600)
OTHER COMPREHENSIVE LOSS					
Items that will not be reclassified to profit and loss					
Fair value loss at FVOCI	*7*		**(5,055,800)**		(1,532,500)
Tax effect	*17*		**1,516,740**		459,750
			(3,539,060)		(1,072,750)
TOTAL COMPREHENSIVE LOSS		₱	**(5,038,873)**	₱	(1,211,350)
LOSS PER SHARE					
Basic and Diluted	*18*	₱	**(2.59)**	₱	(0.24)

See Accompanying Notes to Financial Statements.

PHIL-PROGRESS SECURITIES CORPORATION

STATEMENTS OF CHANGES IN EQUITY

	For the Year Ended December 31, 2020			
	Share Capital *(Note 12)*	**Deficit** *(Note 13)*	**Unrealized Gain on Financial Asset at FVOCI** *(Note 7)*	**Total**
Balances, January 01	**₱ 57,950,000**	**₱ (18,977,554)**	**₱ 11,343,500**	**₱ 50,315,946**
Prior period adjustment	**-**	**(1,337)**	**-**	**(1,337)**
Net loss for the year	**-**	**(1,499,813)**	**-**	**(1,499,813)**
Other comprehensive loss	**-**	**-**	**(3,539,060)**	**(3,539,060)**
Balances, December 31	**₱ 57,950,000**	**₱ (20,478,704)**	**₱ 7,804,440**	**₱ 45,275,736**

	For the Year Ended December 31, 2019			
	Share Capital *(Note 12)*	Deficit *(Note 13)*	Unrealized Gain on Financial Asset at FVOCI *(Note 7)*	Total
Balances at beginning of year	₱ 57,950,000	₱ (18,838,954)	₱ 12,416,250	₱ 51,527,296
Net loss for the year	-	(138,600)	-	(138,600)
Other comprehensive loss	-	-	(1,072,750)	(1,072,750)
Balances at end of year	₱ 57,950,000	₱ (18,977,554)	₱ 11,343,500	₱ 50,315,946

See Accompanying Notes to Financial Statements.

PHIL-PROGRESS SECURITIES CORPORATION
STATEMENTS OF CASH FLOWS

	Notes		For the Year Ended December 31 2020		2019
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before income tax		₱	**(1,499,813)**	₱	(138,600)
Adjustments for:					
Prior-period adjustment			**(1,337)**		-
Depreciation	*8*		**5,418**		6,045
Interest income	*5,16*		**(26,789)**		(59,058)
Dividend income	*7*		**-**		(2,081,200)
Gain on sale of financial assets at FVOCI	*7*		**(233,462)**		(383,128)
Operating loss before working capital changes			**(1,755,983)**		(2,655,941)
Decrease (increase) in:					
Other current assets	*6*		**469,762**		(488,598)
Tax credits			**(1,053)**		(2,734)
Increase (decrease) in					
Payable to clearing house	*10*		**(1,289,050)**		1,289,050
Other current liabilities	*11*		**187,073**		1,427
Other noncurrent liabilities			**800,000**		-
Cash used in operations			**(1,589,251)**		(1,856,796)
Interest received	*5,16*		**26,789**		59,058
Dividend received	*7*		**-**		2,081,200
Income tax paid			**-**		-
Net cash (used in) provided by operating activities			**(1,562,462)**		283,462
CASH FLOWS FROM INVESTING ACTIVITY					
Proceeds from sale of financial asset at FVOCI	*7*		**600,962**		906,791
NET (DECREASE) INCREASE IN CASH			**(961,500)**		1,190,253
CASH, JANUARY 01			**6,457,958**		5,267,705
CASH, DECEMBER 31	*5*	₱	**5,496,458**	₱	6,457,958

See Accompanying Notes to Financial Statements.

1. Corporate Information

Phil-Progress Securities Corporation (the 'Company') was registered with the Philippine Securities and Exchange Commission (SEC) under registration number AS0949812 dated October 26, 1994. The Company is established primarily to carry on the business of dealing, purchasing or otherwise acquiring, holding, managing, using or obtaining an interest, alone or in conjunction with any person natural or juridical, domestic or foreign, in all kinds of securities, including but not limited to, shares of stocks, bonds, debentures, warrants, notes and other debts securities.

The Company's registered office, which is also its principal place of business, is located at R-110 PPL Bldg. U.N. Ave. cor. San Marcelino St., Manila.

Approval of the Financial Statements
The financial statements of the Company for the year ended December 31, 2020, including its comparatives for 2019, were approved and authorized for issue by the Board of Directors (BOD) on May 06, 2021.

2. Financial Reporting Framework and Basis of Preparation and Presentation

Statement of Compliance
The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and Board Of Accountancy (BOA) and adopted by the SEC.

Basis of Preparation
The financial statements of the Company have been prepared on the historical cost basis, except for financial asset at fair value through other comprehensive income (FVOCI).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Functional and Presentation Currency
The financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information presented has been rounded off to the nearest peso, except when otherwise stated.

Security Valuation
The security position of customers classified as long position pertains to shares of stock that a customer bought with the expectation that the shares will rise in value.

3. Summary of Significant Accounting Policies and Disclosures

Adoption of New and Amended Standards
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective January 01, 2020:

- Amendments to PAS 1 and PAS 8, *Definition of Material*

  PAS 8.31(b-d) The amendments relate to a revised definition of 'material':

  "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose the financial statements make on the basis of those consolidated financial statements, which provide financial information about a specific reporting entity."

  Three new aspects of the new definition include (i) obscuring; (ii) could reasonably be expected to influence; and (iii) primary users.

  The amendments stress especially five ways material information can be obscured:

  - if the language regarding a material item, transaction or other event is vague or unclear;
  - if information regarding a material item, transaction or other event is scattered in different places in the financial statements;
  - if dissimilar items, transactions or other events are inappropriately aggregated;
  - if similar items, transactions or other events are inappropriately disaggregated; and
  - if material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

- Amendments to PFRS 3, *Definition of Business*

  The amendments are to:

  - clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;

  - narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;

  - add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;

  - remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and

  - add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

- Amendments to PFRS 7, PFRS 9 and PAS 39, *Interest Rate Benchmark Reform*

The amendments to PFRS 9 and PAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments have no impact on the financial statements as the Company does not have any interest rate hedge relationships.

- Amendments to PFRS 16, *Covid-19 Related Rent Concessions*

The amendments provide relief o lessees from applying the standard's guidance on lease modification accounting for rent concession arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under the standard, if the change were not a lease modification. The amendment applies to annual reporting periods beginning or after June 1, 2020. Earlier application is permitted.

Annual Improvements to PFRSs 2015-2017 Cycle

- Amendments to PFRS 3, Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

The amendment had no impact on the Company financial statements as there is no transaction where joint control is obtained.

- Amendments to PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are no re-measured.

The amendment had no impact on the Company's financial statements as there is no transaction where joint control is obtained.

- Amendments to PAS 12, Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity

The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9, Financial Instruments, when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.

These amendments had no impact on the Company financial statements.

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

- Amendments to PFRS 3, Reference to the Conceptual Framework

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. An exception to the recognition principle of PFRS 3 was added 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 21 Levies, if incurred separately.

At the same time, the existing guidance in PFRS 3 for contingent assets that would not be affected was clarified by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Company's financial statements.

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

In May 2020, Property, Plant and Equipment – Proceeds before Intended Use was issued, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

The amendments are not expected to have a material impact on the Company's financial statements.

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

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

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

The amendments are not expected to have a material impact on the Company's financial statements.

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

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

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

The amendments are not expected to have a material impact on the Company's financial statements.

• Amendments to PAS 1, Classification of Liabilities as Current on Non-current, Insurance Contracts

In January 2020, amendments were issued to paragraphs 69 to 76 of the Standard to specify the requirements for classifying liabilities as current or non-current. The amendments clarify the:

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 that an entity will exercise its deferral right;
• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

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

The amendments are not expected to have a material impact on the Company's financial statements.

Deferred effectivity

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

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

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

The Management of the Company is still evaluating the impact of these new amendments.

The significant accounting policies adopted in the preparation of the financial statements are summarized below:

Current versus Noncurrent Classification
The Company presents assets and liabilities in the balance sheet based on current/noncurrent classification. An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

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

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

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

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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 or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

<u>Financial Instruments – Initial recognition and Subsequent Measurement</u>
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

<u>Financial Assets</u>
Initial Recognition and Measurement
Financial assets, are recognized initially at fair value, which is the fair value of the consideration given. The initial measurement of financial assets, except for those designated at FVPL, includes transaction cost.

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at FVOCI, and (c) financial assets at FVPL. The classification of a financial asset at initial recognition largely depends on the Company's business model for managing the asset and its contractual cash flow characteristics.

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Company's cash in banks are classified under this category as at December 31, 2020 and 2019.

Cash in banks represent current and savings deposits in banks that are subject to insignificant risk of changes in value. Cash in banks earn interest at the prevailing bank deposit rates.

Debt Instruments at FVOCI
For debt instruments that are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

The Company does not have debt instruments at FVOCI as at December 31, 2020 and 2019.

Equity Instruments at FVOCI.
For equity instruments that are not held for trading, the Company may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity instrument under PAS 32, *Financial Instruments: Presentation.* This option is available and made on an instrument by instrument basis.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. All other gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods, instead, these are transferred directly to retained earnings.

The Company irrevocably designated its quoted investments in equity securities as financial assets at FVOCI because the Company considers these investments to be strategic in nature.

Financial Assets at FVPL
Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

This category includes debt instruments whose cash flows, based on the assessment at initial recognition of the assets, are not "solely for payment of principal and interest", and which are not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell. The Company may, at initial recognition, designate a debt instrument meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

This category also includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

The Company has not designated any financial assets at FVPL as at December 31, 2020 and 2019.

Reclassification
The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets at Amortized Cost and FVOCI
The Company recognizes an allowance for expected credit loss (ECL) for all debt instruments not held at FVPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Company has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Company established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to its customers and the economic environment.

For other debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. The Group also considers reasonable and supportable information, that is available without undue cost or effort that is indicative of significant increases in credit risk since initial recognition.

The Company considers a financial asset in default when contractual payments are 30 days past due unless it is demonstrated that the non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition
A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

<u>Financial Liabilities</u>
Initial recognition and measurement
Financial liabilities are recognized initially at fair value, which is the fair value of the consideration received. In case of financial liabilities at amortized costs, the initial measurement is net of any directly attributable transaction costs.

Classification.
The Company classifies its financial liabilities at initial recognition as either financial liabilities at FVPL or financial liabilities at amortized cost.

The Company does not have liabilities at FVPL as at December 31, 2020 and 2019.

Financial Liabilities at Amortized Cost
Financial liabilities are categorized as financial liabilities at amortized cost when 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 to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these 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. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

The Company does not have liabilities at amortized cost as at December 31, 2020 and 2019.

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

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

<u>Offsetting of Financial Assets and Liabilities</u>
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position

Other Current Assets
Other current assets represent assets of the Company which are expected to be realized or consumed within one year or within the Company's normal operating cycle whichever is longer. Other current assets are presented in the financial statement of financial position at cost.

Furniture, Fixtures and Equipment
Furniture, fixtures and equipment are initially measured at cost. The cost of an item of furniture, fixtures and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

At the end of each reporting period, items of furniture, fixtures and equipment are measured at cost less any accumulated depreciation and impairment losses.

Depreciation is computed on the straight line method based on the estimated useful lives of the assets.

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

An item of furniture, fixtures and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Asset
Intangible asset is defined as identifiable non-monetary assets without physical substance. An asset meets the identifiability criterion in the definition of an intangible asset when:

- It is separable, meaning, the asset is capable of being separated from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with related contract, asset or liability.
- It arises from contractual or other legal rights, regardless of whether these rights are transferable or separable from the entity or from other rights and obligations.

Intangible asset of the Company includes trading right.

Trading right
Trading right is the result of the conversion plan to preserve the Company's access to the trading facilities and for it to continue to transact business at the PSE. Trading right is assessed to have an indefinite useful life.

Trading right are initially measured at cost and are subsequently carried at revalued amount (Fair value) (see Note 9). The fair value of the asset can be determined by reference to an active market a subsequent measurement date, the revaluation model is applied from that date. If an intangible asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

The trading right is tested annually for any impairment in realizable value.

In accordance with PAS 38, intangible assets with indefinite useful life will not be amortized but shall be reviewed each year to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. The Company tests the asset for impairment by comparing its carrying amount with its recoverable amount, and recognizing any excess of the carrying amount over the recoverable amount as an impairment loss.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss

Impairment of Nonfinancial Assets
Office furniture and equipment and other non-current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts.

The estimated recoverable amount is the greater of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss is recognized in the statements of comprehensive income.

Reversal of impairment losses recognized in prior years is recorded when that there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded in the statements of comprehensive income. However, the increased carrying amount of an asset due to reversal of an impairment loss is recognized to the extent that it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

Equity
Share capital represents the par value of the shares that have been issued.

Appropriated retained earnings pertain to reserve fund required for companies engaged in securities brokerage business.

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

Unrealized gain (loss) on FVOCI pertain to the cumulative market-to-market valuation of FVOCI.

Revenue Recognition
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and

consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in its revenue arrangements.

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

Commissions. Commissions and related clearing expenses are recognized at a point in time on a trade-date basis as securities transactions occur, which is normally upon acceptance of trade deals. These are computed based on a certain percentage of every trade transaction.

Gain (loss) on sale of financial assets. Gain is recognized when the ownership of the securities is transferred to the buyer (at an amount equal to the excess of selling price over the carrying amount of securities).

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

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

Other income. Income from other sources is recognized when earned during the period.

Expense Recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statement of comprehensive income are presented using the function of expense method. Direct costs are expenses incurred that are associated with the services rendered which includes commission and other expenses directly associated with the cost of service. Operating expenses are costs attributable to administrative, marketing and other business activities of the Company

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 the 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 liabilities 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.

As a Lessee
In the comparative period, as a lessee, the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of lease.

<u>Employee Benefits</u>
Short term benefit
The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before twelve months after the end of the reporting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefits are recognized as expense in the period the related service is provided.

Retirement benefits
The Company does not have an existing retirement plan. The management has not recognized an accrual for retirement cost based on the requirement of RA 7641 as they believe that they are not covered by the provision set by the said regulation. RA 7641 requires that the Company has to accrue retirement liability if it has 10 or more employees.

Termination benefits
Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. For voluntary redundancy on termination benefits, it is probable that the offer will be accepted, and the number of acceptances can be measured reliably.

<u>Income taxes</u>
The tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using applicable tax rate.

Deferred income tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Provisions
Provisions are recognized when present obligations 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 financial position date, 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 financial position date and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered probable 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.

Contingencies
Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. They are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Basic and Diluted Loss Per Share
Basic and diluted loss per share (LPS) is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year, after giving retroactive effect to stock dividends declared, stock rights exercised and stock split, if any, declared during the year. The Company does not have any potential dilutive common shares, hence, basic and diluted LPS are the same.

Related Party Relationships and Transactions
Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders.

In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

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

4. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS requires the Company to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Future events may occur which will cause the assumption used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

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

Classification of financial instruments
The Company classifies a financial instrument, or its component parts, on initial recognition, as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument.

The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

Assessment of impairment of financial assets at FVOCI
The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investments is less than its cost, 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 flows.

Based on the recent evaluation of information and circumstances affecting the Company's financial assets at FVOCI, management concluded financial assets at FVOCI are not impaired as at December 31, 2020 and 2019 (see Note 7). Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

Lease commitments – Company as lessee
The Company has lease agreement in respect of its office space. The Company has determined based on evaluation of the terms and condition of the lease agreements, that the significant risks and rewards of ownership of the leased properties were retained by the lessor (e.g., no transfer of ownership at the end of the lease term, lease term is not for the majority of the economic life of the asset and the amount of the present value of the minimum lease payments is not substantially the same as the fair value of the leased asset).

Realizability of deferred tax asset
The Company reviews its deferred tax assets at the end of 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 tax asset to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2020 and 2019 will not be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 17.

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

Fair value measurements for financial instruments
Management applies valuation techniques to determine the fair value of the financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on marked inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair value of financial instruments may vary from actual prices that would be achieved in an arm's length transaction at the reporting period.

The carrying values of the Company's financial assets at FVOCI and the amount of fair value changes recognized during the years on this asset are disclosed in Note 7, respectively.

Estimating useful lives of furniture, fixtures and equipment
The Company estimates the useful lives of its furniture, fixtures and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets and residual values are reviewed, and adjusted if appropriate, only if there is a significant change in the asset or how it is used.

The carrying amounts of the Company's furniture, fixtures and equipment as at December 31, 2020 and 2019, amounts to ₱24,279 and ₱29,697, respectively. Depreciation cost charged to operating expense amounts to ₱5,418 and ₱6,045 in 2020 and 2019, respectively.

5. Cash

This account consists of:

		2020		2019
Cash in banks	₱	**5,493,939**	₱	6,455,339
Cash on hand		**2,519**		2,619
	₱	**5,496,458**	₱	6,457,958

Cash in banks generally earns interest at rates based on daily bank deposit rates. Interest income recognized in the statement of ccomprehensive income amounted to ₱26,789 and ₱59,058 in 2020 and 2019, respectively (see Note 16).

In compliance with Securities Regulation Code (SRC) Rule 49.2-1, the Company maintains a special reserve bank account with a local bank amounting to ₱514,096 and ₱512,904 as at December 31, 2020 and 2019, respectively for the exclusive benefit of the customers.

6. Other Current Assets

This account consists of:

		2020		2019
Input VAT	₱	**494,912**	₱	519,183
Due from BIR		**-**		8,265
Other receivables		**17,942**		455,168
	₱	**512,854**	₱	982,616

Input VAT are VAT on purchases of goods and services, which are creditable to VAT liability of the Company.

Due from BIR is the amount overpaid withholding of tax on compensation of the Company's employees.

7. Financial Assets at FVOCI

This account pertains to Philippine Stock Exchange (PSE) shares received in exchange of membership seat. The movement in the financial assets at FVOCI is summarized below:

		2020		2019
Balance, January 01	₱	**40,512,500**	₱	42,570,000
Additions		**-**		-
Disposals		**(612,500)**		(881,900)
Fair value adjustment		**(4,810,800)**		(1,175,600)
Balance, December 31	₱	**35,089,200**	₱	40,512,500

The Company has 228,000 and 231,500 PSE shares in 2020 and 2019, respectively. The fair market value of PSE shares is quoted at ₱153.9 and ₱175 in 2020 and 2019, respectively.

Dividends earned on PSE shares amounted to ₱2,081,200 in 2019. No similar transaction occurred in 2020.

The following are the movements in the cumulative unrealized gains (losses) on financial assets at FVOCI recognized in the statements of changes in equity. Changes in the fair value of these financial assets at FVOCI are reported in other comprehensive income.

	December 31, 2020		
	Gain (Loss)	Deferred tax liability	Net Gain (Loss)
Balance, January 01	₱ 16,205,000	₱ 4,861,500	₱ 11,343,500
Disposal	(612,500)	(183,750)	(428,750)
Fair value adjustment	(4,443,300)	(1,332,990)	(3,110,310)
Balance, December 31	₱ 11,149,200	₱ 3,344,760	₱ 7,804,440

	December 31, 2019		
	Gain (Loss)	Deferred tax liability	Net Gain (Loss)
Balance, January 01	₱ 17,737,500	₱ 5,321,250	₱ 12,416,250
Disposal	(881,900)	(264,570)	(617,330)
Fair value adjustment	(650,600)	(195,180)	(455,420)
Balance, December 31	₱ 16,205,000	₱ 4,861,500	₱ 11,343,500

8. Furniture, Fixtures and Equipment

This account consists of computer and equipment. The roll forward analysis of this account follows:

	2020	2019
Cost		
Balance, January 01	**₱ 582,206**	₱ 582,206
Additions	**-**	-
Disposals	**-**	-
Balance, December 31	**582,206**	582,206
Accumulated Depreciation		
Balance, January 01	**552,509**	546,464
Depreciation for the year	**5,418**	6,045
Balance, December 31	**557,927**	552,509
Carrying Amount	**₱ 24,279**	₱ 29,697

As at December 31, 2020 and 2019, management believes that there is no impairment loss on its furniture, fixtures and equipment.

Furniture, fixtures and equipment with an aggregate cost of ₱466,853 as at December 31, 2020 and 2019, are fully depreciated but still used by the Company.

9. Trading Right

Trading right represents the Company's privilege in trading securities in the PSE floor. In compliance with Section 8, Article III of the Amended By-Laws of the Exchange, the Company's trading right (previously the exchange membership seat) is pledged at its full value to the PSE to secure the payments of all debts due to the Exchange and to other trading participants of the Exchange arising out of or in connection with the present or future contracts relating to securities and in compliance with Section 7, Article II of the Rules Governing Trading Rights and Trading Participants, to secure the payment of all debts and claims due to the clients of the Company, the Government, the Exchange and the other trading participants of the Exchange and to the Securities Clearing Corporation of the Philippines.

In 2001, the Securities and Exchange Commission approved the demutualization or conversion of PSE into a stock corporation effective August 8, 2001. Each membership seat will be exchanged for each shares of stocks of PSE. In accordance with the conversion, PSE will issue 9.2 million shares with a par value of P1 per share out of members' contribution of P28.6 million. Thus, each of the 184 member/brokers will subscribed to a total of 50,000 shares of stock with a par value of P1 per share. The balance of the members' contribution of P277.4 million will be treated as additional paid-in surplus in the financial statements of PSE.

In addition to the shares, each member will receive a Certificate of Trading Rights to maintain their continued access to the trading floor of PSE. The rights can be assigned and transferred by the member.

PSE, however, will not issue shares of stock for the value of its donated assets. The donated assets consisting of two (2) pieces of real property located in Makati and Pasig City, where its trading floors are located, are subject to restrictions on their transferability.

The last transacted price for trading right as provided by PSE amounted to ₱8,500,000 as at December 31, 2020 and 2019 while its carrying value amounted to ₱8,500,000 as at December 31, 2020 and 2019. Hence, no impairment loss is recognized in 2020 and 2019.

The movement in the trading right is summarized below:

		2020		2019
Carrying Amount				
Balance, January 01	**₱**	**8,500,000**	₱	8,500,000
Additions		**-**		-
Disposals		**-**		-
Balance, December 31	**₱**	**8,500,000**	₱	8,500,000

		2020		2019
Cost				
Balance, January 01	₱	**17,820,000**	₱	17,820,000
Additions		**-**		-
Disposals		**-**		-
Balance, December 31		**17,820,000**		17,820,000
Revaluation Loss				
Balance, January 01		**9,320,000**		9,320,000
Fair value adjustment		**-**		-
Balance, December 31		**9,320,000**		9,320,000
Carrying Amount	₱	**8,500,000**	₱	8,500,000

10. Payable to Clearing House

This account represents the net amount receivable/payable on the sales and purchases of securities made on the trading floor of the Philippine Stock Exchange, Inc. with the banks and payment must be received after three (3) days from the consummation of the transactions. As at December 31, 2020 and 2019, payable to clearing house amounted to nil and ₱1,289,050, respectively.

11. Other Current Liabilities

This account consists of:

		2020		2019
Accounts payable	₱	**188,055**	₱	-
Accrued expense		**34,312**		34,312
Agency payables		**11,438**		11,361
Clearing house fee payable		**2,087**		842
Due to BIR		**577**		2,971
Others		**90**		-
	₱	**236,559**	₱	49,486

Accrued expenses consist of professional fees.

Agency payables consist of statutory obligations to government agencies such as Social Security System, Philippine Health Insurance Corporation and Home Development Mutual Fund.

Due to BIR consists of obligations to Bureau of Internal Revenue such as withholding taxes and output VAT.

12. Share Capital

The Company is authorized to issue Two Million (2,000,000) ordinary shares with par value of one hundred pesos (₱ 100) per share.

A reconciliation of the outstanding share capital at the beginning and end of 2020 and 2019 is shown below:

	2020		2019	
	Shares	**Amount**	Shares	Amount
Outstanding, beginning of year	**579,500**	**₱ 57,950,000**	579,500	₱ 57,950,000
Issuance	**-**	**-**	-	-
Reacquisition	**-**	**-**	-	-
Outstanding, end of year	**579,500**	**₱ 57,950,000**	579,500	₱ 57,950,000

As at December 31, 2020 and 2019, the Company has five (5) shareholders owning 100 or more shares each.

Minimum Capital Requirement
In a meeting held on October 21, 2010, the SEC issued Resolution No. 489 and 492 granting the deferment of the ₱ 30,000,000 unimpaired paid-in capital requirement of Trading Participants effective January 1, 2011 until November 30, 2011 provided that Trading Participants with Unimpaired Paid-up Capital falling below ₱ 30,000,000 shall post a surety bond amounting to ₱ 30,000,000 on top of the surety bond of ₱ 12,000,000 in compliance with SRC Rule 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 January 1, 2011 to December 31, 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 September 8, 2009, effective November 1, 2009, the surety bond, shall be Ten Million Pesos (₱ 10,000,000) for Brokers and Two Million Pesos (₱ 2,000,000) for Dealers.

Based on SEC Memorandum Circular No. 16 dated November 11, 2004, starting December 1, 2005, every broker dealer is expected to comply with all the requirements of the Risk-Based Capital Adequacy (RBCA) rules. As of December 31, 2005, the RCBA report is prepared based on the guidelines which cover the following risks: (a) position of market risks, (b) credit risks such as counterparty, settlement, large exposure, and margin financing risks, and (c) operation risk.

The Company monitors capital on the basis of RBCA Ratio and Net Liquid Capital (NLC). RBCA requirement is the minimum level of capital that has to be maintained by firms which are licensed, or securing a broker dealer license, taking into consideration the firma size, complexity and business risk. RBC ratio is the quotient of the NLC and the sum of the requirements for operation risk, credit risk, and position or market risk.

NLC, on the other hand, represents the equity eligible for NLC adjusted for non-allowable current and non-current assets as described under the Circular.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Under the guidelines set-out by the SEC, all registered brokers dealers should maintain the following RBCA and NCL requirements:

A. RBCA ratio of greater than or equal to 1:1;

As at December 31, 2020 and 2019, the Company's RBCA ratio of 9.47 and 11.16, respectively, is in compliance with the minimum capital requirement set out by the RBCA framework.

B. NLC should be at least ₱5,000,000 or 5% of aggregate indebtedness, whichever is higher;

C. A dealer who deals only with proprietary shares and does not keep shares in its custody shall maintain a NLC of ₱2,500,000 or 2.5% of aggregate indebtedness, whichever is higher;

D. No broker dealer shall permit its aggregate indebtedness to exceed 2,000% of its NLC.

The Company's NLC amount to ₱4,459,899 and ₱5,119,422 as at December 31, 2020 and 2019, respectively, which is more than 5% of the Company's aggregate indebtedness. As at December 31, 2020 and 2019, the Company is in compliance with items B to D as prescribed by Securities and Exchange Commission (SEC).

On May 28, 2009, the SEC approved PSE's Rules Governing Trading Rights and Trading Participants which provides among other the following provisions:

a. Trading participants should have a minimum unimpaired paid-up capital (defined as the trading participant's total paid up capital less any deficiency in the retained earnings account) of ₱20,000,000 effective December 31, 2009, provided further that effective December 31, 2010 and onwards, the minimum unimpaired paid up capital shall be ₱30,000,000; and

b. Each trading participant shall pledge its trading right to the extent of its full value to secure the payment of all debts and claims due to the trading participant, the government, PSE and to other trading participants of the PSE and to the Securities Clearing Corporation of the Philippines.

As at December 31, 2020 and 2019, the Company is in compliance with PSE's Rules Governing Trading Rights and Trading Participants.

13. Retained Earnings

SRC Rule 49.1 (B) "Reserve Fund", requires that every broker dealer shall annually appropriate certain minimum percentage of its audited profit after tax and transfer the same to Appropriated Retained Earnings. Minimum appropriation shall be 30%, 20% and 10% of profit after tax for broker dealers with unimpaired paid up capital between P10 million to P30 million, between P30 million to P50 million and more than P50 million, respectively.

As at December 31, 2020 and 2019, the Company incurred net losses after tax of ₱1,499,813 and ₱138,600, respectively. Consequently, no appropriation of retained earnings was made in 2020 and 2019.

14. Cost of Services

This account consists of:

		2020		2019
Salaries and wages	₱	**1,499,397**	₱	2,035,156
Stock exchage dues and fees		**100,703**		86,337
Central depository fees		**24,765**		26,645
	₱	**1,624,865**	₱	2,148,138

15. Operating Expenses

This account consists of:

		2020		2019
Rentals (Notes 19 and 20)	₱	**158,954**	₱	221,064
Monthly allowance		**162,000**		-
Taxes and licenses		**95,795**		90,774
Transportation and travel		**81,307**		114,612
Communication, light and water		**77,458**		76,526
Insurance		**38,780**		38,780
Professional fees		**30,000**		30,000
Office supplies		**8,166**		14,351
Depreciation (Note 8)		**5,418**		6,045
Representation and entertainment		**343**		66,539
Training and seminars		**-**		6,000
Miscellaneous		**15,357**		16,238
	₱	**673,578**	₱	680,929

16. Other Income

This account consists of:

		2020		2019
Gain on sale of financial asset at FVOCI (Note 7)	₱	**233,462**	₱	383,128
Interest income (Note 5)		**26,789**		59,058
Dividend income (Note 7)		**-**		2,081,200
Other income		**5,367**		-
	₱	**265,618**	₱	2,523,386

17. Income Tax

The Company is subject to MCIT which is computed at 2% of gross income, as defined under the tax regulations, or RCIT whichever is higher. There was no MCIT and RCIT incurred in 2020 and 2019 as the Company is in a taxable loss position in both years.

In 2020 and 2019, the Company opted to claim itemized deductions in computing for its income tax due.

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

	2020	2019
Benefit from income tax at statutory income tax rate	₱ **(449,944)**	₱ (41,580)
Increase (decrease) in income tax resulting from:		
Unrecognized DTA arising from NOLCO	**528,020**	779,135
Income subjected to final tax	**(8,037)**	(17,717)
Income exempt from tax	**(70,039)**	(739,298)
Non-deductible expense	**-**	19,460
	₱ **-**	₱ -

The details of the Company's NOLCO which can be applied against future taxable income are as follows:

Year Incurred	Amount	Used	Expired	Balance	Expiry Date
2019	₱ 2,597,118	₱ -	₱ -	₱ 2,597,118	2022
2018	2,626,402	-	-	2,626,402	2021
2017	1,941,340	-	(1,941,340)	-	2020
2016	1,377,309		(1,377,309)	-	2019
Total	₱ 8,542,169	₱ -	₱ (3,318,649)	₱ 5,223,520	

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

As at December 31, 2020, the Company incurred NOLCO in taxable year 2020 which can be claimed as a deduction from regular taxable income for the next 5 consecutive taxable years pursuant to the Bayanihan to Recover as One Act, as follows:

Year Incurred	Availment Period	Amount	Applied	Expired	Unapplied
2020	2021-2025	₱ 1,760,064	₱ -	₱ -	₱ 1,760,064

No deferred tax was recognized on the balance of unexpired NOLCO since there is no assurance that the Company will generate sufficient taxable income to allow all or part of its NOLCO to be utilized.

The movements of the net deferred income tax liability are as follow:

	December 31, 2020			
	Balance at beginning of year	**Charged to income**	**Charged to equity**	**Balance at end of year**
Unrealized gain on Financial asset at FVOCI	**₱ 4,861,500**	**₱ -**	**₱ (1,516,740)**	**₱ 3,344,760**

	December 31, 2019			
	Balance at beginning of year	Charged to income	Charged to equity	Balance at end of year
Unrealized gain on Financial asset at FVOCI	₱ 5,321,250	₱ -	₱ (459,750)	₱ 4,861,500

Recent Tax Regulation

Effect of CREATE Law
On March 26, 2021, the President signed into law Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, with line item vetoes. CREATE provides reforms on corporate income tax, value-added tax (VAT), tax incentives as well as Covid-19 related tax reliefs to taxpayers. Domestic corporations with total assets not exceeding P100 million and net taxable income not exceeding P5 million shall be subject to a 20% tax rate while other domestic corporations and resident foreign corporations shall be subject to a 25% tax rate. In addition, MCIT shall be computed at 1% of gross income for a period of three years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020. Consequently, the corporate income tax rate for the Company from January 1, 2020 to June 30, 2020 and July 1, 2020 to December 31, 2020 will be 30% and 25%, respectively.

Considering that the CREATE law is not yet enacted or substantially enacted as of December 31, 2020, the same is treated in the financial statements as a non-adjusting event. Accordingly, the tax rates used in the income tax return are different from the rate used in the Company's 2020 financial statements which remains at 30%.

18. Loss per Share

Loss per share is computed as follows:

	2020	2019
Net loss	**₱ (1,499,813)**	₱ (138,600)
Number of shares outstanding	**579,500**	579,500
	₱ (2.59)	₱ (0.24)

19. Related Party Transactions

The Company has transactions with its related parties in the ordinary course of business. The outstanding balances and amount of transactions with related parties as at and for the years ended December 31, 2020 and 2019 are as follows:

		2020		2019	
Nature of Relationship	Nature of Transactions	**Amount of transactions**	**Outstanding balance**	Amount of transactions	Outstanding balance
Philtrust Bank (Affiliate)	Cash deposits	**₱ -**	**₱ 2,196,246**	₱ -	₱ 2,230,919
US Automotive Co. (Affiliate)	Rentals	**158,954**	**-**	221,064	-

None of the Company's outstanding balances with related parties has indications of impairment. Hence, no impairment losses were recognized in both years.

Key Management Compensation

The Company's key management officers receive short-term employee benefits from the Company amounting to ₱470,120 and ₱645,880 in 2020 and 2019, respectively.

20. Lease Agreement

Company as lessee

The Company entered into lease agreement with U.S. Automotive Co., Inc. for an office space. The lease term is for a period of one (1) year up to December 31, 2020. The contract provides for a monthly rental of ₱24,844 but the parties agreed to reduce the rentals to ₱12,422. The contract is renewable every year upon mutual agreement of the parties.

The Company also entered into lease agreement with Philippine Stock Exchange for an office space to be used at the trading floor. The lease term is for a period of one (1) year up to December 31, 2020. The contract provides for a monthly rental of ₱6,000.

Total rental expense recognized under the above leases amounted to ₱158,954 and ₱221,064 in 2020 and 2019, respectively.

21. Financial Risk Management Objectives

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is coordinated with the Board of Directors, and focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's business activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below:

Liquidity Risks

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Company's inability to meet its obligation when they come due without recurring unacceptable losses or costs.

The Company manages its liquidity needs by carefully monitoring cash inflows and cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The following table presents the maturity profile of the Company's financial liabilities as at December 31, 2020 and 2019 based on contractual undiscounted payments.

	As at December 31, 2020				
		Contractual Undiscounted Payments			
	Total carrying values	**Current**	**Less than one year**	**1 to 5 years**	**> more than five years**
Payable to clearing house	**₱ -**	**₱ -**	**₱ -**	**₱ -**	**₱ -**
Other current liabilities	**224,544**	**224,544**			
	₱ 224,544	**₱ 224,544**	**₱ -**	**₱ -**	**₱ -**

	As at December 31, 2019				
		Contractual Undiscounted Payments			
	Total carrying values	Current	Less than one year	1 to 5 years	> more than five years
Payable to clearing house	₱ 1,289,050	₱ 1,289,050	₱ -	₱ -	₱ -
Other current liabilities	35,154	35,154			
	₱ 1,324,204	₱ 1,324,204	₱ -	₱ -	₱ -

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. The Company is exposed to credit risk primarily from unsettled customer and principal trades, loans, and other dues, deposits with banks and investments.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial asset as shown on the face of the Statement of Financial Position. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The tables below show the credit quality per class of financial asset as at December 31, 2020 and 2019. The Company does not have past due but not impaired accounts as at December 31, 2020 and 2019.

Credit Quality per Class of Financial Asset

	As at December 31, 2020				
			Past due but not impaired		
	Total	**Neither past due nor impaired**	**0-60 days**	**over 60 days**	**Past due or individually impaired**
			(in thousands)		
Financial asset at amortized cost					
Cash in banks	**₱ 5,493,939**	**₱ 5,493,939**	**₱ -**	**₱ -**	**₱ -**

	As at December 31, 2019				
			Past due but not impaired		
	Total	Neither past due nor impaired	0-60 days	over 60 days	Past due or individually impaired
			(in thousands)		
Financial asset at amortized cost					
Cash in banks	₱ 6,455,339	₱ 6,445,339	₱ -	₱ -	₱ -
Other receivables	450,000.00	450,000.00	-	-	-
	₱ 6,905,339	₱ 6,895,339	₱ -	₱ -	₱ -

The carrying amount of the financial assets recorded in the financial statements represents the Company's maximum exposure to credit risks. The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. For determination of credit risk, cash and cash equivalents do not include cash on hand amounting to ₱2,519 and ₱2,619 as at December 31, 2020 and 2019, respectively.

The carrying amount of financial asset at FVOCI assets recorded in the financial statements represents the Company's maximum exposure to credit risks. The market risk for changes in value in financial asset at FVOCI arising from changes in market credit spreads applied to financial assets, including derivatives, is managed as a component of market risk.

Market Risk

a. Price risk

The Company is exposed to price risk in relation to its financial asset at FVOCI which consists of investment in PSE shares. The BOD of the Company manages price risk by setting and monitoring objectives and constraints on investment, diversification plan and limit on investments.

As at December 31, 2020 and 2019, if the PSE shares price strengthened/weakened by (0.12%) (2019 – 0.22%) with all other variable held constant, unrealized gain on financial asset at FVOCI recognized in equity after deferred tax would decrease by ₱424,687 (2019: ₱236,005).

The price fluctuation assumed in the sensitivity analysis represents the defined shift used by the company to manage its equity price risk. The shift in percentage from (0.12%) to 0.22% is brought about by the totality in PSE shares.

b. Interest rate risk

The Company's exposure to the risk for changes in interest rates relates primarily to the Company's bank accounts. Hence, the Company's exposure to changes in interest rates is not significant.

c. Foreign currency risk

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

22. Capital Management

The Company's objective in managing capital is to ensure that a stable capital base is maintained in accordance with industry regulations while maintaining investor, creditor, and market confidence to sustain the future development of the business.

The Company's BOD has the overall responsibility for monitoring capital proportion to risks. The Associated Person designated by the Company monitors compliance with minimum capital requirements imposed by PSE and SEC.

The Company, being a broker/dealer in securities, is regulated by PSE and SEC and subject to the following capital requirement in accordance with the Securities Regulatory Commission (SRC).

Risk Based Capital Adequacy Requirement
Based on SEC Memorandum Circular No. 16, the Company is required an RBCA ratio of greater than or equal to 1:1. The RBCA ratio is computed by dividing Company's Net Liquid Capital (NLC) to its Total Risk Capital Requirement (TRCR). TRCR is the sum of: a) Operational Risk Requirement (ORR); b) Credit Risk Requirement which include requirements for Counterparty Risk, Settlement Risk, Large Exposure Risk, and Margin Lending/Financing Risk; and c) Position or Market Risk Requirement.

The Company's RBCA ratio for the years ended December 31, 2020 and 2019 are 947% and 1,116%, respectively.

Details of computation of the Company's RBCA ratio are shown below:

	2020	2019
Net liquid capital		
Equity eligible for net liquid capital	**₱ 48,620,496**	₱ 55,177,446
Ineligible assets	**(44,160,597)**	(50,058,024)
Total	**4,459,899**	5,119,422
Risk capital requirements		
Operational risk requirement	**471,160**	458,797
Position risk requirement		-
Counterparty risk		-
Total	**471,160**	458,797
Risk based capital adequacy ratio	**947%**	1116%

Net Liquid Capital
The Company is required, at all times, to have and maintain a NLC of Five Million (₱ 5M) or 5% of its Aggregate Indebtedness (AI), whichever is higher.

In computing for NLC, all non-allowable asset/equities, and collateralized liabilities will be deducted and allowable liabilities and equities are added to equity per books.

Details of Company NLC as of years ended December 31, 2020 and 2019 are shown below:

		2020		2019
Net liquid capital	**₱**	**4,459,899**	₱	5,119,422
Less: Required net liquid capital				
Aggregate indebtedness		**855,081**		1,338,536
5% aggregate indebtedness		**42,754**		66,928
Minimum amount		**5,000,000**		5,000,000
Required NLC		**5,000,000**		5,000,000
Net risk based capital exces	**₱**	**(540,101)**	₱	119,422
Ratio of AI to NLC		**19%**		26%

Total Risk Capital Requirement

Details of TRCR follows:

a. Operational Risk

It is the exposure that is associated with commencing and remaining in business arising separately from exposures covered by other risk requirements. It is the risk of loss resulting from inadequate of failed internal process, people and systems which include, among others, risk if fraud, operational or settlement failure and shortage of liquid resources, or from external events.

Shown in the succeeding page is the manual computation of operational risk requirement for the last three years:

Revenue		**2019**		**2018**		**2017**		**Average**
Commission revenue	₱	167,081	₱	104,115	₱	413,144	₱	228,113
Interest income		59,058		47,344		28,328		44,910
Dividend income		2,081,200		2,128,500		1,655,500		1,955,067
Gain on sale of financial asset		383,128		-		-		127,709
Other income		-		-		-		-
AFS financial asset	₱	2,690,467	₱	2,279,959	₱	2,096,972	₱	2,355,799
Average of last three years gross income							₱	2,355,799
Operational risk factor								20%
Total ORR							**₱**	**471,160**

The Company's Core Equity should, at all times, be greater than its Operational Risk Requirement.

Core Equity refers to the sum of paid-up common stock, common stock dividends distributable, additional paid-in capital, surplus reserves excluding revaluation reserves or appraisal capital, and opening retained earnings adjusted for all current year movements.

Core Equity shall exclude treasury shares and un-booked valuation reserves and other capital adjustments (such as unrealized gain in value of financial asset at FVOCI).

The Company has no operational risk exposure since its Core Equity is greater than the operational risk requirement as calculated.

b. Position/Price Risk

The risk in which a Broker Dealer is exposed to and arising from securities held by it as principal or in its proprietary or dealer account. The Company has no financial assets at fair value through profit or loss considered for position/price risk.

c. Large Exposure Risk

It is a risk to which a broker dealer is exposed to a single equity security or single issuer group. This is the maximum permissible large exposure and calculated as a percentage of core equity.

The Company does not have any exposure to single client or counterparty, direct exposure to debt for fixed income securities, and direct exposure to a single equity relative to a particular issuer company and its group of companies as the Company does not exceed to the maximum Large Exposure Risk Limit of 30% of its Core Equity.

d. Counterparty Risk Exposure

Unsettled customer trades (arising from customer-to-broker agency relationship)- A counterparty exposure of this kind occurs when a) the customer poses the possible risk of failing to deliver securities on a sell contract or b) the customer poses the possible risk of failing to pay cash on a buy contract.

Unsettled principal trades (arising from broker-to-broker or broker-to-exchange/clearing agency relationships). A counterparty exposure risk of this kind occurs when a) the broker dealer poses the possible risk of failing receive cash from its counterparty on a sell contract or b) the broker dealer poses the possible risk of failing to receive the securities from its counterparty on a buy contract.

Debts/loans, contra losses and other amounts due- A broker dealer has a counterparty exposure if a debt/loan, receivable from a customer/client, contra loss, or any other amount due is not paid on its agreed due date. In the case of a contra loss, the due date shall be the date of the contra.

The Company has no counter party exposure as of reporting date.

As at December 31, 2020 and 2019, the Company is in compliance with Risk Based Capital Adequacy Requirement.

23. Fair Value Measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under the current market condition regardless of whether the price is directly observable or estimated using another valuation technique.

The carrying amounts of cash in banks, other receivables, and accrued expense, which are all subject to normal trade credit terms and are short-term in nature, approximate their fair values.

The Company's financial asset at FVOCI are carried at their fair values as at December 31, 2020 and 2019. Fair value of equity securities is based on the closing quoted prices of stock investments published by the PSE.

The following table presents the carrying amounts and fair values of the Company's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

	December 31, 2020			
		Fair Value Hierarchy		
	Carrying amounts	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets for which fair values are disclosed				
Cash in banks	**₱ 5,493,939**	**₱ -**	**₱ 5,493,939**	**₱ -**
Financial assets at FVOCI	**35,089,200**	**35,089,200**	**-**	**-**
Trading right	**8,500,000**	**-**	**-**	**8,500,000**
	₱ 49,083,139	**₱ 35,089,200**	**₱ 5,493,939**	**₱ 8,500,000**
Liabilities for which fair values are disclosed				
Payable to clearing house	**₱ -**	**₱ -**	**₱ -**	**₱ -**
Accrued expense	**34,312**	**-**	**34,312**	
	₱ 34,312	**₱ -**	**₱ 34,312**	**₱ -**

	December 31, 2019			
		Fair Value Hierarchy		
	Carrying amounts	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed				
Cash in banks	₱ 6,455,339	₱ -	₱ 6,455,339	₱ -
Financial assets at FVOCI	40,512,500	40,512,500	-	-
Trading right	8,500,000	-	-	8,500,000
	₱ 55,467,839	₱ 40,512,500	₱ 6,455,339	₱ 8,500,000
Liabilities for which fair values are disclosed				
Payable to clearing house	₱ 1,289,050	₱ -	₱ 1,289,050	₱ -
Accrued expense	34,312		34,312	
	₱ 1,323,362	₱ -	₱ 1,323,362	₱ -

24. Supplementary Information Required by the Bureau of Internal Revenue

The BIR requires companies to provide supplementary information in the notes to financial statements for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS for SEs. The following are the additional information required by the BIR for the taxable year ended December 31, 2020.

Under Revenue Regulation 34-2020
On December 18, 2020, the BIR issued Revenue Regulation No. 34-2020 prescribes guidelines and procedures for the submission of BIR Form No. 1709 (Information Return on Related Party Transactions/RPT Form), Transfer Pricing Documentation (TPD) and other supporting documents. Section 2 of this regulation requires submission of the RPT Form together with the Annual Income Tax Return (AITR) by the following: (a) Large Taxpayers; (b) Taxpayers enjoying tax incentives; (c) Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive years; and (d) a related party, as defined under Section 3 of RR No. 19-2020, which has transactions with (a), (b) or (c).

The Company is not required to submit the RPT form since it is not covered by the requirements and procedures for related party transactions provided in RR 34-2020.

Under Revenue Regulation 15-2010
On November 25, 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) No. 15-2010 which took effect on December 29, 2010 which provides for additional information required to be disclosed in the notes to financial statements regarding taxes, duties and license fee, paid or accrued, during the taxable year.

In compliance with the requirements set forth by Revenue Regulations 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued for the year ended December 31, 2020:

Value-Added Tax (VAT)
The Company's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

a. Output VAT

   The Company declared output VAT as follows:

	Gross revenues	Output VAT
Commission	₱ 533,012	₱ 63,961

b. Input VAT

Movements in input VAT for the year ended December 31, 2020 follow:

		Amount
Balance at beginning of year	₱	**519,183**
Purchases during the year		
Services		**375,267**
Other than capital goods		**-**
Input VAT claimed during the year		**(399,538)**
Balance at end of year	₱	**494,912**

c. Withholding Taxes

Withholding taxes paid/accrued for the year ended December 31, 2020 consist of:

		Paid		Accrued		Total
Expanded	₱	**12,192**	₱	**577**	₱	**12,769**
Compensation		**17,067**		**-**		**17,067**
	₱	**29,259**	₱	**577**	₱	**29,836**

d. All other Taxes (National and Local)

All other local and national taxes paid for the year ended December 31, 2020 consists of:

		Amount
Municipal permits	₱	**54,915**
SEC licenses		**35,380**
Documentary stamp tax		**4,500**
Others		**1,000**
	₱	**95,795**

e. Deficiency Tax Assessment and Cases

As at December 31, 2020, the Company has no pending tax court cases nor has it received deficiency tax assessment notices from the BIR.

SUPPLEMENTAL WRITTEN STATEMENT OF INDEPENDENT AUDITORS

The Shareholders and the Board of Directors
Phil-Progress Securities Corporation
R-110 PPL Building, U.N. Ave.
cor. San Marcelino St., Manila

We have audited the financial statements of Phil-Progress Securities Corporation (the 'Company') for the year ended December 31, 2020, on which we have rendered the attached report dated May 06, 2021.

In compliance with Securities Regulation Code Rule 68, we are stating that the Company has five (5) stockholders owning one hundred (100) or more shares each as at December 31, 2020.

TEODORO SANTAMARIA AND CO., CPAs
BOA/ PRC Registration No. 5593
Valid until September 26, 2024
SEC Accreditation No. 0366-F
Valid until November 05, 2021

For the Firm:

RACHEL LYDIA T. SANTAMARIA
CPA Cert. No. 083524
Valid until December 09, 2023
TIN 102-921-088-000
PTR No. 8543642
Issued on January 12, 2021, Makati City
SEC Accreditation No. 1714-A
Valid until November 05, 2021
BIR Accreditation No. 08-003408-002-2019
Valid until April 04, 2022

Makati City, Philippines
May 06, 2021

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

The Shareholders and the Board of Directors
Phil-Progress Securities Corporation
R-110 PPL Building, U.N. Ave.
cor. San Marcelino St., Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Phil-Progress Securities Corporation (the Company) as at and for the year ended December 31, 2020 and have issued our report thereon dated May 06, 2021. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules I to IX are the responsibility of the management of the Company. These schedules are presented for the purpose of complying with Securities and Regulation Code Rule 68, as Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

TEODORO SANTAMARIA AND CO., CPAs
BOA/ PRC Registration No. 5593
Valid until September 26, 2024
SEC Accreditation No. 0366-F
Valid until November 05, 2021

For the Firm:

RACHEL LYDIA T. SANTAMARIA
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Valid until April 04, 2022

Makati City, Philippines
May 06, 2021

PHIL-PROGRESS SECURITIES CORPORATION

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Commissioner
Bureau of Internal Revenue
Quezon City

The Management of Phil-Progress Securities Corporation is responsible for all information and representation contained in the annual income tax return for the year ended December 31, 2020. Management is likewise responsible for all information and representation contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period including but not limited to the value added tax and/or percentage tax return, withholding tax returns, documentary stamp tax returns, and any all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2020 and the accompanying Annual Income Tax Return are in accordance with the books and records of Phil-Progress Securities Corporation, complete and correct in all material respects. The Management likewise affirms that:

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

JOHNNY C. YAP
Chairman and President

ENRIQUE RAYMOND I. YAP
Treasurer

SCHEDULE I

PHIL-PROGRESS SECURITIES CORPORATION
STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS
DECEMBER 31, 2020

There are no liabilities subordinated to claims of general creditors.

SCHEDULE II

PHIL-PROGRESS SECURITIES CORPORATION
RISK BASED-CAPITAL ADEQUACY WORKSHEET PURSUANT TO SEC MEMORANDUM CIRCULAR NO. 16
DECEMBER 31, 2020

Assets	49,657,055
Liabilities	4,381,319
Equity as per books	45,275,736
Adjustment to equity per books	
Add (Deduct):	
Allowance for market decline	
Subordinated liabilities	
Unrealized Gain/Loss in Proprietary Accounts	
Deferred tax liabilities	3,344,760
Revaluation Reserve	
Deposit for Future Stock Subscription	
Minority Interest	
Total Adjustments to Equity per books	
Equity Eligible For Net Liquid Capital	48,620,496
Contingencies and Guarantees	
Deduct: Contingent Liability	
Guarantees or Indemnities	
Ineligible Assets	
a. Trading Right and all Other Intangible Assets	8,500,000
b. Intercompany Receivables	
c. Fixed Assets, net of accumulated and excluding those used as collateral	24,279
d. All Other Current Assets	547,118
e. Securities Not Readily Marketable	
f. Negative Exposure (SCCP)	
g. Notes Receivables (non-trade related)	
h. Interest and Dividend Receivables outstanding for more than 30 days	
i. Ineligible Insurance claims	
j. Ineligible Deposits	
k. Short Security Differences	
l. Long Security Differences not resolved prior to sale	
m. Other Assets including Equity Investments in PSE	35,089,200
Total ineligible assets	44,160,597
Net Liquid Capital (NLC)	4,459,899
Less:	
Operation Risk Requirement	471,160
Position Risk Requirement	
Counterparty Risk	
Large Exposure Risk	
LERR to a single client	
LERR to a single debt	
LERR to a single issuer and group of companies	
Total Risk Capital Requirement (TRCR)	471,160
Net RBCA Margin (NLC-TRCR)	3,988,739
Liabilities	4,381,319
Add: Deposit for Future Sock Subscription	
Less: Exclusions from Aggregate Indebtedness	
Subordinated Liabilities	
Loans and Secured Liabilities	
Loans Secured by Fixed Assets	
Deferred tax liabilities	3,344,760
Total Adjustment to AI	3,344,760
Aggregate Indebtedness	1,036,559
5% of Aggregate Indebtedness	51,828
Required Net Liquid Capital (> of 5% of AI or P5M)	5,000,000
Net Risk-based Capital Excess/(Deficiency)	(540,101)
Ratio of AI to Net Liquid Capital	23%
RBCA Ratio (NLC/TRCR)	947%

SCHEDULE III

PHIL-PROGRESS SECURITIES CORPORATION
INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENT UNDER SEC RULE 49.2
DECEMBER 31, 2020

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

Market Valuation	NIL
Number of Items	NIL

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

Market Valuation	NIL
Number of Items	NIL

PHIL-PROGRESS SECURITIES CORPORATION
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
UNDER SRC RULE 49.2
DECEMBER 31, 2020

Particulars	Credits	Debits
1. Free credit balances and other credit balance in customers' security accounts.	-	
2. Monies borrowed collateralized by securities carried for the account of customers.	-	
3. Monies payable against customers' securities loaned.	-	
4. Costumers' securities failed to receive.	-	
5. Credit balances in firm accounts which are attributable to principal sales to customer.	-	
6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days old,	-	
7. Market value of the short security count differences over 30 calendar days old.	-	
8. Market value of short securities and credits (not to be offset by long or by debits) in all suspense accounts over 3o calendar days.	-	
9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days.	-	
10. Debit balances in customers' cash or margin accounts excluding unsecured accounts and accounts doubtful of collection.		-
11. Securities borrowed to effectuate short sales by customer and securities borrowed to make delivery on customers' securities failed to deliver.		-
12. Failed to deliver customers' securities not older than 30 calendar days.		-
13. Others:	-	-
Total	-	-
Net Credit (Debit)		
Required Reserve (100% of net credit if making a weekly computation and 105% if monthly)		

PHIL-PROGRESS SECURITIES CORPORATION
A REPORT DESCRIBING ANY MATERIAL INADEQUACIES
FOUND TO EXIST OR FOUND TO HAVE EXISTED
SINCE THE DATE OF THE PREVIOUS AUDIT
DECEMBER 31, 2020

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

PHIL-PROGRESS SECURITIES CORPORATION
RESULTS OF MONTHLY SECURITIES COUNT
CONDUCTED PURSUANT TO SRC 52.1-10, AS AMENDED
DECEMBER 31, 2020

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

SCHEDULE VII

PHIL-PROGRESS SECURITIES CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS IN TWO COMPARATIVE PERIODS UNDER SRC RULE 68, AS AMENDED DECEMBER 31, 2020

Ratio	Formula	**2020** *(In Thousands)*		2019 *(In Thousands)*	
Current ratio	Current assets / Current liabilities	**6,044 / 237**	**25.55**	7,474 / 1,339	5.58
Acid test ratio	Cash and cash equivalents + Current receivables + Marketable securities / Current liabilities	**5,496 / 237**	**23.24**	6,458 / 1,339	4.82
Solvency ratio	Total liabilities / Total assets	**4,381 / 49,657**	**0.09**	6,200 / 56,516	0.11
Debt to equity ratio	Total Liabilities / Equity	**4,381 / 45,276**	**0.10**	6,200 / 50,316	0.12
Asset to equity ratio	Total assets / Equity	**49,657 / 45,276**	**1.10**	56,516 / 50,316	1.12
Interest rate coverage ratio	Earnings before tax / Interest expense	**(1,500) /**	**0.03**	(139) /	0
Return on assets	Net income / Total assets	**(1,500) / 49,657**	**(0.03)**	(139) / 56,516	-0.0025
Return on equity	Net income / Total equity	**(1,500) / 45,276**	**(0.03)**	(139) / 50,316	-0.01
Net profit margin	Net income / Revenue	**1,500 / 533**	**(2.81)**	(1,759) / 167	-10.53

<u>**SCHEDULE VIII**</u>

PHIL-PROGRESS SECURITIES CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
DECEMBER 31, 2020

Unappropriated Retained Earnings, ***as adjusted to available for dividend distribution, beginning***	**P**0.00
Add: Net income actually earned/realized during the period	
Net income during the period closed to retained earnings	0.00
Net income actually earned during the period	
Less: Non-actual/unrealized income	
Appropriation of retained earnings during the period	0.00
Unappropriated Retained Earnings, ***as adjusted to available for dividend distribution, ending***	**P0.00**

PHIL-PROGRESS SECURITIES CORPORATION
SECURITIES POSITION REPORT
December 31, 2020

NAME OF STOCKS	CUSTOMERS' ACCOUNT		DEALER'S ACCOUNT		PHIL. CENTRAL DEPOSITORY		IN BOX	
	No. of Shares	Market Value	No. of Shares	Market Value	No. of Shares	Market Value	No. of Shares	Market Value
Ayala Land	5,000	204,500	-	-	5,000	204,500	-	-
Aboitiz Power Corporation	5,000	132,750	-	-	5,000	132,750	-	-
Asia United Bank Corporation	6,705	301,055	-	-	6,705	301,055	-	-
Axelum Resources Corp	105,000	367,500	-	-	105,000	367,500	-	-
BDO Unibank	10,000	1,068,000	-	-	10,000	1,068,000	-	-
Bank of the Philippine Islands	7,861	639,492	-	-	7,861	639,492	-	-
Chelsea Logistics and Infrastructure	100,000	521,000	-	-	100,000	521,000	-	-
Centro Escolar University	29,695,293	204,897,522	-	-	29,695,293	204,897,522	-	-
Cemex Holdings Philippines	5,000	7,250	-	-	5,000	7,250	-	-
Cebu Landmasters Inc.	148,000	747,400	-	-	148,000	747,400	-	-
DMCI Holdings Inc.	120,000	679,200	-	-	120,000	679,200	-	-
D.M. Wenceslao & Associate Inc.	33,000	250,800	-	-	33,000	250,800	-	-
Eagle Cement Corporation	73,000	1,057,040	-	-	73,000	1,057,040	-	-
Euro-Med Laboratories	2,340,356	5,476,433	-	-	2,340,356	5,476,433	-	-
Globe Telecoms, Inc.	200	406,000	-	-	200	406,000	-	-
GT Capital Holdings, Inc.	2,500	1,462,500	-	-	2,500	1,462,500	-	-
AllHome Corp.	105,000	960,750	-	-	105,000	960,750	-	-
Jollibee Foods Corporation	2,000	390,400	-	-	2,000	390,400	-	-
Maxs Group	71,300	491,257	-	-	71,300	491,257	-	-
Manila Bulletin	2,489,497	1,107,826	-	-	2,489,497	1,107,826	-	-
Metropolitan Bank & Trust Co.	14,412	706,909	-	-	14,412	706,909	-	-
Meralco	2,000	584,000	-	-	2,000	584,000	-	-
Metropacific Investment Corp.	20,000	85,600	-	-	20,000	85,600	-	-
Manila Vynyl Corporation	300,000	1,359,000	-	-	300,000	1,359,000	-	-
Philippine Stock Exchange	-	-	228,000	35,089,200	228,000	35,089,200	-	-
Philippine Trust Company	5,000	600,000	-	-	5,000	600,000	-	-
Semirara Mining and Power Corporation	40,000	551,200	-	-	40,000	551,200	-	-
Pilipinas Shell Petroleum Corp	12,000	247,800	-	-	12,000	247,800	-	-
Sun Life Financial, Inc.	214	428,000		-	214	428,000	-	-
San Miguel Corp.	256	32,794	-	-	256	32,794	-	-
SSI Group	1,080,500	1,609,945	-	-	1,080,500	1,609,945	-	-
Sanitary Wares Manufacturing Corp.	860,000	-	-	-	860,000	-	-	-
Philippine Long Distance Telephone Inc.	800	1,072,000	-	-	800	1,072,000	-	-
Top Frontier Investment Holdings, Inc.	25	3,500	-	-	25	3,500	-	-
Uniwide Holdings, Inc.	750,000	-	-	-	750,000	-	-	-
Wilcon Depot Inc.	110,000	1,859,000	-	-	110,000	1,859,000	-	-
Xurpas Inc.	5,500	-	-	-	5,500	-	-	-
TOTAL	**38,525,419**	**230,308,423**	**228,000**	**35,089,200**	**38,753,419**	**265,397,623**	**-**	**-**