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# SECURITIES AND EXCHANGE COMMISSION

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Company Information

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# HDI SECURITIES, INC.

**AUDITED FINANCIAL STATEMENTS**
December 31, 2021
*(With Comparative Figures for December 31, 2020)*
*With Report of Independent Auditors*

# HDI SECURITIES, INC.
## ANNUAL AUDITED FINANCIAL REPORT
## TABLE OF CONTENTS
## DECEMBER 31, 2021

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

**ANNUAL AUDITED FINANCIAL REPORT**

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

Report for the Period Beginning January 1, 2021 and Ending December 31, 2021.

**IDENTIFICATION OF BROKER OR DEALER**

| | | | |
|---|---|---|---|
| *Name of Broker:* | **HDI SECURITIES, INC.** | | |
| *Address of Principal Place of Business:* | **Unit 2305A, The Orient Square Building** | | |
| | **Francisco Ortigas Jr. Road, Ortigas Center, Pasig** | | |
| *Name and Phone Number of Person to Contact in Regard to this Report* | | | |
| *Name:* | **Mr. Georgie Cabo Cheng** | *Tel. No.* | **910-6188** |
| | | *Fax No.* | **910-6189** |

**IDENTIFICATION OF ACCOUNTANT**

| | | | |
|---|---|---|---|
| Name of Independent Certified Public Accountant whose opinion in contained in this report: | | | |
| *Name:* | **M. A. Mercado & Co.** | *Tel No.* | **8894-5783** |
| | | *Fax No.* | **(632) 8894-4793** |
| *Address:* | **Suite 2109 Cityland 10 Tower 1** | | |
| | **6815 Ayala Avenue, Makati City** | | |
| *Certificate Number* | **66885** | | |
| *PTR Number* | **8864974** | *Date Issued* | **01/25/2022** |

## STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

**M. A. Mercado & Co., CPAs and UHY M.L. Aguirre & Co.** the independent auditors, appointed by the stockholders for the periods December 31, 2021 and 2020, respectively has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

| | | |
|---|---|---|
| **CHIA KIM TECK** | **GEORGIE CABO CHENG** | **LIRIO PIRAMO** |
| Chairman of the Board | President | Treasurer |

Signed this 12 day of, 2022 April

23F Unit 2305A, The Orient Square, F. Ortigas Jr. Road,
Ortigas Centre, Pasig City, Philippines 1605
Tel.: +63 2 687 7955 to 57 | +63 2 910 6188
www.hdisecurities.com

MAM & Co.

**M. A. MERCADO & Co.**
*Certified Public Accountants*
*2109 Cityland 10 Tower 1*
*156 H.V. Dela Costa Street*
*6815 Ayala Avenue North*
*1226 Makati City, Philippines*

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*E-mail:* mercado_cpa@yahoo.com
*Website:* mamercado.com

# INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
**HDI Securities, Inc.**
Unit 2305A, The Orient Square Building,
Francisco Ortigas Jr. Road, Ortigas Center
San Antonio, Pasig City

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of **HDI Securities Inc.** (the Company), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive loss, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in *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.

### *Other matter*

The financial statements of the Company as of and for the year ended December 31, 2020 were audited by another auditor whose report dated April 12, 2021, expressed an unqualified opinion on those statements.

APR 26 2022
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BUWIS KO, PARA SA PILIPINO
#006 COLLECTION SECTION

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***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 PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

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

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

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

***Report on Other Legal and Regulatory Requirements***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, III, IV, V and VI is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but supplementary information required by Rule 52.1-5 of the Revised Securities Regulation Code. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Report on the Supplementary Information Required Under Revenue Regulation 15-2010***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation 15-2010 in Note 35 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management of **HDI Securities, Inc.** and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

**M.A. MERCADO & CO.**

**MARCELINO A. MERCADO**
Partner
CPA License No. 066885
Tax Identification No. 102-921-222
P.T.R. No. 8864974; Issued on January 14, 2022, Makati City
SEC Accreditation No. 66885-SEC (Group B)
Issued on January 25, 2022;
Valid until 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-003338-002-2021
Issued on December 9, 2021; Valid until December 8, 2024
IC Accreditation No. 74629-IC (Group A)
Issued January 26,2021
Valid until 2024 financial statements of IC covered institution
Firm's BOA/PRC Cert. of Reg. No. 5658
Issued on September 18, 2020; Valid until September 17, 2023
Firm's SEC Accreditation No. 5658-SEC (Group B)
Issued on January 25, 2022;
Valid until 2025 financial statements of SEC covered institutions
Firm's BIR Accreditation No. 08-006173-000-2021
Issued on March 4, 2021; Valid until March 3, 2024
Firm's IC Accreditation No. 5658-IC (Group A)
Issued on January 26, 2021;
Valid until 2024 financial statements of IC covered institution

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April 12, 2022

**HDI SECURITIES, INC.**

**STATEMENTS OF FINANCIAL POSITION**

(With Comparative Figures For December 31, 2020)

| | Notes | Years Ended December 31 2021 | Years Ended December 31 2020 | Market Value of Securities 2021 Long | Market Value of Securities 2021 Short | Market Value of Securities 2020 Long | Market Value of Securities 2020 Short |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Current Assets** | | | | | | | |
| Cash | 2,29,30 | ₱ 58,788,362 | ₱ 40,325,835 | | | | |
| Financial assets at fair value through profit or loss (FVPL) | 3,29,30 | 1,735,570 | 6,974,066 | ₱ 1,735,570 | | ₱ 6,974,066 | |
| Receivables from: | | | | | | | |
| Customers and brokers | 4,29,30 | 28,974,145 | 54,533,214 | 2,710,778,531 | | 3,485,920,672 | |
| Clearing house | 5,29,30 | 11,911,049 | 7,707,477 | | | | |
| Others | 6,29,30 | 1,559,158 | 1,773,984 | | | | |
| Current tax assets | 7,29,30 | 5,853,537 | 5,533,485 | | | | |
| Prepayments and other current assets | 8,29,30 | 490,107 | 444,450 | | | | |
| | | 109,311,928 | 117,292,511 | | | | |
| **Noncurrent Assets** | | | | | | | |
| Financial asset at FVOCI | 9,29,30 | 198,975 | 198,975 | | | | |
| Trading rights | 10,29,30 | 8,500,000 | 8,500,000 | | | | |
| Property and equipment- net | 11,21,29,30 | 208,356 | 386,967 | | | | |
| Deferred tax assets - net | 12,29,30 | 4,329,796 | 7,003,273 | | | | |
| Other assets | 13,29 | 2,055,800 | 2,166,200 | | | | |
| | | 15,292,927 | 18,255,415 | | | | |
| | | ₱ 124,604,855 | ₱ 135,547,926 | | | | |
| **LIABILITIES AND EQUITY** | | | | | | | |
| **Liabilities** | | | | | | | |
| **Current liabilities** | | | | | | | |
| Payables to: | | | | | | | |
| Customers and brokers | 14,29,30 | ₱ 39,380,376 | ₱ 49,806,040 | 1,645,820,849 | | 4,177,799,116 | |
| Others | 15,29,30 | 17,069,023 | 11,008,569 | | | | |
| Accrued expenses and other current liabilitites | 16,29,30 | 2,210,694 | 3,899,656 | | | | |
| | | 58,660,093 | 64,714,265 | | | | |
| **Non-current liability** | | | | | | | |
| Retirement obligation | 26,27,29,30 | 3,406,955 | 3,289,781 | | | | |
| | | 62,067,048 | 68,004,046 | | | | |
| **Equity** | | | | | | | |
| Capital stock | 17,29 | 70,000,000 | 70,000,000 | | | | |
| Retained earnings | 17,29 | | | | | | |
| Unappropriated | | (23,571,933) | (18,301,264) | | | | |
| Appropriated | | 14,561,370 | 14,561,370 | | | | |
| Remeasurement gain on retirement obligation | 12,24,29,30 | 1,548,370 | 1,283,774 | | | | |
| | | 62,537,807 | 67,543,880 | | | | |
| | | ₱ 124,604,855 | ₱ 135,547,926 | | | | |
| **Securities in Philippine Central Depository, Inc.** | | | | | 8,984,014,718 | | 9,902,464,024 |
| **Securitites in box** | | | | | 5,755,453 | | 10,486,266 |
| **Securities in transfer office** | | | | | 3,965,340 | | 4,801,407 |
| **Securities position of customers without money balance** | | | | 4,635,400,561 | | 2,247,057,843 | |
| | | | | ₱ 8,993,735,511 | ₱ 8,993,735,511 | ₱ 9,917,751,697 | ₱ 9,917,751,697 |

*See Accompanying Notes to Financial Statements.*

## HDI SECURITIES, INC.
## STATEMENTS OF COMPREHENSIVE INCOME / LOSS
(With Comparative Figures For The Year Ended December 31, 2020)

| | Notes | | Years Ended December 31 2021 | | 2020 |
|---|---|---|---|---|---|
| **COMMISSION INCOME** | *18,29,30* | ₱ | **28,559,664** | ₱ | 32,118,009 |
| **COST OF SERVICES** | *19,29* | | **(18,371,915)** | | (22,137,766) |
| **GROSS PROFIT** | | | **10,187,749** | | 9,980,243 |
| **OTHER OPERATING (LOSS) INCOME - NET** | *20,29* | | **(3,417,226)** | | 5,634,235 |
| **OTHER OPERATING EXPENSES** | *21,29* | | **(9,082,701)** | | (13,711,831) |
| **(LOSS)/ INCOME FROM OPERATIONS** | | | **(2,312,178)** | | 1,902,647 |
| **FINANCE INCOME** | *2,22,29* | | **57,638** | | 84,325 |
| **(LOSS) INCOME BEFORE INCOME TAX** | | | **(2,254,540)** | | 1,986,972 |
| **INCOME TAX EXPENSE** | *24,29* | | **3,016,129** | | 1,593,113 |
| **NET (LOSS) / INCOME FOR THE YEAR** | *25* | | **(5,270,669)** | | 393,859 |
| **OTHER COMPREHENSIVE INCOME / (LOSS)** | | | | | |
| ***Other comprehensive income not to be reclassified to profit or loss in subsequent periods*** | | | | | |
| Remeasurement gain on retirement obligation | *12,27,29,30* | | **230,531** | | 52,644 |
| Income tax effect | *12,24* | | **(57,633)** | | (15,793) |
| | | | **172,898** | | 36,851 |
| **TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR** | | ₱ | **(5,097,771)** | ₱ | 430,710 |
| **EARNINGS / (LOSS) PER SHARE** | | | | | |
| Basic | | ₱ | **(0.075)** | ₱ | 0.006 |

*See Accompanying Notes to Financial Statements*

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**HDI SECURITIES, INC.**

**STATEMENTS OF CHANGES IN EQUITY**

(With Comparative Figures for the Year Ended December 31, 2020

**Year Ended December 31, 2021**

| | Capital Stock | Retained Earnings (Deficit) Unappropriated | Retained Earnings (Deficit) Appropriated | Remeasurement Gain on Retirement Obligation | Total |
|---|---|---|---|---|---|
| | *(Notes 17,29)* | *(Notes 17,29)* | *(Notes 17,29)* | *(Notes 17,27,29)* | |
| **Balances at January 1, 2021** | ₱ 70,000,000 | ₱ (18,301,264) | ₱ 14,561,370 | ₱ 1,283,774 | ₱ 67,543,880 |
| **Effect of enactment of CREATE Law** | - | - | - | 91,698 | 91,698 |
| **Balances at January 1, 2021, as restated** | 70,000,000 | (18,301,264) | 14,561,370 | 1,375,472 | 67,635,578 |
| **Net loss for the year** | - | (5,270,669) | - | - | (5,270,669) |
| **Other comprehensive income** | - | - | - | 172,898 | 172,898 |
| **Total comprehensive loss for the year** | - | (5,270,669) | - | 172,898 | (5,097,771) |
| **Balances at December 31, 2021** | ₱ 70,000,000 | ₱ (23,571,933) | ₱ 14,561,370 | ₱ 1,548,370 | ₱ 62,537,807 |

Year Ended December 31, 2020

| | Capital Stock | Retained Earnings (Deficit) Unappropriated | Retained Earnings (Deficit) Appropriated | Remeasurement Gain on Retirement Obligation | Total |
|---|---|---|---|---|---|
| | *(Notes 17,29)* | *(Notes 17,29)* | *(Notes 17,29)* | *(Notes 17,27,29)* | |
| Balances at January 1, 2020 | ₱ 70,000,000 | ₱ (18,770,628) | ₱ 14,521,984 | ₱ 1,246,923 | ₱ 66,998,279 |
| Prior period adjustment (Note 17) | - | 114,891 | | - | 114,891 |
| Balances at January 1, 2020, as restated | 70,000,000 | (18,655,737) | 14,521,984 | 1,246,923 | 67,113,170 |
| Net income for the year | - | 393,859 | - | - | 393,859 |
| Other comprehensive income | - | - | - | 36,851 | 36,851 |
| Total comprehensive income for the year | - | 393,859 | - | 36,851 | 430,710 |
| Appropriation | - | (39,386) | 39,386 | - | - |
| | - | 354,473 | 39,386 | 36,851 | 430,710 |
| Balances at December 31, 2020 | ₱ 70,000,000 | ₱ (18,301,264) | ₱ 14,561,370 | ₱ 1,283,774 | ₱ 67,543,880 |

*See Accompanying Notes to Financial Statements.*

## HDI SECURITIES, INC.

### STATEMENTS OF CASH FLOWS

(With Comparative Figures For The Year Ended December 31, 2020)

| | Notes | | Years Ended December 31 2021 | | 2020 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Income/(Loss) before income tax | | ₱ | (2,254,540) | ₱ | 1,986,972 |
| Adjustments for: | | | | | |
| Prior period adjustment | 17 | | - | | (310,547) |
| Net unrealized gain on finacial assets at FVPL | 3, 20 | | (132,543) | | (915,233) |
| Depreciation and amortization | 11,21,29,30 | | 178,611 | | 193,656 |
| Provision (recovery on) for credit losses | 4, 6,20,21 | | 621,250 | | (1,727,734) |
| Retirement expense | 21, 27 | | 347,705 | | 545,805 |
| Dividend income | 3, 20,29 | | (92,864) | | (139,304) |
| Interest income | 2,22,29 | | (57,638) | | (84,325) |
| Operating loss before working capital changes | | | (1,390,019) | | (450,710) |
| Changes in operating assets and liabilities: | | | | | |
| Decrease (Increase) in: | | | | | |
| Financial assets at fair value through profit or loss | 3,29,30 | | 5,371,039 | | (2,671,906) |
| Receivables from: | | | | | |
| Customers and brokers | 4,29,30 | | 24,937,819 | | 16,347,715 |
| Clearing house | 5,29,30 | | (4,203,572) | | (7,707,477) |
| Others | 6,29,30 | | 214,826 | | (389,589) |
| Prepayments and other current assets | 8,29,30 | | (674,296) | | 24,217 |
| Other assets | 13,29 | | 110,400 | | 116,600 |
| Increase (decrease) in: | | | | | |
| Payables to: | | | | | |
| Customers and brokers | 14,29,30 | | (10,425,664) | | 14,802,103 |
| Clearing house | 29 | | - | | (16,049,517) |
| Others | 15,29,30 | | 6,060,454 | | (175,185) |
| Accrued expenses and other current liabilities | 16,29,30 | | (1,688,962) | | 2,372,655 |
| Cash generated from operations | | | 18,312,025 | | 6,218,906 |
| Dividends received | 3, 20,29 | | 92,864 | | 139,304 |
| Interest received | 2,22,29 | | 57,638 | | 84,325 |
| Income taxes paid | 29 | | - | | (1,366,467) |
| Net cash generated from operating activities | | | 18,462,527 | | 5,076,068 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Acquisition of property and equipment | 11,21,29,30 | | - | | (159,562) |
| **NET INCREASE IN CASH** | | | 18,462,527 | | 4,916,506 |
| CASH, JANUARY 1 | | | 40,325,835 | | 35,409,329 |
| **CASH, DECEMBER 31** | | ₱ | 58,788,362 | ₱ | 40,325,835 |

*See Accompanying Notes to Financial Statements.*

## 1. CORPORATE INFORMATION

HDI Securities, Inc. (the Company) was incorporated in the Philippines on May 26, 1992 and is primarily engaged in the brokerage business of stocks, bonds and other financial securities. Application for membership in the Philippine Stock Exchange (PSE) was approved on January 9, 1993.

The registered office address of the Company is at Unit 2305A 23/F, The Orient Square Building, Francisco Ortigas Jr. Road, Ortigas Center, San Antoni o, Pasig City.

The accompanying financial statements of the Company were authorized for issue by the Board of Directors on April 12, 2022.

## 2. CASH

This account consists of:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Cash on hand | ₱ | **50,000** | ₱ | 50,000 |
| Cash in banks | | **58,738,362** | | 40,275,835 |
| | ₱ | **58,788,362** | ₱ | 40,325,835 |

Cash in bank earns interest at floating rates based on daily bank deposit rates. Interest income is recognized as the interest accrues using the effective interest rate method. Interest income earned using the effective interest rate method from the account amounted to ₱57,638 and ₱ 84,325 in 2021 and 2020 respectively *(See Note 22).*

In compliance with Revised Securities Regulation Code (SRC) Rule 49.2 covering customer protection and custody of Securities, the Company maintains a special reserve bank account for the exclusive benefit of its customers. Reserve requirement is determined on a monthly basis using SEC prescribed computation.

In compliance with Revised Securities Regulation Code (SRC) Rule 49.2 covering customer protection and custody of Securities, the Company maintains a special reserve bank account for the exclusive benefit of its customers. Reserve requirement is determined on a monthly basis using SEC prescribed computation. Cash deposited in the special reserve bank account amounted to ₱8,278,828 and ₱375,843 in year 2021 and 2020, respectively.

The Company's reserve account is adequate to cover its reserve requirement.

## 3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Equities in the PHISIX | ₱ | 213,070 | ₱ | 4,420 |
| Equities outside the PHISIX | | 1,522,500 | | 6,969,646 |
| | ₱ | 1,735,570 | ₱ | 6,974,066 |

As of December 31, 2021, and 2020 trading securities consist of quoted equity securities. Net unrealized gain on trading securities amounted to ₱132,543 and ₱ 915,233 in 2021 and 2020, respectively. *(See Note 20).*

(Loss) gain on sale of financial assets at FVPL amounted to ₱(4,006,496) and ₱ 2,829,689 for the years 2021 and 2020, respectively, which are recognized in the statement of comprehensive income/(loss). *(See Note 20)*

The Company earned dividend income from these investments amounting to ₱92,864 and ₱ 139,304 in 2021 and 2020 respectively *(See Note 20).*

## 4. RECEIVABLES FROM CUSTOMERS AND BROKERS

Receivables from customers and brokers at December 31 consist of:

| | | 2021 | | | | 2020 | | |
|---|---|---|---|---|---|---|---|---|
| | | Money Balance | | Security Valuation | | Money Balance | | Security Valuation |
| Cash and fully secured accounts | | | | | | | | |
| Over 250% | ₱ | 23,888,713 | ₱ | 2,703,532,051 | ₱ | 48,413,834 | ₱ | 3,477,063,623 |
| Between 200% and 250% | | - | | - | | 484,457 | | 1,133,203 |
| Between 150% and 200% | | 10,606 | | 17,188 | | 97,774 | | 157,496 |
| Between 100% and 150% | | 2,666,859 | | 3,271,142 | | 1,069,814 | | 1,370,300 |
| Partly secured accounts: | | | | | | | | |
| Less than 100% | | 11,966,194 | | 3,958,150 | | 14,239,841 | | 6,196,050 |
| Unsecured accounts | | 535,776 | | - | | 333,108 | | |
| Client subcription receivable | | - | | | | - | | |
| | ₱ | 39,068,148 | ₱ | 2,710,778,531 | | 64,638,828 | | 3,485,920,672 |
| Less: Allowance for credit losses | | 10,094,003 | | - | | 10,105,614 | | - |
| | ₱ | 28,974,145 | ₱ | 2,710,778,531 | ₱ | 54,533,214 | ₱ | 3,485,920,672 |

Receivables from customers as of December 31, 2021 and 2020 are due within one year from the respective statements of financial position dates.

The fair values of these short-term financial assets were not individually determined as the carrying amounts are reasonable approximation of fair values.

Movements of allowance for credit losses are shown below:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Balance, January 1 | ₱ | **10,105,614** | ₱ | 11,833,349 |
| Provision for credit losses *(Note 21)* | | **3,085,105** | | 4,299,018 |
| Recovery of provision for credit losses *(Note 21)* | | **(3,096,716)** | | (6,026,753) |
| Balance, December 31 | ₱ | **10,094,003** | ₱ | 10,105,614 |

With the foregoing level of allowance credit losses, management believes that the Company has sufficient allowance to take care of any losses that the Company may incur from the non-collection or non-realization of its receivables.

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls down this level, customers may either deposit additional collateral or sell stocks to cover the deficiency in their account balance. Meanwhile, receivables from post-paid customers are required to be settled on three (3) trading days' term.

## 5. RECEIVABLES FROM CLEARING HOUSE

Receivables from clearing house represents the net amount receivable on the sales and purchases of securities made on the trading floor of the Philippine Stock Exchange, Inc. with the banks and payments must be received after three (3) days from the consummation of the transactions.

The Company's receivables from clearing house amounted to ₱11,911,049 and ₱7,707,477 in 2021 and 2020, respectively.

Trade receivables from clearing house as at December 31, 2021, were fully collected in January 2022. These are noninterest-bearing and are collected on three (3) trading days' term following the settlement convention of Philippines clearing house.

## 6. RECEIVABLES FROM OTHERS

This account consists of:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Other receivables | ₱ | **2,296,658** | ₱ | 1,869,003 |
| Advances to officers and employees | | **1,245,413** | | 1,254,533 |
| Dividend receivables | | **130,000** | | 130,500 |
| Allowance for credit losses - advances | | **(1,068,295)** | | (1,068,295) |
| Allowance for credit losses - others | | **(1,044,618)** | | (411,757) |
| Balance, December 31 | ₱ | **1,559,158** | ₱ | 1,773,984 |

The Company's receivables from others are remained unliquidated as of December 31, 2021 and 2020.

## 7. CURRENT TAX ASSET

This account consists of:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Creditable withholding tax | ₱ | 5,630,973 | ₱ | 5,107,836 |
| Prepaid MCIT | | 222,564 | | 425,649 |
| | ₱ | 5,853,537 | ₱ | 5,533,485 |

As at December 31, 2021 an adjustment of ₱212,824 was made due to the effect of change of rate in the enactment of CREATE Law reducing the rate of Minimum Corporate Income Tax (MCIT) from 2% to 1% based on the gross profit of the entity for the year 2020.

Details of MCIT are as follows:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Beginning balance | ₱ | 425,649 | ₱ | 736,196 |
| Adjustments | | (212,824) | | - |
| Total | | 212,825 | | 736,196 |
| Expired | | (95,763) | | (310,547) |
| MCIT-deferred for the year | | 105,502 | | - |
| | ₱ | 222,564 | ₱ | 425,649 |

As of December 31, 2021, the Company's MCIT that can be carried forward on future income tax.

| Year Incurred | Expiry Date | | Amount | Applied to Current Year | | Expired | | Unapplied |
|---|---|---|---|---|---|---|---|---|
| 2018 | 2021 | ₱ | 95,763 | - | | 95,763 | | - |
| 2019 | 2022 | | 117,062 | - | | - | | 117,062 |
| 2021 | 2026 | | 105,502 | - | | - | | 105,502 |
| | | ₱ | 318,327 | - | ₱ | 95,763 | ₱ | 222,564 |

As of December 31, 2020, the Company's MCIT that can be carried forward on future income tax.

| Year Incurred | Expiry Date | | Amount | Applied to Current Year | | Expired | | Unapplied |
|---|---|---|---|---|---|---|---|---|
| 2017 | 2020 | | - | - | ₱ | 310,547 | | - |
| 2018 | 2021 | ₱ | 191,526 | - | | - | ₱ | 191,526 |
| 2019 | 2022 | | 234,123 | - | | - | | 234,123 |
| | | ₱ | 425,649 | - | ₱ | 310,547 | ₱ | 425,649 |

## 8. PREPAYMENTS AND OTHER CURRENT ASSETS

This account is consist of prepaid insurance, prepaid supplies, prepaid taxes and licenses and others current assets amounting to ₱490,107 and ₱ 444,450 in 2021 and 2020, respectively.

## 9. FINANCIAL ASSET AT FVOCI

As of December 31, 2021, and 2020 financial asset at FVOCI includes unquoted proprietary investment measured at cost in Fairways and Bluewaters Resort Golf and Country Club, Inc. This investment is valued at ₱ 198,975.

## 10. TRADING RIGHTS

Under the Philippine Stock Exchange (PSE) rules, all exchange membership seats are pledged at its full value to the PSE to secure the payment of all debts due to other members of the exchange arising out of or in connection with the present or future member's contracts. The latest selling price of the membership stock exchange seat, as provided by the PSE amounts to ₱ 8.500 million as of December 31, 2021 and 2020.

In 2001, the demutualization or conversion of PSE into a stock corporation was approved by the Securities and Exchange Commission (SEC) effective August 8, 2001. Each membership seat will be exchanged for shares of stock of PSE. In accordance with the conversion, PSE will issue 9.2 million shares with a par value of ₱ 1 per share out of the members' contribution of ₱ 286.6 million. Thus, each of the 184 members/brokers will subscribe to a total of 50,000 shares of stocks with a par value of P1 per share. The balance of members' contribution of ₱ 277.4 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 Right to maintain their continued access to the trading floor of PSE. The Right can be assigned and transferred by the members.
PSE, however, will not issue shares of stocks 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 effects of the conversion plan specifically on the separate valuation of the ownership of the *exchange seat* and the *trading rights* have been recognized in the Company's financial statements.

As at December 31, 2021 and 2020, the carrying value of the trading rights amounted to ₱8,500,000.

| | **2021** | 2020 |
|---|---|---|
| Cost | **₱ 10,000,000** | ₱ 10,000,000 |
| Allowance for impairment | **1,500,000** | 1,500,000 |
| Market value | **₱ 8,500,000** | ₱ 8,500,000 |

The impairment loss amounting to ₱ 1,500,000 was taken to profit or loss net of related deferred tax liabilities amounting to ₱ 375,000. *(See Note 12).*

## 11. PROPERTY AND EQUIPMENT - NET

Movements in the property and equipment account in 2021 follow:

| | Transportation Equipment | Computer Software and Equipment | Furniture, Fixtures and Office Equipment | Leasehold Improvements | Total |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| **Balances at the beginning of year** | ₱ 10,177,343 | ₱ 4,300,603 | ₱ 9,642,887 | ₱ 6,388,192 | ₱ 30,509,025 |
| **Deductions** | (6,800,576) | - | - | - | (6,800,576) |
| **Balance at end of year** | 3,376,767 | 4,300,603 | 9,642,887 | 6,388,192 | 23,708,449 |
| **Accumulated depreciation and amortization** | | | | | |
| **Balances at the beginning of year** | 10,177,343 | 4,240,787 | 9,343,266 | 6,360,662 | 30,122,058 |
| **Depreciation** | - | 43,161 | 126,522 | 8,928 | 178,611 |
| **Deductions** | (6,800,576) | - | - | - | (6,800,576) |
| **Balance at end of year** | 3,376,767 | 4,283,948 | 9,469,788 | 6,369,590 | 23,500,093 |
| **Net book value** | ₱ - | ₱ 16,655 | ₱ 173,099 | ₱ 18,602 | ₱ 208,356 |

Movements in the property and equipment account in 2020 follow:

| | Transportation Equipment | Computer Software and Equipment | Furniture, Fixtures and Office Equipment | Leasehold Improvements | Total |
|---|---|---|---|---|---|
| Cost: | | | | | |
| Balances at the beginning of year | ₱ 10,177,343 | ₱ 4,300,603 | ₱ 9,483,325 | ₱ 6,388,192 | ₱ 30,349,463 |
| Additions | - | - | 159,562 | - | 159,562 |
| Balance at end of year | 10,177,343 | 4,300,603 | 9,642,887 | 6,388,192 | 30,509,025 |
| Accumulated depreciation and amortization | | | | | |
| Balances at the beginning of year | 10,177,343 | 4,191,674 | 9,207,651 | 6,351,734 | 29,928,402 |
| Depreciation | - | 49,113 | 135,615 | 8,928 | 193,656 |
| Balance at end of year | 10,177,343 | 4,240,787 | 9,343,266 | 6,360,662 | 30,122,058 |
| Net book value | ₱ - | ₱ 59,816 | ₱ 299,621 | ₱ 27,530 | ₱ 386,967 |

The total cost of fully depreciated property and equipment which are still in use amounted to ₱18,435,936 and ₱ 27,963,992 as of December 31, 2021 and 2020, respectively.

## 12. DEFERRED TAX ASSETS - NET

This account consists of:

| | 2021 | 2020 |
|---|---|---|
| Deferred tax assets: | | |
| NOLCO | ₱ 814,505 | ₱ 2,715,043 |
| Provision for credit losses | 2,172,922 | 3,031,685 |
| Unrealized loss on financial assets at FVPL - net | 115,630 | (180,390) |
| Retirement obligation | 1,367,862 | 1,537,123 |
| Impairment loss - Trading rights | 375,000 | 450,000 |
| Deferred tax liability: | | |
| Remeasurement gain on retirement obligation (OCI) | (516,123) | (550,188) |
| | ₱ 4,329,796 | ₱ 7,003,273 |

The movements in the deferred income tax account are summarized as follow:

| | Unrealized loss on financial asset at FVPL, net (Note 3) | Provision for credit losses (Note 4) | Impairment loss-Trading rights (Note 10) | Retirement obligation (Note 27) | Remeasurement gain (loss) on retirement obligation (Notes 24,26) | NOLCO (Note 24) | Total |
|---|---|---|---|---|---|---|---|
| At January 1,2020 | ₱ 94,180 | ₱ 3,550,005 | ₱ 450,000 | ₱ 1,555,712 | ₱ (534,395) | ₱ 2,715,043 | ₱ 7,830,545 |
| Charge to profit or loss | (274,570) | (518,320) | - | 163,742 | - | - | (629,148) |
| Release of retirement obligation due to employee transfer | - | - | - | (182,331) | - | - | (182,331) |
| Charged to other comprehensive income | - | - | - | - | (15,793) | - | (15,793) |
| At December 31, 2020 | ₱ (180,390) | ₱ 3,031,685 | ₱ 450,000 | ₱ 1,537,123 | ₱ (550,188) | ₱ 2,715,043 | ₱ 7,003,273 |
| Charge to profit or loss | 296,020 | (858,763) | (75,000) | (169,261) | | (1,900,538) | (2,707,542) |
| Charged to other comprehensive income | - | - | - | - | (57,633) | - | (57,633) |
| Charged to changes in equity | - | - | - | - | 91,698 | - | 91,698 |
| At December 31, 2021 | ₱ 115,630 | ₱ 2,172,922 | ₱ 375,000 | ₱ 1,367,862 | ₱ (516,123) | ₱ 814,505 | ₱ 4,329,796 |

## 13. OTHER ASSETS

This account consists of:

| | 2021 | 2020 |
|---|---|---|
| Deposits-rentals and utilities | ₱ 1,904,000 | ₱ 2,014,400 |
| Investment deposit | 125,000 | 125,000 |
| Telephone deposit-PLDT | 16,800 | 16,800 |
| Broker's deposit-transfer | 10,000 | 10,000 |
| | ₱ 2,055,800 | ₱ 2,166,200 |

## 14. PAYABLE TO CUSTOMERS AND BROKERS

This account consists of:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Money Balance** | **Security Valuation** | Money Balance | Security Valuation |
| With money balances | ₱ 39,380,376 | ₱ 1,645,820,849 | ₱ 49,806,040 | ₱ 4,177,799,116 |
| With no money balances | - | 4,635,400,561 | - | 2,247,057,843 |
| | ₱ 39,380,376 | ₱ 6,281,221,410 | ₱ 49,806,040 | ₱ 6,424,856,959 |

## 15. PAYABLE TO OTHERS

This account consists of payables to non-customers and unreleased checks to clients as of December 31, 2021 and 2020 amounting to ₱17,069,023 and ₱ 11,008,569, respectively.

## 16. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

This account consists of:

| | 2021 | 2020 |
|---|---|---|
| Accrued commission | ₱ 999,292 | ₱ 1,756,732 |
| Accrued expenses | 418,166 | 670,366 |
| VAT payable | 205,739 | 760,203 |
| Sales tax payable | 287,587 | 341,595 |
| Payable to BIR | 163,271 | 264,393 |
| Others | 136,639 | 106,367 |
| | ₱ 2,210,694 | ₱ 3,899,656 |

Accrued expenses and other liabilities- others include SSS loan payable, SSS premium payable, HDMF loan payable, Philhealth loan payable, HDMF fund payable and transfer fee payable.

## 17. EQUITY

### a. Capital stock

| | Shares | | | Amount | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | | **2021** | | 2020 |
| Common stock - par value Authorized | **200,000,000** | 200,000,000 | ₱ | **200,000,000** | ₱ | 200,000,000 |
| Issued and outstanding | | | | | | |
| Balance at beginning of year | **70,000,000** | 70,000,000 | ₱ | **70,000,000** | ₱ | 70,000,000 |
| Issuance of additional capital stock | - | - | | - | | - |
| Issuance of capital stock from stock subscription | - | - | | - | | - |
| Balance at the end of year | **70,000,000** | 70,000,000 | ₱ | **70,000,000** | ₱ | 70,000,000 |

The Company has authorized capital stock of ₱ 200,000,000 as of December 31, 2021 and 2020. Out of the authorized capital stock, 70,000,000 common stock were issued and outstanding at ₱1 par value per share in 2021 and 2020.

The Company has two (2) stockholders each owning 100 or more shares of the Company's capital stock as at the date of financial position.

Holders of these shares are entitled to dividends as declared and are entitled to vote one per share at general meetings of the Company.

### b. Retained earnings

***Unappropriated***

This account consists of:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Beginning balance | ₱ | **(18,301,264)** | ₱ | (18,770,628) |
| Prior period adjustment | | - | | 114,891 |
| Net (loss) income for the year | | **(5,270,669)** | | 393,859 |
| Appropriation | | - | | (39,386) |
| | ₱ | **(23,571,933)** | ₱ | (18,301,264) |

Prior period adjustment is due to the expiry of the Minimum Corporate Income Taxes for the year 2020.

### c. Appropriated for reserve fund

In December, 2000, the SEC passed the implementing Rules and Regulations of the new Securities Regulation Code (SRC) effective January 2, 2001, significant provisions of the SRC include guidelines on the segregation of broker and dealer functions within a brokerage firm and maintenance of a required minimum paid up capital of ₱100 million, except for non-exchange member who deal only with proprietary shares, which should have a minimum capital of ₱5 million.

Under Revised Securities Regulation Code No.49.1 (B), Reserve Fund of such circular requires that every broker dealer shall annually appropriate a 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 ₱10.0 million to ₱30.0 million, between ₱30.0 million to ₱50.0 million and more than ₱50.0 million respectively. In 2021, no appropriations of retained earnings was made for the Company incurred losses after tax amounting to ₱(5,270,669). In 2020 an appropriation of retained earnings amounting to ₱39,386 was made for the Company incurred an income after tax amounting ₱393,859. As of December 31, 2021 and 2020, the appropriated retained earnings amounted to ₱14,561,370.

**d. Remeasurement gain on retirement, net of tax**

This account consists of accumulated actuarial gains or losses on retirement obligations as of December 31, 2021 and 2020 amounted to ₱1,548,370 and ₱ 1,283,774 respectively.

*Prior period adjustments*
In 2020, prior period adjustments pertain to the expiration of prepaid MCIT and the release of retirement obligation due to employee transfer.

The Company recorded the adjustments by decreasing Prepaid Taxes-MCIT by an amount of ₱310,547, and by decreasing Retirement Liability and Deferred tax liability on retirement obligation by ₱607,769 and ₱182,331, respectively. The net effect of these adjustments resulted to a decrease in Unappropriated Retained Earning amounting to ₱114,891.

## 18. COMMISSION INCOME

This account consists of:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Commission Income | ₱ | 28,559,664 | ₱ | 32,118,009 |

## 19. COST OF SERVICES

This account consists of:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Commissions | ₱ | 12,820,391 | ₱ | 14,884,197 |
| Salaries and employee benefits | | 4,057,706 | | 6,276,577 |
| Stock exchange dues and fees | | 1,493,818 | | 976,992 |
| | ₱ | 18,371,915 | ₱ | 22,137,766 |

## 20. OTHER OPERATING INCOME (LOSS) - NET

This account consists of:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Net unrealized gain on sale of financial asset at FVPL *(Note 3)* | | 132,543 | ₱ | 915,233 |
| (Loss) gain on sale of financial assets at FVPL *(Note 3)* | | (4,006,496) | | 2,829,689 |
| Recovery on credit losses | | - | | 1,727,734 |
| Dividend income (Note 3) | | 92,864 | | 139,304 |
| Unrealized foreign exchange gain/(loss) | | 1,380 | | (1,364) |
| Others* | | 362,483 | | 23,639 |
| | ₱ | (3,417,226) | ₱ | 5,634,235 |

Others represent Company's handling fee of the customers' stock certificates. Dividend income is cash dividend declared on the Company's financial assets at FVPL.

## 21. OTHER OPERATING EXPENSES

This account consists of:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Rentals *(Notes 23 and 26)* | ₱ | 1,777,499 | ₱ | 1,815,828 |
| Salaries, wages and other benefits | | 1,739,017 | | 2,689,961 |
| Professional fees | | 1,013,595 | | 1,170,667 |
| Provision for credit losses *(Notes 4 and 6)* | | 621,250 | | - |
| Communication | | 594,684 | | 723,495 |
| Representation | | 525,875 | | 3,049,068 |
| Condominium dues | | 478,342 | | 488,837 |
| Transportation and travel | | 468,518 | | 529,018 |
| Taxes and licenses | | 368,058 | | 393,741 |
| Retirement expense *(Note 27)* | | 347,705 | | 545,805 |
| Depreciation and amortization *(Note 11)* | | 178,611 | | 193,656 |
| Stationery and supplies | | 118,799 | | 176,303 |
| Insurance | | 83,977 | | 115,118 |
| Repairs and maintenance | | - | | 228,073 |
| Subcriptions and periodicals | | - | | 198,636 |
| Trainings and seminars | | - | | 43,272 |
| Bank charges | | - | | 19,700 |
| Miscellaneous | | 766,771 | | 1,330,653 |
| | ₱ | 9,082,701 | ₱ | 13,711,831 |

Miscellaneous expenses include expenses of personnel like meals, medicines, janitorial and sanitary supplies, call cards and other basic allowances incurred by employees.

## 22. FINANCE INCOME

This account consists of:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Interest income *(Note 2)* | ₱ | **57,638** | ₱ | 84,325 |

## 23. COMMITMENTS

**Leases**
The Company has a twelve-month lease agreement with Hillcroft Phils., Inc. for its office space that is being used for administrative and operational purposes. Rental expense for the years ended December 31, 2021 and 2020 amounted to ₱1,765,499 and ₱ 1,681,428, respectively.

The Company has lease agreement with a third party for lease of parking slots at the Lamco Paper Products Co., for 2020. Rental expense amounted to ₱62,400.

Other rental expense for 2021 and 2020 pertains to rental agreement with Philippine Stock Exchange amounting to ₱12,000 and ₱72,000, respectively.

## 24. INCOME TAX EXPENSE

Income tax expense consists of the following:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Current | | | | |
| Corporate income tax | ₱ | **308,587** | ₱ | 963,965 |
| Deferred | | **2,707,542** | | 629,148 |
| Provision for income tax reported in the profit or loss | ₱ | **3,016,129** | ₱ | 1,593,113 |

Income tax expense reported in OCI is as follow:

| | | | 2021 | | 2020 |
|---|---|---|---|---|---|
| Remeasurement gain on retirement obligation | *(Note 27)* | ₱ | **57,633** | ₱ | 15,793 |

The deferred portion as shown in the income tax expense reported in the profit or loss consists of the following:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Deferred | | | | |
| Retirement expense | ₱ | **(86,926)** | ₱ | (163,742) |
| Unrealized fair value loss/(gain) on FVPL | | **(265,955)** | | 274,570 |
| NOLCO for the year | | **(81,905)** | | - |
| Expired NOLCO | | **1,529,936** | | - |
| Provision for credit losses | | **353,482** | | 518,320 |
| Effect of change in tax rate from 30% to 25% | | **1,258,910** | | - |
| | ₱ | **2,707,542** | ₱ | 629,148 |

A reconciliation of income tax expense computed at the statutory income tax rate to the actual income tax reflected in the statements of profit of loss and other comprehensive income at December 31 is as follows:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Income tax at statutory rate of 25%, 30% | ₱ | **(563,635)** | ₱ | 596,091 |
| Deduct reconciling item | | | | |
| Non-deductible expenses | | **496,741** | | 1,022,320 |
| Expired NOLCO | | **1,529,936** | | - |
| Income subject to final tax | | **(14,410)** | | (25,298) |
| Net of MCIT for the year | | **308,587** | | - |
| Effect of change in tax rate | | **1,258,910** | | - |
| | ₱ | **3,016,129** | ₱ | 1,593,113 |

As of December 31, 2021, the Company's NOLCO that can be claimed as deduction against future taxable income is as follows:

| Year incurred | Expiry date | | NOLCO | Tax rate | | Deferred tax asset |
|---|---|---|---|---|---|---|
| 2018 | 2021 | ₱ | 6,119,745 | 30% | ₱ | 1,835,924 |
| 2019 | 2022 | | 2,930,398 | 30% | | 879,119 |
| NOLCO 2020 | | ₱ | 9,050,143 | | ₱ | 2,715,043 |
| Effect of change in income tax rate | | | - | | | (452,507) |
| | | | 9,050,143 | | | 2,262,536 |
| NOLCO: | | | | | | |
| 2021 | 2026 | | 327,620 | | | 81,905 |
| | | | 9,377,763 | 25% | | 2,344,441 |
| Expired NOLCO | | | | | | |
| 2018 | 2021 | | (6,119,745) | | | (1,529,936) |
| **NOLCO 2021** | | | **3,258,018** | | ₱ | **814,505** |

Under Republic Act No. 9337 – Income tax amendments, the corporate income tax rate applicable from January 1 to October 31, 2005 of 32% in 2005 was increased to 35% effective November 1, 2005, decreasing to 30% effective on January 1, 2009. Because of the change in the corporate income tax rate, the allowable deduction for interest expense in Section 34(B)(1) is reduced by 42% (from 38%) of interest income subject to final tax and 33% (from 42%) upon th e effectivity of the 30% corporate tax rate on January 1, 2009.

Revenue Regulation No. 10-2002 defines expenses to be classified as entertainment, amusement and recreation (EAR) expenses and sets a limit for the amount that is deductible for tax purposes, at 1% of net revenues for sellers of services.

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.

Enactment of "Corporate Recovery and Tax Incentives for Enterprises" or "CREATE" Act

On February 1, 2021, the Bicameral Conference Committee, under the 18th Congress of the Philippines, approved the reconciled version of the House Bill No. 4157 and Senate Bill No.1357 (the CREATE bill). The CREATE bill seeks to reform corporate income taxes and incentives in the country by implementing certain changes to the current tax regulations. These changes include:

- Reduction in the RCIT from 30% to 20% for domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million excluding the value of land on which the particular business entity's office, plant and equipment are situated;
- Reduction in the RCIT from 30% to 25% for all other corporations;
- Lowering of MCIT from 2% to 1% of gross income for 3 years;
- Instead of 10% of taxable income, application of RCIT on regional operating headquarters;
- Standardization of final taxes on foreign corporations to 15%;
- Exemption of foreign sourced dividends received by domestic corporation subject to certain conditions;
- Additional deduction of one-half (1/2) of the value of labor training expenses subject to certain conditions;
- Repeal of the 10% improperly accumulated earnings tax (IAET);
- VAT exemption for medicines for certain critical illnesses; and
- VAT-free importation and sale for 3 years of COVID-19 medicines, personal protective equipment and materials used for their production.

Under the bill, the above changes will be implemented for periods beginning July 1, 2020. On February 24, 2021, the final version of the CREATE bill as passed by the Bicameral Conference Committee was transmitted to the Office of the President for signing or approval into law. On March 26, 2021, the Office of the President approved the CREATE bill and will subsequently be called Republic Act No. 11534 or CREATE Act. The CREATE Act will become effective on April 11, 2021 or 15 days after complete publication in the Official Gazette or any newspaper of general circulation in the Philippines.

## 25. INCOME (LOSS) PER SHARE

The computation of basic loss per share is computed as follows:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Net (loss) income | ₱ | (5,270,669) | ₱ | 393,859 |
| Divided by outstanding shares | | 70,000,000 | | 70,000,000 |
| | ₱ | (0.075) | ₱ | 0.006 |

The Company has no potential common shares, therefore the computation and amounts reported for basic and dilutive (loss) income per share were the same.

## 26. RELATED PARTY TRANSACTIONS

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries are related entities of the Company.

Key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals, also constitute related entities.

Transactions between related parties are accounted for on the same terms as with other individuals and businesses of comparable risk. In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.
Significant transactions carried out with related parties follow:

*a. Commission Income*

There are no commission income from securities transactions for 2021 and 2020.

*b. Outstanding Accounts in Securities Transactions*

There are no outstanding accounts related to the transaction that were included as part of Payable to Customers in the statements of financial positions for 2021 and 2020, respectively.

*c. Outstanding Accounts in Non-Trade Advances*

Non-interest-bearing advances to employees, shareholders and other related parties amounted to ₱177,118 and ₱ 186,238 for 2021 and 2020, respectively. There have been no guarantees provided for any related party receivables. For the years ended December 31, 2021 and 2020, the Company has not recorded any impairment of receivables relating to amount owed by related parties.

*d. Compensation of Key Management Personnel*

The Company considered as key management personnel all employees holding managerial positions up to the President. Key management personnel compensation amounted to ₱2,931,400 and ₱ 2,948,720 for 2021 and 2020, respectively.

Retirement obligation that relates to key management personnel is considered a related party. As of December 31, 2021 and 2020 the retirement obligation attributed to key management personnel amounted to ₱249,519 and ₱382,689, respectively.

The Company entered into a contract of lease of an office space with Hillcroft Phils., Inc. The rent expense amounted to ₱1,765,499 and ₱1,681,428 for the years 2021 and 2020.

Transactions for the years ended December 31, 2021 and 2020

| | | | Transactions for the years ended December 31 | | Outstanding balances as of December 31 | |
|---|---|---|---|---|---|---|
| Related Party | Nature of Transaction | Terms | **2021** | 2020 | **2021** | 2020 |
| ***Officers and employees*** | Non-interest bearing advances | Unsecured, will be settled in cash, not impaired, payable on demand | ₱ **(9,120)** | ₱ (109,755) | ₱ **177,118** | ₱ 186,238 |

| | | | | Transactions for the years ended December 31 | |
|---|---|---|---|---|---|
| Related Party | Nature of Transaction | Terms | Condition | 2021 | 2020 |
| ***Companies with common officers, directors and stockholders*** | | | | | |
| Hillcroft Phils., Inc. | Rental Expense | Advanced post dated checks for the whole duration of the contract were issued | Secured; with three (3) months advance payment and deposit; not guaranteed | ₱ 1,777,499 | ₱ 1,681,428 |
| | | | | ₱ 1,777,499 | ₱ 1,681,428 |

*Terms and conditions of transactions with related parties*

- Outstanding advances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2021 and 2020, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

- Management fees are settled in cash every 2nd day of the month. Other related transactions that are included in the expenses of the Company are payable upon receipt of billing, in cash.

  The Company is not covered by the requirements and procedures for related party transactions provided under RR No. 34-2020.

## 27. RETIREMENT OBLIGATION

The Company has a non-funded non-contributory defined benefit plan covering all its officers and regular employees. The benefits are based on a percentage equal to one hundred percent (100%) of latest monthly salary for every year of credited service. The plan provides retirement, separation, death and disability benefits to its members.

The following tables summarize the components of net retirement benefits cost recognized in the statements comprehensive income and the amounts recognized in the statements of financial position. The costs of defined benefit retirement plans, as well as the present value of the benefit obligations are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The last actuarial valuation report was issued on March 21, 2022.

The principal assumptions used in determining pensions for the Company were as follows:

| | 2021 | 2020 |
|---|---|---|
| Discount rate | **5.23%** | 4.18% |
| Salary increase rate | **7.00%** | 7.00% |
| Mortality rate | **2017 PICM** | 2017 PICM |
| Disability rate | 1952 Disability Study period 2, Benefit 5 | 1952 Disability Study period 2, Benefit 5 |
| Turnover rate | A scale ranging from 17% at age 18 decreasing to 0% at age 60 | A scale ranging from 17% at age 18 decreasing to 0% at age 60 |

The movement in the present value of defined benefit obligation is summarized as follow:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Defined benefit obligation, January 1 | ₱ | **3,289,781** | ₱ | 3,404,389 |
| Current service cost | | **267,379** | | 436,974 |
| Interest cost | | **80,326** | | 108,831 |
| Actuarial (gain)/ loss: | | | | |
| Changes in financial assumptions | | **(198,237)** | | 161,604 |
| Experience adjustments | | **(32,294)** | | (214,248) |
| Demographic assumptions | | **-** | | - |
| Released obligation due to employee transfer | | **-** | | (607,769) |
| Defined benefit obligation, December 31 | ₱ | **3,406,955** | ₱ | 3,289,781 |

Liability / (Asset) to be recognized in the statement of financial position:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Defined benefit obligation, December 31 | ₱ | **3,406,955** | ₱ | 3,289,781 |

Defined benefit cost recognized in the profit or loss:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Service cost | ₱ | **267,379** | ₱ | 436,974 |
| Net interest cost | | **80,326** | | 108,831 |
| Defined benefit cost in profit or loss | ₱ | **347,705** | ₱ | 545,805 |

Movement in net defined benefit cost recognized in other comprehensive income:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Net amount recognized in OCI, beginning | ₱ | **1,833,962** | ₱ | 1,781,318 |
| Amount recognized during the year | | **230,531** | | 52,644 |
| Net amount recognized in OCI, ending | ₱ | **2,064,493** | ₱ | 1,833,962 |

Amounts shown in the statements of changes in equity were net of income tax effect on actuarial gain. Total accumulated actuarial gains on employees benefit obligation amounted to ₱1,548,370 and ₱ 1,283,774 and for 2021 and 2020, respectively.

Movement in net liability is summarized below:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Beginning liability | ₱ | 3,289,781 | ₱ | 3,404,389 |
| Defined benefit cost-profit or loss | | 347,705 | | 545,805 |
| Defined benefit cost-other comprehensive income | | (230,531) | | (52,644) |
| Released liability due to employee transfers | | - | | (607,769) |
| Closing net liability | ₱ | 3,406,955 | ₱ | 3,289,781 |

History of unfunded obligation:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Defined benefit obligation, ending | ₱ | 3,406,955 | ₱ | 3,289,781 |
| Fair value of plan assets, ending | | - | | - |
| Unfunded obligation | ₱ | 3,406,955 | ₱ | 3,289,781 |

The Company does not maintain a fund for its employee defined benefit obligation. While funding is not a requirement by the law, there is a risk that the Company may not have the cash if several employees retire within the same year.

The weighted average duration of the defined benefit obligation is as follow:

| | Years |
|---|---|
| *Financial year* | |
| 2021 | 16.86 |

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit obligation at the balance sheet date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all the other assumptions remained unchanged. The corresponding change in the defined benefit obligation was expressed as a percentage change from the base defined benefit obligation.
Expected future retirement expense – charged to profit or loss.

| | | 2021 |
|---|---|---|
| Expected Contribution in Next Financial Year | ₱ | 2,897,211 |

The defined benefit obligation is subject to several key assumptions. To help illustrate the impact of each key assumption, provided below is a sensitivity analysis which has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of end of the reporting period, assuming all other assumptions were held constant:

| Sensitivity Analysis of the DBO to Changes in Assumption | | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| Discount rate | **6.23% (Actual+1.00%) ₱** | **3,251,187** | 5.18% (Actual + 1.00%) ₱ | 3,124,246 |
| | **5.23% (Actual)** | **3,406,955** | 4.18% (Actual) | 3,289,781 |
| | **4.23% (Actual - 1.00%)** | **3,594,753** | 3.18% (Actual - 1.00%) | 3,491,900 |
| Salary increase rate | **8.00% (Actual + 1.00%) ₱** | **3,597,468** | 8.00% (Actual + 1.00%) ₱ | 3,491,935 |
| | **7.00% (Actual)** | **3,406,955** | 7.00% (Actual) | 3,289,781 |
| | **6.00% (Actual - 1.00%)** | **3,245,673** | 6.00% (Actual - 1.00%) | 3,120,465 |

## 28. CONTINGENCIES

As of December 31, 2021 and 2020, there are no pending litigations brought by or against the Company.

## 29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies and practices of the Company are summarized below to facilitate the understanding of data presented in the financial statements.

**Basis of Preparation**

These financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretation, which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the Securities and Exchange Commission (SEC), including SEC pronouncements.

The financial statements have been prepared under the historical cost basis except for financial assets at FVPL and financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The Company's financial statements are presented in Philippine pesos, which is the functional and presentation currency under PFRS. All values are rounded to the nearest peso except as otherwise indicated.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 30.

**Statement of Compliance**
The financial statements of the Company have been prepared in compliance with the PFRS except for the use of closing prices for the valuation of equity securities as required by Revised SRC. PFRS requires the use of exit prices for the valuation of equity securities of the Company.

**Current versus non-current classification**
The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

**Fair Value Measurement**
The Company measures financial instruments at fair value at each financial position date.

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

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another 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 categorised 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 prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

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 hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**New and Amended PFRS adopted by the Company**

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

Unless otherwise indicated, adoption of this new standards did not have an impact on the financial statements of the Company.

Amendments to PFRS 16 *Leases Covid-19 Related Rent Concessions*
The amendments provide relief to lessees from applying PFRS 16 guidance on lease modification accounting for rent concessions 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 PFRS 16, if the change were not a lease modification.

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

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

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

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

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

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

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively. The amendments had no impact on the financial statements of the Company.

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 pronouncement will have a significant impact on its financial statements. The Company intends to adopt the following pronouncement when they become effective.

*Effective beginning on or after January 1, 2022*

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

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

The amendments are not expected to have a material impact on the Company.
Amendments to PAS 37 *Onerous Contracts – Costs of Fulfilling a Contract*
The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

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

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

Amendments to PFRS 3 *Reference to the Conceptual Framework*
The amendments to PFRS 3 Business Combination – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.
The Board also added an exception to the recognition principle of PFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37 or IFRIC Levies, if incurred separately.

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

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

These amendments are not applicable and will have no significant impact on the Company.

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

The amendment is effective for annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

These amendments are not applicable and will have no significant impact on the Company.

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

Effective for annual periods beginning on or after January 1, 2023

Amendments to PAS 12, Deferred Tax related to Asset and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purpose, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in financial statements (and interest expenses0 or to the related asset component (and interest expenses).

An entity applies the amendments to transactions that occur on or after January 1, 2023 with earlier adoption permitted.

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

Amendments to PAS 1 and PAS 8, *Definition of Material*
The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

These amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have a material impact on the Company.

Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and

- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

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

Effective for annual periods beginning on or after January 1, 2024

Amendments to PAS 1 *Classification of Liabilities as Current or Non-current*
The amendments to paragraph 69 to 76 of PAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

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

Effective for annual periods beginning on or after January 1, 2025:

Amendments to PFRS 17 *Insurance Contracts*
The amendments to PFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4 Insurance Contracts (PFRS 4) that was issued in 2005. PFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.
The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

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

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

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

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

*Deferred effectivity*

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

The amendments address the conflict between PFRS 10 and PAS 8 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 the full gain or loss is recognized when 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 investor's interests in the associate or joint ventures.

The amendments are not applicable and have no significant impact to the Company.

**Changes in Accounting Policies**

The following explains the significant accounting policies which have been adopted in the preparation of the financial statements. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes in accounting policies as explained below.

**Cash**

Cash includes cash on hand and in banks.

**Financial Instruments**

*Date of Recognition*

The Company recognizes a financial asset or financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

*Initial Recognition and Measurement*

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

*"Day 1" difference*

Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss.

In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

*Classification*
The Company classifies its financial assets at initial recognition under the following categories: a) financial assets at FVPL; b) financial assets at amortized cost and c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

*Financial Assets and Liabilities at FVPL*
Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or 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 financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

Financial assets at FVPL are quoted securities held for trading by the Company.

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

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

After initial recognition, financial assets at amortized cost are subsequently measure at amortized cost using the effective interest method, less allowance for impairment, if any. 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.

As at December 31, 2021 and 2020, the Company's cash, receivables from customers and receivables from clearing house are included under this category.

*Financial Assets at FVOCI*
For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI 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 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.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), currency gains or losses and impairment 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.

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. Foreign currency gains or losses and unrealized 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.

As at December 31, 2021 and 2020, the Company designated its unquoted investments in equity securities carried at fair value as financial assets at FVOCI as disclosed in Note 9.

*Financial Liabilities at Amortized Cost*
Financial liabilities are categorized as financial liabilities at amortized cost when the substance of a 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 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 through the amortization process.

As at December 31, 2021 and 2020, the Company's liabilities arising from its trade payables to customers and brokers, payable to others and accrued expense and other current liabilities excluding government liabilities, are included under this category (See Notes 14,15 and 16)

*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 other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

*Impairment of Financial Assets*

*Expected credit loss methodology*

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either:

- 12-month ECL
- lifetime ECL for those financial instruments which have experienced a significant increase in credit risk since initial recognition.

The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the twelve (12) months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of the financial asset.

*Staging assessment*

For non-credit-impaired financial instruments:

Stage 1 is comprised of all non-impaired financial assets which have not experienced a SICR since initial recognition. The Company recognizes a 12-month ECL for Stage 1 financial assets.

Stage 2 is comprised of all non-impaired financial assets which have experienced a SICR since initial recognition. The Company recognizes a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial instruments:
Financial instruments are classified as Stage 3 when there is objective evidence of impairment.

*Write-off Policy*
A financial asset is written off when there is no reasonable expectation of recovering the contractual cashflows.

*Definition of "default"*
The Company classifies receivables, or any financial asset as in default when it is credit impaired or becomes past due on its contractual payments for more than 90 days. As part of a qualitative assessment of whether a customer is in default, the Company considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted.

*Significant increase in credit risk (SICR)*
The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's aging information, the borrower becomes past due for over 30 days. Further, the Company assumes that the credit risk of a financial asset, particularly on cash and equivalents and receivables from customers, clearing house and non-customers, has not increased significantly since origination if the financial asset is determined to have "low credit risk" as of the reporting date. A financial asset is considered "low credit risk" when it has an external rating equivalent to "high grade".

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Company shall revert to recognizing a 12-month ECL.

*Impairment of Financial Assets at Amortized Cost and FVOCI*

The Company records an allowance for "expected credit loss" (ECL). 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. The difference is then discounted at an approximation to the asset's original effective interest rate.

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

*Derecognition of Financial Assets and Liabilities*

*Financial Assets*
A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized 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 Company'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 pay.

*Sole Payment of Principal Interest (SPPI)*
The company assesses the contractual terms of financial assets to identify whether it meets the SPPI test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial assets (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within lending arrangements are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and consider relevant factor such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In Contrast, contractual terms that introduce a more than de minims exposure to risks or volatility in the contractual cash flows that are unrelated to a basic do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Financial Asset Business Model Assessment
Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

*Financial Liabilities*
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 statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

*Offsetting of Financial Assets and Liabilities*
Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is 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.

*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>Derivative Financial Instruments and Hedging</u>
*Freestanding Derivatives.* For the purpose of hedge accounting, hedges are classified as either:
a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk);
b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability, a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
c) hedges of a net investment in foreign operations.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instruments, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

*Fair Value Hedge.* Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in the statements of profit or loss and other comprehensive income. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that remeasurement is also recognized in the statements of profit or loss and other comprehensive income.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.

The Company discontinues fair value hedge accounting if:

a) the hedging instrument expires, is sold, is terminated or is exercised;
b) the hedge no longer meets the criteria for hedge accounting; or
c) the Company revokes the designation.

The Company has no derivatives accounted for as a fair value hedge as at December 31, 2021 and 2020.

*Cash Flow Hedge*. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in other comprehensive income presented in the separate statements of changes in equity. The ineffective portion is immediately recognized in the statements of profit or loss and other comprehensive income.

If the hedged cash flow results in the recognition of an asset or a liability, all gains or losses previously recognized directly in the separate statements of changes in equity are transferred and included in the initial measurement of the cost or carrying amount of the asset or liability. Otherwise, for all other cash flow hedges, gains or losses initially recognized in the separate statements of changes in equity are transferred to the statements of profit or loss and other comprehensive income in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affects the statements of profit or loss and other comprehensive income.

When the hedged ceases to be highly effective, hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been reported directly in the separate statements of changes in equity is retained until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in the separate statements of changes in equity is recognized in the statements of profit or loss and other comprehensive income.

The Company has no outstanding derivatives accounted for as a cash flow hedge as at December 31, 2021 and 2020.

*Net Investment Hedge*. Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gain or loss relating to the ineffective portion is recognized in the statements of profit or loss and other comprehensive income. On disposal of a foreign operation, the cumulative value of any such gains and losses recorded in the separate statements of changes in equity is transferred to and recognized in the statements of profit or loss and other comprehensive income.

The Company has no hedge of a net investment in a foreign operation as at December 31, 2021 and 2020.

Changes in fair values of derivatives that do not qualify for hedge accounting are recognized directly in the statements of profit or loss and other comprehensive income.

*Embedded Derivatives*. The Company assesses whether embedded derivatives are required to be separated from the host contracts when the Company becomes a party to the contract. An embedded derivative is separated from the host contract and accounted for as derivative if all of the following conditions are met:

a) the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract;
b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
c) the hybrid or combined instrument is not recognized as FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

The Company has no derivatives as at December 31, 2021 and 2020.

**Intangible Asset**

*Trading rights*
Intangible asset is initially recorded at cost. It has indefinite useful life and is tested for impairment annually at the cash generating-unit level. Such intangible asset is not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to definite is made on a prospective basis.

Subsequently, trading rights are measured at cost less any accumulated amortization and any accumulated impairment losses.

A gain or loss arising from *derecognition of an intangible asset* is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the statement of other comprehensive income when the asset is derecognized.

**Property and Equipment**
Property and equipment are stated at cost less accumulated depreciation and allowance for impairment loss, if any.

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

Depreciation is computed on a straight-line basis over the following estimated useful lives of the assets:

| | |
|---|---|
| Transportation equipment | 3- 5 years |
| Furniture and fixtures | 3- 4 years |
| Office equipment | 3- 4 years |
| Computer software and equipment | 2- 5 years |

Estimated useful life is the period over which an asset is expected to be available for use by an entity.

Leasehold improvements are amortized over the shorter of their estimated useful life or the corresponding lease term.

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in profit or loss in the statement of comprehensive income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

*Impairment of Nonfinancial Assets*
Property and equipment and trading rights 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 fair value 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 profit or loss 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.

*Derecognition of Nonfinancial Assets*
An item of the property, furniture and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the assets (computed as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of comprehensive income in the year the assets is derecognized.

**Capital Stock**
Capital stock is measured at par value for all shares issued. This includes common stocks only.

**Retained Earnings**

*Unappropriated retained earnings*
Unappropriated retained earnings represent cumulative balance of periodic net income or loss, dividend contributions, effect of changes in accounting policy and other capital adjustments.

*Appropriated retained earnings*
Appropriated retained earnings represent appropriation for reserve fund in compliance with Revised SRC Code No. 49.1 (B).

**Revenue and Cost Recognition and Securities Transactions**
Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires the Company to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers.

The five-step model is as follows:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligation in the contract

- Recognize revenue when (or as) the entity satisfies a performance obligation

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:

- The customer simultaneously receives and consumes the benefits as the Company perform its obligations;
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- 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 following specific criteria must also be met before revenue is recognized:

*Commissions*
The Company's main revenue is derived from commission income on trade execution service recognized at a point in time when control of the service has transferred to the customer.

Transfer of control of the trade execution performance obligation generally occurs on the trade date because that is when the underlying financial instrument is identified and the pricing is agreed upon. On the trade date, the customer has obtained control of the service because it can direct the use of, and obtain substantially all of the remaining benefits from, the asset that comes from the trade execution service.

Commission income is derived from variable amounts which are 0.25% to 0.30% of the gross trade amount and therefore the amount of revenue to be earned from each contract is determined by reference to each of those trade transactions.

Trade transactions are usually settled 3-days after the trade date (T+3 settlement rule).

*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 the payment is established.

*Gain on sale of financial assets at FVPL*
Gain on sale of financial assets at FVPL is recognized when realized.

*Other Income*
Other income includes handling fee of the customers' stock certificates and is recognized when earned.

**Operating Expenses**
Cost and operating expenses are recognized when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase in liability has occurred and the decrease in future economic benefits can be measured reliably. Expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Company. Expenses are recognized as incurred.

**Comprehensive Income**
The Company uses single statement of comprehensive income, in which it presents all items of income and expense recognized in the period.

**Leases**

Lessee Accounting

PFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Recognition

A lessee measures right-of-use assets similarly to other nonfinancial assets (such as property and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognizes depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying (PAS 7) Statement of Cash Flows.

Initial Measurement

*Short-term leases and leases of low-value assets*

The Company apply the short-term lease recognition exemption to our short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain purchase option). The Company also apply the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

*Significant judgment in determining the lease term of contracts with renewal options*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has the option, under some of its leases to lease the assets for additional terms of three to five years. The Company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

Leases previously accounted for as operating leases.

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of 'low-value' assets. The right-of-use assets were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rates at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein the Company:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- Elected not to separate non-lease components from lease components and accounted them as single lease component.

Accounting policies for leases applicable before January 1, 2019
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement; or
(b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term; or
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

*The Company as Lessor*
Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

*The Company as Lessee*
Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Employee Benefits**

*a. Retirement Cost*

The Company does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement benefit equal to 22.5 days pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement.

The amended PAS 19(R) simplifies the reporting of the defined benefit cost by introducing the Net Interest Approach, which disaggregates the defined benefit cost into the following components: Service cost, Net interest and Remeasurements.

Under the Net Interest Approach, Service Cost and Net Interest on the defined benefit liability (asset) are both recognized in profit or loss in the statement of comprehensive income, while remeasurements of the defined benefit liability (asset) are recognized outside profit or loss in other comprehensive income (OCI).

It is further required by Amended PAS 19 (R) that remeasurements recognized in OCI shall not be reclassified to profit or loss in a subsequent period. However, the Company may transfer those amounts recognized in OCI within equity.

The retirement cost of the Company is determined by applying the Accrued Benefit Actuarial Cost Method taking into account the factors of investment, mortality, disability and salary projection rate.

Service costs which include current service costs and past service costs are recognized as expense in profit or loss and is calculated periodically by independent qualified actuary.

Interest on the retirement liability is the change during the period in the retirement liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the retirement liability.
Remeasurements comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

*b. Short-term benefits*

The Company recognizes a liability net of amount already paid and an expense for services rendered by employees during the accounting period. Short term benefits given by the Company to its employees include salaries and wages, short term compensated absences, SSS, Pag-ibig and Philhealth contributions, and 13th month pay.

**Foreign Currency Transactions and Translation**
The Company determines its own functional currency and items included in the financial statement of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the period.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- Exchange differences arising on non-monetary assets and liabilities where the gains and losses of such non-monetary items are recognized directly in equity.

**Income Taxes**
Income tax expense for the period comprises of current income tax only.

*Current tax*
Current tax asset and liability are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates used to compute are those that are enacted or substantively enacted at the financial position date, and any adjustment to tax payable in respect of previous years.
Income tax expense is recognized in the statements of profit or loss and other comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

*Deferred tax*
Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a

business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

*Current and deferred tax for the year*
Current and deferred tax are recognized in statement of profit or loss and other comprehensive income, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

**Value-added Tax (VAT)**
Revenue, expenses and assets are recognized in the net amount of VAT, except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- Receivables and payables that are stated with the amount of VAT included.

**Income (Loss) per Share**
Basic income (loss) per share is calculated by dividing net income by the weighted average number of ordinary shares outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted loss per share amounts are calculated by dividing net income by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares outstanding that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

**Related Party Relationships and Transactions**

Related party relationship exists when (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or a parent of the reporting entity. (b) An entity is related to the Company if, the entity and the Company are members of the same group, one entity is an associate or joint venture of the other entity, both entities are joint ventures of the same third party, one entity is a joint venture of a third entity and the other entity is an associate of the third party, an entity is a post-employment benefit plan for the benefit of employees of the Company, the entity is controlled or joint controlled by a person who has control or joint control over the Company and a person as identified in (a) above has significant influence over the entity is a member of the key management personnel of the entity or of a parent of the entity. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

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

**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.

**Prior period adjustments**

Prior period adjustments are omissions from, and misstatements in, an entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available and could reasonably be expected to have been obtained and taken into account in preparing those statements. Such errors result from mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

The Company corrects all material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

If it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity must restate the opening balances of assets, liabilities, and equity for the earliest period for which retrospective restatement is practicable (which may be the current period).

Further, if it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity must restate the comparative information to correct the error prospectively from the earliest date practicable.

**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.

**Subsequent Events**

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

**Comparatives**
When necessary, comparative figures have been adjusted to conform to the changes in the presentation of the current year.

## 30. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.
In particular, information about the significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following:

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

*a) Classification of Functional Currency*
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the revenues and expenses of the Company.

*b. 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 agreement and the definitions 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 statement of financial position.

*Evaluation of Business Model Applied in Managing Financial Instruments*
Upon adoption of PFRS 9, the Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed by the Company and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

*Determining Fair Value of Financial Instruments*
When the fair value of financial instruments is required to be measured at fair value and the fair value that cannot be derived from the active markets. The Company uses valuation techniques including the discounted cash flow analysis and other relevant valuation models to determine the fair value of the instrument. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Changes in assumptions about these factors could affect the reported fair value of the instrument.

**Estimates**
The key assumptions concerning the future and other sources of estimation uncertainty as at the date of financial position that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*a) Estimating credit losses on receivables*

The Company reviews its receivable from clearing house and customers on a periodic basis to assess their impairment at an individual level. In assessing for impairment, the Company determines whether there is any objective evidence indicating that there is a measurable decrease in the estimated future cash flows of its receivables.

Factors considered in individual assessment are payment history, past-due status and term. The methodology and assumptions used for individual assessment are based on management's judgment and estimate.

The amount and timing of recognizing credit loss for any period would differ if the Company made different assumptions or utilized different estimates. An increase in allowance for credit losses would decrease net profit and total assets.

As provided in the Revised Securities Regulation Code (SRC) Rule 52.1, every broker dealer shall establish appropriate allowance for doubtful accounts and the basis for such computation of the allowance shall be properly disclosed. The SEC or the PSE shall have the prerogative to determine the reasonableness of such receivable valuation taking into consideration the GAAP and industry practices.

Impairment provisions for receivables from customers, brokers and others are recognized based on the simplified approach within PFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the receivables from customers, brokers and others is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the receivables from customers, brokers and others. For receivables from customers, brokers and others, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognized based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognized. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognized. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognized.

The carrying amounts of the Company's receivable from customers and brokers are shown and disclosed in Note 4 and receivable from others are disclosed in Note 6.

The Company allowance for credit losses on its receivables as at December 31, 2021 and 2020 was shown in Note 4.

*b) Estimated Useful Lives (EUL) of Property and Equipment*

The Company annually reviews the EUL of property and equipment based on the period over which the assets are expected to be available for use and updates if expectations differ from previous estimates due to physical wear and tear, and technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The estimated useful lives of property and equipment are disclosed in Note 29 which showed no changes in 2021 and 2020.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease non-current assets.

The carrying amounts and accumulated depreciation of the Company's property and equipment are disclosed in Note 11.

c) *Impairment of Non-financial Assets*

The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends;
- permanent decline in fair value of the asset;
- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the assets value in use and decrease the asset's recoverable amount materially.

If any indicator exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The EUL and impairment are reviewed at the end of each reporting period. As of December 31, 2021, and 2020, none of these indicators exist on the Company's property and equipment and trading rights.

d) *Deferred Income Tax Assets*

The Company reviews the carrying amounts of deferred income tax assets as at the date of financial position and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The management assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent periods. This forecast is based on the Company's past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Company will generate sufficient taxable profit to allow all or part of the deferred income tax assets to be utilized.

The Company reported deferred tax assets as at December 31, 2021 and 2020 as disclosed in Note 12.

e) *Present Value of Retirement Benefit Obligation*

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The valuation results are based on the employee data as of valuation dates as provided by the Company. The discount rate assumption is based on the PDEx (PDST-R2) benchmark market yields on government bonds as of the valuation dates (or latest available) considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

Retirement obligations as at December 31, 2021 and 2020 are disclosed in Note 27.

## 31. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

*Financial risk management objectives and policies*
The Company has documented financial risk management policies. These policies set out the Company's overall business strategies and its risk management philosophy. The Company's overall financial risk management program seeks to minimize potential adverse effects of financial performance of the Company. The Board of Directors provides written principles for overall financial risk management and written policies covering specific areas, such as market risk (including interest rate risk, price risk), credit risk and liquidity risk. The Board of Directors reviews such written policies annually and periodic reviews are undertaken to ensure that the Company's policy guidelines are complied with. The policies for managing specific risks are summarized below.

*Market Risk*
Market risk is the risk of loss to future earnings, fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, equity prices, foreign currency exchange rates and other market changes.

*Interest Rate Risk*
Interest rate risk is the risk that changes in the market interest rates will reduce the Company's current or future earnings and/or economic value. Company has no significant exposure to interest rate risk as financial assets (in the form of cash and loans and receivables) and liabilities are non-interest as of December 31, 2021 and 2020.

*Foreign currency risk*
The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US Dollar. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The Company's United States (US) dollar-denominated financial instruments pertains only to cash in bank (savings account), translated into Philippine peso at the closing rates, amounting to ₱25,591 as of December 31, 2021 and ₱ 24,211 as of December 31, 2020.

The exchange rates used amounted are ₱50.999 and ₱ 48.023 as of December 31, 2021 and 2020, respectively. The exchange rates used were generated from the Bankers Association of the Philippines (BAP).

The following table demonstrates the *sensitivity* to a reasonably possible change in the US dollar rate, with all variable held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets) and the Company's equity.

| | US $ Depreciates | | US $ Appreciates | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| Effect on profit before tax | $ 502 | $ 504 | $ ( 502 ) | $ ( 504 ) |
| Effect on equity | 377 | 378 | (351) | (353) |

*Equity Price risk*

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the value of individual stocks. The Company is exposed to price risk on its equity securities classified as financial assets at fair value through profit or loss (FVPL). Senior management is responsible for reviewing trading positions, exposures, profits and losses, and trading strategies.

Investments in FVOCI are revalued on each reporting period end based on quoted market prices. Any resulting fair value gains or losses arising from the revaluation of the available-for-sale investments are recognized directly in the statement of profit or loss and other comprehensive income. Investments in FVOCI that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any impairment losses at end of each reporting period.

The following table shows the *sensitivity* to a reasonably possible change in the Philippine Stock Exchange index (PSEi) taking into consideration the adjusted risk measurement of each individual stock in the Company's financial assets held for trading as of December 31:

| | 2021 | 2020 |
|---|---|---|
| Change in PSEi | -42.96% | -1.73% |
| Change on trading income at equity portfolio under: | | |
| Mining | (185,964) | 14,363 |
| Banks | (152,964) | 39,159 |
| Oil | 152,052 | (551) |
| Electricity, Energy, Power & Water | 84,599 | 398,664 |
| Other Services | 79,162 | 18 |
| Holding Firms | (27,758) | 84,419 |
| Construction, Infrastrature and Allied Services | (27,404) | 10,219 |
| Property | (20,280) | 56,322 |
| Other Financial Institutions | 20,041 | 7,684 |
| Preferred | 6,190 | - |
| Transportation services | (6,187) | 7,767 |
| Electrical Components and Equipment | (4,829) | 13,384 |
| Food, Beverages and Tobacco | 2,215 | 284 |
| Warrants | (30) | - |
| Casino and Gaming | - | 10,778 |
| Small, Medium & Emerging | - | 8,775 |
| Retail | - | 7,012 |
| Information Technology | - | (5,516) |
| Media | - | 568 |
| Transportation services | - | - |
| Delisted companies | 24,217 | - |
| | (56,940) | 653,349 |

The assumed change in rate is based on the average change in the year-end PSEi for five (5) years. There is no other impact on the Company's equity other than those already affecting profit or loss.

*Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting from financial loss to the Company. The Company is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits and investments.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the statement of financial position (or in the detailed analysis provided in the notes to the financial statements) as summarized below.

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Cash | ₱ | 58,738,362 | ₱ | 40,275,835 |
| Financial assets at FVPL | | 1,735,570 | | 6,974,066 |
| Financial assets at FVOCI | | 198,975 | | 198,975 |
| Receivables from: | | | | |
| Customers and brokers | | 28,974,145 | | 54,533,214 |
| Others | | 1,559,158 | | 1,773,984 |
| | ₱ | 91,206,210 | ₱ | 103,756,074 |

**Excluding petty cash*

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

The table below shows the credit quality by class of investments at gross of allowance for credit losses as of December 31, 2021:

| | Niether Past Due Nor Impaired | | | Past Due But | |
|---|---|---|---|---|---|
| | Class A | Class B | Class C | Not Impaired | Total |
| **Cash** | ₱ 58,738,362 | ₱ - | ₱ - | ₱ - | ₱ 58,738,362 |
| **Financial assets at FVPL** | 1,735,570 | | | | 1,735,570 |
| **Financial asset at FVOCI** | 198,975 | - | - | - | 198,975 |
| **Receivables from:** | | | | | |
| **Customers and brokers** | 28,974,145 | - | - | 10,094,003 | 39,068,148 |
| **Others** | 1,559,158 | - | - | - | 1,559,158 |
| | ₱ 91,206,210 | ₱ - | ₱ - | ₱ 10,094,003 | ₱ 101,300,213 |

****Excluding petty cash***

The table below shows the credit quality by class of investments at gross of allowance for credit losses as of December 31, 2020:

| | Niether Past Due Nor Impaired | | | Past Due But | |
|---|---|---|---|---|---|
| | Class A | Class B | Class C | Not Impaired | Total |
| Cash | ₱ 40,275,835 | ₱ - | ₱ - | ₱ - | ₱ 40,275,835 |
| Financial assets at FVPL | 6,974,066 | | | | 6,974,066 |
| Financial asset at FVOCI | 198,975 | - | - | - | 198,975 |
| Receivables from: | | | | | |
| Customers and brokers | 54,533,214 | - | - | 10,105,614 | 64,638,828 |
| Others | 1,773,984 | - | - | - | 1,773,984 |
| | ₱ 103,756,074 | ₱ - | ₱ - | ₱ 10,105,614 | ₱ 113,861,688 |

**Excluding petty cash*

Credit Quality - In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and non-financial assessments of its borrowers. Financial factors being considered comprised of the financial standing of the borrower while the non-financial aspects include but not limited to the assessment of the borrower's nature of business, industry background, payment habit and both present and potential business dealings with the Company.

Class A "High Grade" are accounts with strong financial capacity and business performance and with the lowest default risk.

Class B "Moderate Grade" refers to accounts of satisfactory financial capability and credit standing but with some elements of risk where certain measure of control is necessary in order to mitigate risk of default.

Class C "Low Grade" refers to accounts which are collected on their due dates provided that the Company made a persistent effort to collect them.

Past due but not impaired refers to uncollected accounts beyond due dates but are still collectible.

Cash
Cash in banks are deposited in top ten banks in the Philippines, hence, considered high grade.

For the determination of credit risk, cash included in the analysis above do not include cash on hand amounting to₱ 50,000 for the year 2021 and 2020.

Receivables
Receivables from customers and non-customers are secured (for fully and partially secured) by shares of stock owned by the customers and non-customers but held by the Company.

In respect of receivables from customers, non-customers and others, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Financial assets at FVPL
Companies that are consistently profitable, have strong fundamentals and pays out dividends. As at December 31, 2021 and 2020, the Company's financial assets at FVPL are classified as high grade since these are with listed companied of good reputation.

Financial assets at FVOCI
Unquoted AFS financial assets are unrated.

*Liquidity Risk*

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

In the management of liquidity, the Company monitors and maintains a level of cash deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuation in cash flows.

The Company maintains cash and short-term investments to meet its liquidity requirements. Payables, accrued expenses and other current liabilities and customers and non-customers are expected to mature within six months from statement of condition date. Interest bearing loan which is paid in monthly amortization will fully mature within one year from the statement of condition date.

The liability to customers and/or clearing house is matched by a corresponding receivable from customers/clearing house. Liquidity risk would arise if all loans and receivables are not settled in the usual T+3 settlement period.

As at December 31, 2021, the Company's financial liabilities have contractual maturities which are presented below:

| | Current | | Non-current | |
|---|---|---|---|---|
| | Within 6 months | 6 to 12 months | 1 to 5 years | Total |
| **Payable to** | | | | |
| **Customers** | ₱ 39,380,376 | - | - | ₱ 39,380,376 |
| **Others** | 17,069,023 | - | - | 17,069,023 |
| **Other liabilities** | 2,210,694 | - | - | 2,210,694 |
| | ₱ 58,660,093 | ₱ - | ₱ - | ₱ 58,660,093 |

As at December 31, 2020, the Company's financial liabilities have contractual maturities which are presented below:

| | Current | | Non-current | |
|---|---|---|---|---|
| | Within 6 months | 6 to 12 months | 1 to 5 years | Total |
| **Payable to** | | | | |
| **Customers** | ₱ 49,806,040 | - | - | ₱ 49,806,040 |
| **Others** | 11,008,569 | - | - | 11,008,569 |
| **Other liabilities** | 3,899,656 | - | - | 3,899,656 |
| | ₱ 64,714,265 | ₱ - | ₱ - | ₱ 64,714,265 |

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of the reporting period.

*Capital management*
The primary objective of the Company's capital management is to ensure that it maintains a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity.

The Philippine Stock Exchange (PSE) issued a memo 2009-0316 regarding rules governing trading rights and trading participants. 1) Trading participants shall have a minimum unimpaired paid-up capital, as defined by the Security and Exchange Commission (SEC) of Twenty Million Pesos (P20,000,000) effective December 31, 2009; Provided further, that effective December 31, 2010 and onwards, the minimum unimpaired paid-up capital shall be Thirty Million Pesos (P30,000,000). 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 the clients of trading participant, the government, the Exchange and to the other trading participants of the Exchange and to the Securities Clearing Corporation of the Philippines. Such indebtedness to the Exchange, SCCP and other Trading Participants, shall always, and in every case, be a priority, preferred lien upon the value, or the proceeds of sale of trading rights.

*Minimum capital management*
The Securities and Exchange Commission (SEC) passed the Amended Implementing Rules and Regulations of SEC that took effect on February 28, 2004 which provide among others, revisions in the terms and conditions for registration and subsequent renewal of license applicable to both exchange trading participants and non-exchange broker dealers as follows:

a) To allow a net capital of P2.5 million or 2.5% Aggregate Indebtedness (AI), whichever is higher for broker dealers dealing only in proprietary shares and not holding securities;
b) To allow the SEC to set a different net capital requirement for those authorized to use the Risk-Based Capital Adequacy (RBCA) model;
c) To require unimpaired paid-up capital of P100.0 million for broker dealers, which are either first time registrants or those acquiring existing broker dealer firms and will participate in a registered clearing agency; 10.00 million plus a surety bond for existing broker dealers not engaged in

market-making transactions; and P2.50 million for broker dealers dealing only in proprietary shares and not holding securities.

The Company is required to comply with SEC Memorandum Circular No. 16 on the Adoption of the Risk-Based Capital Adequacy Requirement/Ratio (RBCA) for Brokers Dealers. This rule was published on November 13, 2004 by the Securities and Exchange Commission which took effect 15 days after its publication on November 29, 2004.

Under the pertinent provision of the Circular, it provides that every broker dealer shall ensure that its RBCA Ratio is greater than or equal to 1:1; the Core Equity must always be greater than the Operational Risk Requirement and that the broker dealer should maintain a Net Liquid Capital (NLC) of at least Five Million Pesos (P5, 000,000) or five percent (5%) of the Aggregate Indebtedness (AI) whichever is higher. Moreover, no broker dealer shall allow its aggregate indebtedness to all other persons to exceed 2,000 percent of its NLC. If the minimum RBCA Ratio and NLC are breached, every broker dealer shall immediately cease doing business and shall notify the Securities and Exchange Commission.

The RBCA Requirement/Ratio pertains to minimum level of capital that are required to be maintained by licensed firms, considering the firm size, complexity and business risks such as operational risks, position, counterparty, large exposure, underwriting and margin financing risks.

The Company is in compliance with RBCA ratio as of December 31, 2021 and 2020 as shown below:

| | 2021 | 2020 |
|---|---|---|
| Equity eligible for net liquid capital | ₱ 28,903,762 | ₱ 33,182,481 |
| Less: Ineligible assets | 17,306,775 | 17,230,077 |
| Net Liquid Capital | 11,596,987 | 50,412,558 |
| Operational risk | 7,797,180 | 8,038,694 |
| Position risk | 588,190 | 2,442,418 |
| Counterparty risk | 1,201 | - |
| Total Risk Capital Requirement | 8,386,571 | 10,481,112 |
| Aggregate Indebtedness | 34,311,169 | 41,929,693 |
| 5% of Aggregate Indebtedness | 1,715,558 | 2,096,485 |
| Required Net Liquid Capital | 5,000,000 | 5,000,000 |
| Net Risk-Based Capital Excess | 6,596,987 | 10,952,404 |
| Ratio of Aggregate Indebtedness to Net Liquid Capital | 296% | 263% |
| Risk Based Capital Adequacy Ratio | 138% | 152% |

*Ineligible asset*
This pertains to fixed assets and assets which cannot be readily converted into cash.

*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 or failed internal processes, people and system which include, among others, risk of fraud, operational or settlement failure and shortage of liquid resources, or from external events.

The Company's operational risk requirement for 2021 is computed as follows:

| Type of Revenue | | 2020 | 2019 | 2018 | | Average |
|---|---|---|---|---|---|---|
| Commission | ₱ | 32,118,009 | 32,969,425 | 28,522,265 | ₱ | 31,203,233 |
| Interest | | 84,325 | 70,067 | 56,300 | | 70,231 |
| Net recovery from market decline marketable securities owned | | 915,233 | 1,365,915 | - | | 760,383 |
| Dividend | | 139,304 | 234,996 | 48,300 | | 140,867 |
| Gain on sale of marketable securities | | 2,829,689 | - | 1,235,946 | | 1,355,212 |
| Other income | | 6,050,391 | 5,259,068 | 5,058,469 | | 5,455,976 |
| | ₱ | 42,136,951 | 39,899,471 | 34,921,280 | ₱ | 38,985,901 |
| Average of last 3 years gross income | | | | | | 38,985,901 |
| Operational risk factor | | | | | | 20% |
| Total operational risk requirement | | | | | ₱ | 7,797,180 |

The Company's operational risk requirement for 2020 is computed as follows:

| Type of Revenue | 2019 | | 2018 | | 2017 | | Average |
|---|---|---|---|---|---|---|---|
| Commission | 32,969,425 | ₱ | 28,522,265 | ₱ | 40,754,401 | ₱ | 34,082,030 |
| Interest | 70,067 | | 56,300 | | 26,646 | | 51,004 |
| Net recovery from market decline marketable securities owned | 1,365,915 | | - | | 1,060,199 | | 808,705 |
| Dividend | 234,996 | | 48,300 | | 111,320 | | 131,539 |
| Gain on sale of marketable securities | - | | 1,235,946 | | | | 411,982 |
| Other income | 5,259,068 | | 5,058,469 | | 3,807,099 | | 4,708,212 |
| | 39,899,471 | ₱ | 34,921,280 | ₱ | 45,759,665 | ₱ | 40,193,472 |
| Average of last 3 years gross income | | | | | | | 40,193,472 |
| Operational risk factor | | | | | | | 20% |
| Total operational risk requirement | | | | | | ₱ | 8,038,694 |

*Position risk*

The risk to 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's position risk requirement for fixed income and equity securities as of December 31, 2021 is determined as follows:

| Type of Securities/Equities | | Total Market Value of the Securities | Position Risk Factors | | Position Risk Requirement (Peso) |
|---|---|---|---|---|---|
| Equities in the PHISIX | ₱ | 213,070 | 25% | ₱ | 53,268 |
| Other equities outside the PHISIX | | 1,522,500 | 35% | | 532,875 |
| FX Position | | 25,591 | 8% | | 2,047 |
| Total position risk requirement | ₱ | 1,761,161 | 68% | ₱ | 588,190 |

The Company's position risk requirement for fixed income and equity securities as of December 31, 2020 is determined as follows:

| Type of Securities/Equities | | Total Market Value of the Securities | Position Risk Factors | | Position Risk Requirement (Peso) |
|---|---|---|---|---|---|
| Equities in the PHISIX | ₱ | 4,420 | 25% | ₱ | 1,105 |
| Other equities outside the PHISIX | | 6,969,646 | 35% | | 2,439,376 |
| FX Position | | 24,211 | 8% | | 1,937 |
| Total position risk requirement | ₱ | 6,998,277 | 68% | ₱ | 2,442,418 |

*Counterparty risk*
Counterparty risk means the risk of a counterparty defaulting on its financial obligation to a broker dealer. Counterparty means any person or entity with or for whom a broker dealer carries on, or intends to carry on, any dealings in securities or another asset which could be either another executing broker dealer or a client.

The Company's counterparty risk requirement amounted to ₱1,201 and nil for 2021 and 2020, respectively.

*Large exposure risk*
Large exposure risk means the risks to which a Broker Dealer is exposed whether by way of:

a. A proportionally large amount of exposure to a particular counterparty;
b. A proportionally large exposure to a single issuer of debt;
c. A proportionally large exposure to a single equity security or single issuer group;

Large exposure limit is the maximum permissible large exposure and calculated as a percentage of core equity.

Large exposure risk requirement means the amount necessary to accommodate a given level of broker dealer's large exposure risk, which is in excess of the large exposure limit.

The Company did not have a large exposure risk for the years 2021 and 2020.

*Aggregate Indebtedness*
This is the total money liabilities of a broker dealer arising in connection with any transaction whatsoever, and includes, among other things, money borrowed, money payable against securities loaned and securities that the broker dealer failed to receive, the market value of securities borrowed to the extent to which no equivalent value is paid or credited (other than the market value of margin securities borrowed from non customers), customers and non-customers' free credit balances, and credit balances in customers' and non-customers' account having short positions in securities, but subject to certain exclusions.

*The capital structure of the Company consists of equity attributable to equity holders comprising issued capital, reserves and retained earnings.*

There were no changes in the Company's approach to capital management during the period.

The Company's regulated operations have complied with all externally imposed capital requirements, as of December 31, 2021 and 2020.

*Significant Risks to which the Retirement Obligation Exposes the Company*
There are no unusual or significant risks to which the Retirement Obligation exposes the Company. However, it should be noted that in the event a benefit claim arises under the retirement obligation, the benefit shall immediately be due and payable from the Company.

*Asset-liability matching strategies to manage risks*
The Company does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the post employment benefits.

## 32. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

*Financial Instruments Whose Carrying Amount Approximate Fair Value*
The carrying amounts of cash, unquoted equity securities, receivable from customers, payable to customers, payable to non-customers which are all subject to normal trade credit terms and are short-term in nature, approximate their fair values.

*Financial Assets at FVPL*
The Company's financial assets at FVPL and quoted equity securities are carried at their fair values as at December 31, 2021 and 2020. Fair value of financial assets at FVPL is based on the closing quoted prices of stock investments published by the PSE.

The following table presents the Company's assets and liabilities that are measured at fair value at December 31, 2021.

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | **Total** |
| Assets: | | | | |
| Financial assets at FVPL | | | | |
| Equities in the PHISIX | ₱ 213,070 | - | - | ₱ **213,070** |
| Equities outside the PHISIX | 1,522,500 | - | - | **1,522,500** |
| | ₱ 1,735,570 | ₱ - | - | ₱ **1,735,570** |

There are no financial instruments carried at fair value under Level 2 and 3 during the year.

The following table presents the Company's assets and liabilities that are measured at fair value at December 31, 2020.

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| Assets: | | | | |
| Financial assets at FVPL | | | | |
| Equities in the PHISIX | ₱ 4,420 | - | - | ₱ 4,420 |
| Equities outside the PHISIX | 6,969,646 | - | - | 6,969,646 |
| | ₱ 6,974,066 | ₱ - | - | ₱ 6,974,066 |

There are no financial instruments carried at fair value under Level 2 and 3 during the year.

For assets and liabilities that are recognized in the Company's financial statements in a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period. *There were no transfers that occurred between level 1, level 2 and level 3 during the years ended December 31, 2021 and 2020.*

The Company's management determines the policies and procedures for both recurring and nonrecurring fair value measurements.

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

*Categories of Financial Instruments*

The Company's financial assets and liabilities are in Level 2 and the carrying values and fair values of these financial assets and liabilities per category are as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| | (In Thousands) | | | |
| Assets: | | | | |
| Cash | ₱ **58,738** | ₱ **58,738** | ₱ 40,275 | ₱ 40,275 |
| Financial asset at FVOCI | **199** | **199** | 199 | 199 |
| Receivables from: | | | | |
| Customers and brokers | **28,974** | **28,974** | 54,533 | 54,533 |
| Others | **1,559** | **1,559** | 1,774 | 1,774 |
| | ₱ **89,470** | ₱ **89,470** | ₱ 96,781 | ₱ 96,781 |
| Liabilities: | | | | |
| Payables to: | | | | |
| Customers and brokers | ₱ **39,380** | ₱ **39,380** | ₱ 49,806 | ₱ 49,806 |
| Others | **17,069** | **17,069** | 11,009 | 11,009 |
| Accrued expenses and other current liabilties | **2,211** | **2,211** | 3,899 | 3,899 |
| | ₱ **58,660** | ₱ **58,660** | ₱ 64,714 | ₱ 64,714 |

**Categorization and the related requirements of PFRS 13 for Fair Value Through Profit or Loss**

As at December 31, 2021 and 2020, financial asset at FVPL amounting to ₱ 1,735,570 and ₱6,974,066 categorized under level 1 (quoted prices in active markets).

**Categorized and the related requirements of PFRS 13 for Trading Rights**

Trading rights is valued based on the latest selling prize of membership stock exchange seat, as provided by the PSE amounts to ₱8.500 million categorized under level 2 (significant observable inputs).

## 33. SUMMARY OF NON-CASH TRANSACTION ARISING FROM INVESTING AND FINANCING ACTIVITIES

The Company has no non-cash transactions arising from investing and financing activities in 2021 and 2020.

## 34. OTHER MATTERS

*Impact of COVID-19 Pandemic*

The COVID-19 pandemic has severely impacted the economy as businesses are forced to cease or minimize operations. Measures taken by the government to contain the spread of the virus include quarantines, social distancing, and closure of non-essential services, among others.

In essence, due to the COVID-19 pandemic, our business operations dropped by about 50% for trading hours have been reduced by the Philippine Stock Exchange. The Company's outside services of Human Resource and Information Technology were terminated, salary of employees was cut down, and the Management stopped hiring for the replacement of the resigned employees to reduce the Company's operating expenses.

The Company plans to transfer to a smaller working place to reduce the office rental expenses since the direction of the Company is to continue to let its employees to work from home. Sixty percent (60%) of the employees are allowed to work from home for their protection and safety.

The Company provided shuttle services, face mask, vitamins and other sanitation kits to protect the employees who needed to report to office everyday which resulted to additional expenses.

## 35. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS 19-2011 AND 15-2010

*Revenue Regulation No. 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. Specifically, the disclosure should include the following: (a) amount of Value-Added Tax (VAT) output taxes declared during the year with account title and amount/s; (b) amount of VAT Input taxes claimed; (c) landed cost of imports and the amount of customs duties and tariff fees; (d) amount of excise taxes, classified per major product category; (e) documentary stamp tax (DST) on loan instruments and other transactions; (f) all other taxes, local and national, license and permit fees lodged under taxes and licenses account both under the Cost of sales and operating expense accounts; (g) amount of withholding taxes;(h) periods covered and amounts of deficiency assessments; and (i) tax cases and amounts involved.

In compliance with RR No. 15-2010, the following taxes are either paid or accrued by the Company for the taxable year ended December 31, 2021:

1. The following table shows the Company's Sales and VAT output declared as of December 31, 2021 and 2020:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Commission Income | ₱ | **28,559,664** | ₱ | 32,118,009 |
| VAT output | | **3,427,160** | | 3,854,161 |

2. The amount VAT Input taxes claimed are broken down as follows:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Beginning of the year | ₱ | - | ₱ | - |
| Current year's purchases | | | | |
| I. Goods other than for resale or manufacture | | **12,853** | | 7,538 |
| II. Capital goods subject to amortization | | - | | 19,148 |
| III. Services lodged under other accounts | | **309,236** | | 209,259 |
| IV. Others | | **211,860** | | 334,384 |
| | | **533,949** | | 570,329 |
| Application against output VAT | | **533,949** | | 570,329 |
| Balance at the end of the year | ₱ | - | ₱ | - |

3. Landed Cost, Customs' Duties and Tariff Fees

   The Company did not have any importations in 2021 and 2020 that would require for the payment of customs duties and tariff fees.

4. Excise Tax

   The Company did not have any transactions in 2021 and 2020 which are subject to excise tax.

5. Documentary Stamp Tax

   The Company paid documentary stamp tax amounting to ₱7,162 and ₱ 12,404 in 2021 and 2020, respectively.

6. Other Taxes and Licenses

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Local | | | | |
| Mayor's permit | ₱ | **276,501** | ₱ | 263,853 |
| Other local taxes | | **83,895** | | 116,984 |
| National | | | | |
| BIR Annual Registration | | **500** | | 500 |
| Total | | **360,896** | | 381,337 |
| Sales tax paid | | **31,373,343** | | 31,562,404 |
| Percentage tax | | **31,660,931** | | 31,903,999 |
| | ₱ | **63,395,170** | ₱ | 63,847,740 |

7. The amount of withholding taxes paid/accrued for the year amounted to:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| I. Tax on compensation and benefits | ₱ | **594,785** | ₱ | 713,852 |
| II. Expanded withholding tax | | **1,492,628** | | 1,749,687 |
| | ₱ | **2,087,413** | ₱ | 2,463,539 |

8. As of December 31, 2021, and 2020, the Company did not have any final deficiency tax assessments from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open years.

9. Other Information

All other information prescribed to be disclosed by the BIR has been included in this note.

# HDI SECURITIES, INC.

## STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS DECEMBER 31, 2021

No liabilities are deemed subordinated to general creditors
for the period audited

*Schedule I*

# HDI SECURITIES, INC.

## RISK-BASED CAPITAL ADEQUACY
## DECEMBER 31, 2021

| | | |
|---|---|---|
| Assets | ₱ | 124,604,855 |
| Liabilities | | 62,067,048 |
| Equity | | 62,537,807 |
| | | |
| Adjustments to equity | | |
| Add (Deduct): | | |
| Unrealized gain (loss) in available for sale investments | | - |
| Deferred tax asset | | (32,085,675) |
| Remeasurement gain | | (1,548,370) |
| Total adjustments to equity | | (33,634,045) |
| | | |
| Equity eligible for Net Liquid Capital | | 28,903,762 |
| | | |
| Less: Ineligible Assets | | |
| Property and equipment, net | | 208,356 |
| Intangible assets | | 8,500,000 |
| Current tax assets | | 5,853,537 |
| Financial asset at FVOCI | | 198,975 |
| Prepayments and other current assets | | 490,107 |
| Other assets | | 2,055,800 |
| Total Ineligible Assets | | 17,306,775 |
| **NET LIQUID CAPITAL (NLC)** | ₱ | 11,596,987 |
| Less: | | |
| Operational Risk Requirement | | 7,797,180 |
| Position Risk Requirement | | 588,190 |
| Counterparty Risk Requirement | | 1,201 |
| Total Risk Capital Requirement | | 8,386,571 |
| | | |
| Net Risk Capital Adequacy Requirement | | 3,210,416 |
| Liabilities | | 62,067,048 |
| Less: Exclusions from Aggregate Indebtedness | | (27,755,879) |
| AGGREGATE INDEBTEDNESS | ₱ | 34,311,169 |
| 5% of Aggregate Indebtedness | | 1,715,558 |
| | | |
| **REQUIRED NET LIQUID CAPITAL** | | **5,000,000** |
| | | |
| **NET RISK-BASED CAPITAL EXCESS** | ₱ | **6,596,987** |
| | | |
| **RATIO OF AGGREGATE INDEBTEDNESS TO NLC** | | **296%** |
| | | |
| **RISK BASED CAPITAL ADEQUACY RATIO** | | **138%** |

*Schedule II*

**HDI SECURITIES, INC.**

**INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS UNDER REVISED SRC RULE 49.2-1**
**DECEMBER 31, 2021**

Customers' fully paid securities and excess margin securities not in the broker's or dealer's possession or control as of the report date but for which the required action was not taken by respondent within the time frame specified under Revised SRC Rule 49.2-1:

| | |
|---|---|
| Market Valuation | N/A |
| Number of items | N/A |

Customer's fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as part of the report date, excluding items arising from "temporary lags which result from normal business operation" as permitted under Revised SRC Rule 49.2-1:

| | |
|---|---|
| Market Valuation | N/A |
| Number of items | N/A |

***Schedule III***

## HDI SECURITIES, INC.

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS**
**UNDER ANNEX G OF REVISED SRC RULE 49.2**
**DECEMBER 31, 2021**

| | CREDITS | DEBIT |
|---|---|---|
| Free credit balances and other credit peso balance in cutomers'security accounts. | ₱ 35,697,133 | |
| Customer's securities failed to receive | 3,463,418 | |
| Debit balances in customer's cash or margin accounts excluding unsecured accounts and accounts doubtful of collection. | | ₱ 34,287,561 |
| **EXCESS OF CREDITS OVER DEBITS** | | **₱ 4,872,990** |
| REQUIRED TO BE ON DEPOSIT IN THE "RESERVE BANK ACCOUNT" (100% of net credit if making a weekly computation and 105% if monthly) | | **₱ 4,872,990** |
| Special Reserve bank Account | | **₱ 8,278,828** |

***Schedule IV***

**HDI SECURITIES, INC.**

**A REPORT DESCRIBING ANY MATERIAL INADEQUACIES FOUND TO EXIST OR FOUND TO HAVE EXISTED SINCE THE DATE OF THE PREVIOUS AUDIT DECEMBER 31, 2021**

The Management of **HDI SECURITIES, INC.** maintains a system of accounting and reporting for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use of disposition and liabilities are recognized.

In this regard, no inadequacies were found to exist or found to have existed since the date of the previous audit.

*Schedule V*

## HDI SECURITIES, INC.

**RESULTS OF QUARTERLY SECURITIES COUNT**
**CONDUCTED PURSUANT TO REVISED SRC RULE 52.1-10**
**DECEMBER 31, 2021**

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

***Schedule VI***

# HDI SECURITIES, INC.

SECURITY POSITIONING REPORT

DECEMBER 31, 2021

| NAME OF STOCKS | PER CLIENT Closing Price | CUSTOMERS' ACCOUNT No. of Shares | CUSTOMERS' ACCOUNT Market Value | DEALERS' ACCOUNT No. of Shares | DEALERS' ACCOUNT Market Value | DUE FROM PHIL. CENTRAL DEPOSITORY No. of Shares | DUE FROM PHIL. CENTRAL DEPOSITORY Market Value | DUE FROM TRANSFER OFFICE No. of Shares | DUE FROM TRANSFER OFFICE Market Value | IN BOX No. of Shares | IN BOX Market Value |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2Go Group, INC | 8 | 58,362 | 444,135 | - | - | 58,362 | 444,135 | - | - | - | - |
| 8990 HOLDINGS INC. - PREF SERIES A | 101 | 80,000 | 8,080,000 | - | - | 80,000 | 8,080,000 | - | - | - | - |
| ASIA AMALGAMATED HOLDINGS | - | 594,550 | - | - | - | 594,550 | - | - | - | - | - |
| ATOK-BIG WEDGE CO., INC. | 6 | 447,763 | 2,708,966 | - | - | 447,763 | 2,708,966 | - | - | - | - |
| ABACORE CAPITAL HOLDINGS, INC. | 1 | 8,454,681 | 7,778,307 | - | - | 8,454,681 | 7,778,307 | - | - | - | - |
| ASIABEST GROUP INTERNATIONAL INC. | 6 | 1,442,484 | 8,510,656 | - | - | 1,442,484 | 8,510,656 | - | - | - | - |
| ABS-CBN CORPORATION | 13 | 724,343 | 9,126,722 | - | - | 722,363 | 9,101,774 | - | - | 1,980 | 24,948 |
| ABS-CBN HOLDINGS CORPORATION PDRS | 12 | 10,000 | 119,200 | - | - | 10,000 | 119,200 | - | - | - | - |
| AYALA CORPORATION | 831 | 7,799 | 6,480,969 | - | - | 7,717 | 6,412,827 | - | - | 82 | 68,142 |
| ACESITE (PHILS.) HOTEL CORPORATION | 2 | 4,930,001 | 8,183,802 | - | - | 4,930,001 | 8,183,802 | - | - | - | - |
| AC ENERGY PHILIPPINES | 11 | 2,564,464 | 28,209,104 | - | - | 2,564,464 | 28,209,104 | - | - | - | - |
| ACE ENEXOR, INC. | 39 | 32,594 | 1,303,760 | - | - | 32,594 | 1,303,760 | - | - | - | - |
| AYALA CORPORATION PREFERRED | - | - | - | 722 | - | - | - | - | - | 722 | - |
| ALSONS CONSOLIDATED RESOURCES, | 1 | 265,090,348 | 318,108,418 | - | - | 265,090,348 | 318,108,418 | - | - | - | - |
| ABOITIZ EQUITY VENTURES, INC. | 54 | 277,710 | 15,121,310 | 7 | 381 | 277,717 | 15,121,691 | - | - | - | - |
| ALLIANCE GLOBAL, INC. | 12 | 10,357,900 | 122,223,220 | - | - | 10,357,900 | 122,223,220 | - | - | - | - |
| ARTHALAND CORPORATION | 1 | 221,700 | 141,888 | - | - | 221,700 | 141,888 | - | - | - | - |
| ARTHALAND CORP. PREF. SHARES C | 108 | 15,500 | 1,598,050 | - | - | 15,500 | 1,598,050 | - | - | - | - |
| ARTHALAND SERIES "D" PREFERRED | 513 | 6,400 | 3,283,200 | - | - | 6,400 | 3,283,200 | | - | | - |
| ANCHOR LAND HOLDINGS, INC. | 6 | 85,800 | 472,758 | - | - | 85,800 | 472,758 | - | - | - | - |
| ANCHOR LAND HOLDINGS, INC. - PREF. | - | 127,000 | - | - | - | - | | - | - | 127,000 | - |
| AYALA LAND INC. | 37 | 439,925 | 16,145,248 | 3 | 110 | 428,492 | 15,725,656 | - | - | 11,436 | 419,701 |
| AYALA LAND, INC PREFERRED | - | 269,330 | - | 14,403 | - | - | - | - | - | 283,733 | - |
| ALLDAY MARTS, INC. | 1 | 35,867,000 | 21,878,870 | - | - | 35,867,000 | 21,878,870 | - | - | - | - |
| AYALALAND LOGISTICS HOLDINGS CORP | 7 | 799,700 | 5,381,981 | - | - | 799,700 | 5,381,981 | - | - | - | - |
| AGRINURTURE, INC | 5 | 794,600 | 3,957,108 | - | - | 794,600 | 3,957,108 | - | - | - | - |
| A. SORIANO CORPORATION "A" | 8 | 15,840 | 125,928 | - | - | 15,745 | 125,173 | - | - | 95 | 755 |
| ABOITIZ POWER CORPORATION | 30 | 268,500 | 7,974,450 | - | - | 268,500 | 7,974,450 | - | - | - | - |
| AYALA CORP. PREF. SHARE B | 512 | 16,000 | 8,224,000 | - | - | 16,000 | 8,224,000 | - | - | - | - |
| APC GROUP, INC. | 0 | 2,227,000 | 489,940 | - | - | 2,187,000 | 481,140 | - | - | 40,000 | 8,800 |
| APOLLO GLOBAL CAPITAL, INC. | 0 | 93,148,100 | 7,451,848 | - | - | 93,148,100 | 7,451,848 | - | - | - | - |
| ANGLO-PHIL. OIL | 1 | 2,004,732 | 1,804,259 | - | - | 2,004,732 | 1,804,259 | - | - | - | - |
| ALTUS PROPERTY VENTURES, INC. | 19 | 58,328 | 1,128,064 | - | - | 58,328 | 1,128,064 | - | - | - | - |
| APEX MINING CO., INC. "A" | 2 | 4,934,200 | 7,944,062 | - | - | 4,934,200 | 7,944,062 | - | - | - | - |
| ABRA MNG. & INDL. CORP. | 0 | 1,561,500,000 | - | - | - | 1,561,500,000 | - | - | - | - | - |
| ARANETA PROPERTIES, INC. | 1 | 4,196,380 | 4,070,489 | - | - | 4,196,380 | 4,070,489 | - | - | - | - |
| AREIT INC. | 49 | 2,135,900 | 103,804,740 | - | - | 2,135,900 | 103,804,740 | - | - | - | - |
| ATLAS CONS. MINING & DEV. | 6 | 7,083,001 | 43,702,116 | - | - | 7,083,001 | 43,702,116 | - | - | - | - |
| ASIAN TERMINAL, INC. | 14 | 15,333 | 214,662 | - | - | 15,333 | 214,662 | - | - | - | - |
| ATN HOLDINGS, INC. | 0 | 2,155,000 | 840,450 | - | - | 2,155,000 | 840,450 | - | - | - | - |
| ATN HOLDINGS -B | 1 | 1,939,660 | 785,562 | - | - | 1,939,660 | 785,562 | - | - | - | - |
| ASIA UNITED BANK CORPORATION | 43 | 173,680 | 7,511,660 | - | - | 173,680 | 7,511,660 | - | - | - | - |
| AXELUM RESOURCES CORP | 3 | 470,000 | 1,410,000 | - | - | 470,000 | 1,410,000 | - | - | - | - |
| BENGUET CORP. "A" | 5 | 15,085,600 | 76,936,560 | - | - | 15,085,600 | 76,936,560 | - | - | - | - |
| Sub-Total | 2,466 | 2,031,127,208 | 863,676,459 | 15,135 | 491 | 2,030,677,295 | 863,154,603 | - | - | 465,848 | 522,346 |

| NAME OF STOCKS | PER CLIENT Closing Price | CUSTOMERS' ACCOUNT No. of Shares | CUSTOMERS' ACCOUNT Market Value | DEALERS' ACCOUNT No. of Shares | DEALERS' ACCOUNT Market Value | DUE FROM PHIL. CENTRAL DEPOSITORY No. of Shares | DUE FROM PHIL. CENTRAL DEPOSITORY Market Value | DUE FROM TRANSFER OFFICE No. of Shares | DUE FROM TRANSFER OFFICE Market Value | IN BOX No. of Shares | IN BOX Market Value |
|---|---|---|---|---|---|---|---|---|---|---|---|
| BENGUET CORP. - B | 5 | 341,800 | 1,654,312 | - | - | 341,800 | 1,654,312 | - | - | - | - |
| BENGUET CORPORATION-PREFERRED | 32 | 43 | 1,357 | - | - | 43 | 1,357 | - | - | - | - |
| BDO UNIBANK, INC. | 121 | 192,394 | 23,221,956 | - | - | 192,394 | 23,221,956 | - | - | - | - |
| BELLE CORPORATION | 1 | 6,322,914 | 8,535,934 | - | - | 6,322,914 | 8,535,934 | - | - | - | - |
| BHI HOLDINGS, INC. | 945 | 7 | 6,615 | - | - | 7 | 6,615 | - | - | - | - |
| BOULEVARD HOLDINGS, INC. | - | 70,700,000 | - | - | - | 70,700,000 | - | - | - | - | - |
| BRIGHT KINDLE RESOURCES & INVSTMNT | 2 | 1,688,900 | 2,837,352 | - | - | 1,688,900 | 2,837,352 | - | - | - | - |
| BDO LEASING & FINANCE INC. | 3 | 37,180 | - | 11,385 | - | 48,565 | - | - | - | - | - |
| BLOOMBERRY RESORTS CORPORATION | 6 | 4,597,600 | 28,964,880 | - | - | 4,597,600 | 28,964,880 | - | - | - | - |
| BOGO-MEDELLIN MILLING COMPANY, INC. | 61 | 2,960 | 180,560 | - | - | 2,960 | 180,560 | - | - | - | - |
| BANK OF PHIL. ISLANDS | 92 | 510,165 | 47,011,705 | 2,304 | 212,314 | 512,469 | 47,224,018 | - | - | - | - |
| A. BROWN CO., INC. | 1 | 6,492,907 | 5,129,397 | 944 | 746 | 6,493,851 | 5,130,142 | - | - | - | - |
| A BROWN COMPANY, INC. PREFERRED A | 105 | 10,000 | 1,050,000 | - | - | 10,000 | 1,050,000 | - | - | - | - |
| BASIC ENERGY CORPORATION | 1 | 6,480,229 | 4,082,544 | 1,833 | 1,155 | 6,482,062 | 4,083,699 | - | - | - | - |
| CHELSEA LOGISTICS & INFRA. HOLDINGS | 2 | 9,018,400 | 14,970,544 | - | - | 9,018,400 | 14,970,544 | - | - | - | - |
| CONCRETE AGGREGATES CORP. | 41 | 55,500 | 2,317,125 | - | - | 55,500 | 2,317,125 | - | - | - | - |
| CONCRETE AGGREGATES CORP. - B | 55 | 164,020 | 9,021,100 | - | - | 164,020 | 9,021,100 | - | - | - | - |
| CALATA CORPORATION | 2 | 3,210,136 | - | - | - | 1,148,000 | - | 870,136 | - | 1,192,000 | - |
| COSMOS BOTTLING CORP. | - | 1,000 | - | - | - | - | - | - | - | 1,000 | - |
| CITYLAND DEV. CORP. | 1 | 266,374 | 194,453 | - | - | 266,374 | 194,453 | - | - | - | - |
| CEBU AIR, INC. | 42 | 205,902 | 8,678,769 | - | - | 205,902 | 8,678,769 | - | - | - | - |
| CEBU AIR, INC.-PREFERRED SHARES | 45 | 50,835 | 2,277,408 | - | - | 50,835 | 2,277,408 | - | - | - | - |
| CROWN EQUITIES, INC. | 0 | 39,991,600 | 4,199,118 | - | - | 39,991,600 | 4,199,118 | - | - | - | - |
| CENTRO ESCOLAR UNIVERSITY | 7 | 98,754 | 643,876 | - | - | 98,754 | 643,876 | - | - | - | - |
| CEBU HOLDINGS, INC. | 6 | 676,562 | - | - | - | 670,875 | - | - | - | 5,687 | - |
| CHINA BANKING CORPORATION | 26 | 3,575,972 | 92,975,272 | - | - | 3,575,972 | 92,975,272 | - | - | - | - |
| CEMEX HOLDINGS PHILIPPINES, INC. | 1 | 3,230,462 | 3,391,985 | - | - | 3,230,462 | 3,391,985 | - | - | - | - |
| CONCEPCION INDUSTRIAL CORP. | 20 | 249,700 | 5,106,365 | - | - | 249,700 | 5,106,365 | - | - | - | - |
| CHEMICAL INDUSTRIES OF THE PHILS., | 130 | 11,630 | 1,516,552 | - | - | 11,630 | 1,516,552 | - | - | - | - |
| CEBU LANDMASTERS, INC. | 3 | 610,260 | 1,830,780 | - | - | 610,260 | 1,830,780 | - | - | - | - |
| CENTURY PACIFIC FOOD, INC. | 29 | 67,400 | 1,971,450 | - | - | 67,400 | 1,971,450 | - | - | - | - |
| CONVERGE INFORMATION & CO | 32 | 985,800 | 31,447,020 | - | - | 985,800 | 31,447,020 | - | - | - | - |
| COAL ASIA HOLDINGS INCORPORATED | 0 | 6,921,000 | 1,834,065 | - | - | 6,921,000 | 1,834,065 | - | - | - | - |
| COL FINANCIAL GROU | 4 | 100,000 | 415,000 | - | - | 100,000 | 415,000 | - | - | - | - |
| COSCO CAPITAL, INC. | 5 | 33,440,694 | 173,891,609 | - | - | 33,439,694 | 173,886,409 | - | - | 1,000 | 5,200 |
| CENTURY PROPERTIES GROUP, INC. | 0 | 25,391,657 | 10,156,663 | - | - | 25,391,657 | 10,156,663 | - | - | - | - |
| CENTURY PROPERTIES GROUP | 103 | 5,000 | 510,000 | - | - | 5,000 | 510,000 | - | - | - | - |
| CENTURY PEAK METALS HOLDING CORP | 3 | 3,417,000 | 10,045,980 | 101,500 | 298,410 | 3,518,500 | 10,344,390 | - | - | - | - |
| CROWN ASIA CHEMICALS CORPORATION | 2 | 695,000 | 1,174,550 | - | - | 695,000 | 1,174,550 | - | - | - | - |
| CYBER BAY CORPORATION | 0 | 40,437,000 | - | - | - | 40,437,000 | - | - | - | - | - |
| DOUBLEDRAGON PROPERTIES CORP. | 7 | 2,010,700 | 14,597,682 | - | - | 2,010,700 | 14,597,682 | - | - | - | - |
| DDMP REIT, INC. | 2 | 20,473,000 | 36,646,670 | - | - | 20,473,000 | 36,646,670 | - | - | - | - |
| DOUBLEDRAGON PROPERTIES CORP - PREF | 101 | 41,500 | 4,179,050 | - | - | 41,500 | 4,179,050 | - | - | - | - |
| DEL MONTE PACIFIC LMITED | 16 | 114,400 | 1,775,488 | 31 | 481 | 114,431 | 1,775,969 | - | - | - | - |
| DIVERSIFIED FINANCIAL NETWORK, INC. | 2 | 1,110,400 | 2,720,480 | - | - | 1,110,400 | 2,720,480 | - | - | - | - |
| DITO CME HOLDINGS CORP. | 5 | 2,041,612 | 10,310,141 | - | - | 2,041,612 | 10,310,141 | - | - | - | - |
| DIZON COPPER-SILVER MINES | 5 | 566,098 | 2,768,219 | - | - | 566,050 | 2,767,985 | - | - | 48 | 235 |
| DMCI HOLDINGS, INC. | 8 | 3,276,698 | 25,263,342 | - | - | 3,276,698 | 25,263,342 | - | - | - | - |
| D.M. WENCESLAO | 7 | 942,400 | 6,389,472 | - | - | 942,400 | 6,389,472 | - | - | - | - |
| PHILAB HOLDINGS CORP | 3 | 120 | - | 15,200 | - | 15,320 | - | - | - | - | - |
| Sub-Total | 2,090 | 300,831,685 | 605,896,838 | 133,197 | 513,105 | 298,895,011 | 606,404,509 | 870,136 | - | 1,199,735 | 5,435 |

| NAME OF STOCKS | PER CLIENT Closing Price | CUSTOMERS' ACCOUNT |  | DEALERS' ACCOUNT |  | DUE FROM PHIL. CENTRAL DEPOSITORY |  | DUE FROM TRANSFER OFFICE |  | IN BOX |  |
|---|---|---|---|---|---|---|---|---|---|---|---|
|  |  | No. of Shares | Market Value | No. of Shares | Market Value | No. of Shares | Market Value | No. of Shares | Market Value | No. of Shares | Market Value |
| D&L INDUSTRIES, INC. | 9 | 2,635,900 | 24,909,255 | - | - | 2,635,900 | 24,909,255 | - | - | - | - |
| DISCOVERY WORLD CORPORATION | 2 | 358,000 | 644,400 | - | - | 358,000 | 644,400 | - | - | - | - |
| EAGLE CEMENT CORPORATION | 15 | 201,400 | 2,940,440 | - | - | 201,400 | 2,940,440 | - | - | - | - |
| EASYCALL COMMUNICATIONS, INC. | 4 | 100 | 420 | - | - | 100 | 420 | - | - | - | - |
| PNOC-ENERGY DEVELOPMENT CORP. | - | 41,100 | - | - | - | 41,100 | - | - | - | - | - |
| EEI CORPORATION | 7 | 2,877,400 | 18,703,100 | - | - | 2,877,400 | 18,703,100 | - | - | - | - |
| EEI SERIES A | 101 | 11,000 | 1,111,000 | - | - | 11,000 | 1,111,000 | - | - | - | - |
| EEI SERIES B | 108 | 48,000 | 5,160,000 | - | - | 48,000 | 5,160,000 | - | - | - | - |
| IP E-GAME VENTURES, INC. | 0 | 558,100,000 | - | - | - | 558,100,000 | - | - | - | - | - |
| EXPORT & INDUSTRY BANK "A" | 0 | 9,420,169 | - | - | - | 9,420,169 | - | - | - | - | - |
| EXPORT AND INDUSTRY BANK "B" | 0 | 310,000 | - | - | - | 310,000 | - | - | - | - | - |
| EMPIRE EAST LAND INC. | 0 | 58,868,593 | 15,011,491 | 838 | 214 | 58,856,431 | 15,008,390 | - | - | 13,000 | 3,315 |
| EMPERADOR, INC. | 21 | 10,000 | 208,000 | - | - | 10,000 | 208,000 | - | - | - | - |
| EQUITABLE PCI BANK, INC. | - | 605 | - | - | - | - | - | - | - | 605 | - |
| ETON PROPERTY PHILS. INC. | 3 | 460,330 | - | - | - | 459,847 | - | - | - | 483 | - |
| EURO-MED LABORATORIES PHIL., INC. | 1 | 200,000 | 280,000 | - | - | 200,000 | 280,000 | - | - | - | - |
| EVER GOTESCO RESOURCES & HOLDINGS | 0 | 18,404,000 | 6,073,320 | - | - | 18,394,000 | 6,070,020 | - | - | 10,000 | 3,300 |
| EAST WEST BANKING CORPORATION | 10 | 1,798,029 | 17,261,078 | - | - | 1,798,029 | 17,261,078 | - | - | - | - |
| FIRST ABACUS FINANCIAL HOLDINGS | 1 | 1,542,000 | 1,110,240 | - | - | 1,542,000 | 1,110,240 | - | - | - | - |
| SAN MIGUEL FOOD & BEVERAGE, INC. | 71 | 276,520 | 19,743,528 | - | - | 276,520 | 19,743,528 | - | - | - | - |
| FORTUNE CEMENT CORPORATION | - | 1,500 | - | - | - | - | - | - | - | 1,500 | - |
| FILINVEST DEV. CORP. | 8 | 23,263,246 | 179,126,994 | - | - | 23,263,246 | 179,126,994 | - | - | - | - |
| FERRONOUX HOLDINGS, INC. | 3 | 178,217,275 | 591,681,353 | - | - | 178,217,274 | 591,681,350 | 1 | 3 | - | - |
| FAR EASTERN UNIVERSITY,INCORPORATED | 550 | 4,621 | 2,541,550 | - | - | 4,621 | 2,541,550 | - | - | - | - |
| FILIPINO FUND, INC. | 7 | 45,284 | 295,252 | - | - | 25,284 | 164,852 | - | - | 20,000 | 130,400 |
| FIRST GEN CORPORATION | 28 | 32,424 | 903,008 | - | - | 32,424 | 903,008 | - | - | - | - |
| FIRST GEN CORPORATION PREF | 103 | 10,000 | 1,030,000 | - | - | 10,000 | 1,030,000 | - | - | - | - |
| FILINVEST REIT, CORP. | 7 | 1,586,600 | 11,740,840 | - | - | 1,586,600 | 11,740,840 | - | - | - | - |
| FJ PRINCE HOLDINGS CORP. | 3 | 10,094,512 | 26,245,731 | - | - | 10,094,512 | 26,245,731 | - | - | - | - |
| FJ PRINCE HOLDINGS CORP. "B" | 3 | 1,175,500 | 3,068,055 | - | - | 1,175,500 | 3,068,055 | - | - | - | - |
| FILINVEST LAND, INC. | 1 | 16,082,374 | 17,690,611 | - | - | 16,076,749 | 17,684,424 | - | - | 5,625 | 6,188 |
| FIRST METRO PHILIPPINE EQUITY ETF | 108 | 1,898 | 205,553 | - | - | 1,898 | 205,553 | - | - | - | - |
| GLOBAL FERRONICKEL HOLDINGS, INC. | 2 | 1,688,686 | 3,630,675 | - | - | 1,684,446 | 3,621,559 | - | - | 4,240 | 9,116 |
| ALLIANCE SELECT FOODS INTL., INC. | 1 | 4,875,791 | 2,876,717 | - | - | 4,875,791 | 2,876,717 | - | - | - | - |
| FIRST PHIL. HOLDINGS CORP. | 70 | 380,220 | 26,634,411 | - | - | 374,327 | 26,221,606 | - | - | 5,893 | 412,805 |
| FORUM PACIFIC, INC. | 0 | 9,482,000 | 2,512,730 | - | - | 9,482,000 | 2,512,730 | - | - | - | - |
| FRUITAS HOLDINGS, INC. | 1 | 1,048,000 | 1,278,560 | - | - | 1,048,000 | 1,278,560 | - | - | - | - |
| GEOGRACE RESOURCES PHIL., INC. | 0 | 16,792,559 | 3,056,246 | 18 | 3 | 16,792,577 | 3,056,249 | - | - | - | - |
| GLOBAL-ESTATE RESORTS, INC. | 1 | 3,391,351 | 3,425,265 | - | - | 3,391,351 | 3,425,265 | - | - | - | - |
| GLOBE TELECOM, INC. | 3,322 | 10,285 | 34,166,770 | - | - | 10,285 | 34,166,770 | - | - | - | - |
| GMA NETWORK, INC. | 14 | 766,500 | 10,608,360 | - | - | 766,500 | 10,608,360 | - | - | - | - |
| GMA NETWORK, INC. PDRS | 13 | 377,000 | 4,953,780 | - | - | 77,000 | 1,011,780 | 300,000 | 3,942,000 | - | - |
| GOTESCO LAND, INC. | 0 | 511,680 | - | 1 | - | 511,681 | - | - | - | - | - |
| GOTESCO LAND, INC.-B | 0 | 305,666 | - | - | - | 305,666 | - | - | - | - | - |
| GRAND PLAZA HOTEL CORPORATION | 14 | 2,500 | 35,950 | - | - | 2,500 | 35,950 | - | - | - | - |
| GREENERGY HOLDINGS INCORPORATED | 2 | 1,451,645 | 3,309,751 | - | - | 1,451,645 | 3,309,751 | - | - | - | - |
| GINEBRA SAN MIGUEL INC. | 114 | 122,480 | 13,938,224 | - | - | 122,480 | 13,938,224 | - | - | - | - |
| GT CAPITAL HOLDINGS, INC. | 540 | 164,351 | 88,749,540 | - | - | 164,351 | 88,749,540 | - | - | - | - |
| GT CAPITAL PREFERRED SHARES A | 995 | 6,000 | 5,970,000 | - | - | 6,000 | 5,970,000 | - | - | - | - |
| GT CAPITAL PREFERRED SHARES B | 1,014 | 6,000 | 6,000,000 | - | - | 6,000 | 6,000,000 | - | - | - | - |
| HOUSE OF INVESTMENTS, INC. | 4 | 1,187,700 | 4,133,196 | - | - | 1,187,700 | 4,133,196 | - | - | - | - |
| HOLCIM PHILIPPINES, INC. | 6 | 206,775 | 1,141,398 | - | - | 205,775 | 1,135,878 | - | - | 1,000 | 5,520 |
| ALLHOME CORP. | 8 | 28,115,700 | 235,890,723 | - | - | 28,115,700 | 235,890,723 | - | - | - | - |
| Sub-Total | 7,295 | 956,971,269 | 1,399,997,515 | 857 | 217 | 956,609,779 | 1,395,485,086 | 300,001 | 3,942,003 | 62,346 | 570,643 |

| | | CUSTOMERS' ACCOUNT | | DEALERS' ACCOUNT | | DUE FROM PHIL. CENTRAL DEPOSITORY | | DUE FROM TRANSFER OFFICE | | IN BOX | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAME OF STOCKS | PER CLIENT Closing Price | No. of Shares | Market Value | No. of Shares | Market Value | No. of Shares | Market Value | No. of Shares | Market Value | No. of Shares | Market Value |
| 8990 HOLDINGS, INC. | 11 | 539,872 | 6,089,756 | - | - | 539,872 | 6,089,756 | - | - | - | - |
| GOLDEN BRIA HOLDINGS, INC. | 540 | 6,115,040 | 3,302,121,600 | - | - | 6,115,040 | 3,302,121,600 | - | - | - | - |
| I-REMIT, INC. | 1 | 6,484,081 | 5,381,787 | 55,770 | 46,289 | 6,539,851 | 5,428,076 | - | - | - | - |
| INTL. CONT. TERMINAL SER.INC. | 200 | 12,725 | 2,545,000 | - | - | 12,725 | 2,545,000 | - | - | - | - |
| ITALPINAS DEVELOPMENT CORPORATION | 1 | 759,812 | 919,373 | - | - | 759,812 | 919,373 | - | - | - | - |
| INTEGRATED MICRO-ELECTRONICS,INC | 8 | 1,274,763 | 10,708,009 | - | - | 1,274,763 | 10,708,009 | - | - | - | - |
| IMPERIAL RES., INC. "A" | 1 | 1,699,150 | 2,395,802 | - | - | 1,699,150 | 2,395,802 | - | - | - | - |
| IONICS, INC. | 1 | 241,000 | 173,520 | - | - | 241,000 | 173,520 | - | - | - | - |
| IPM HOLDINGS, INC. | 7 | 80,900 | 570,345 | - | - | 80,900 | 570,345 | - | - | - | - |
| IPEOPLE, INC. | 7 | 119,375 | 834,431 | - | - | 117,000 | 817,830 | - | - | 2,375 | 16,601 |
| PHILIPPINE INFRADEV HOLDINGS, INC. | 1 | 13,866,000 | 15,529,920 | - | - | 13,864,000 | 15,527,680 | - | - | 2,000 | 2,240 |
| ISLAND INFORMATION & TECH., INC. | 0 | 3,825,000 | - | - | - | 3,825,000 | - | - | - | - | - |
| JACKSTONES, INC. | 2 | 331,000 | 575,940 | - | - | 331,000 | 575,940 | - | - | - | - |
| JOLLIBEE FOODS CORP. | 216 | 230,146 | 49,803,594 | - | - | 222,318 | 48,109,615 | - | - | 7,828 | 1,693,979 |
| JFC SERIES "A" PREFERRED SHARES | 1,000 | 1,200 | 1,200,000 | - | - | 1,200 | 1,200,000 | - | - | - | - |
| JFC SERIES "B" PREFERRED SHARES | 1,003 | 5,300 | 5,315,900 | - | - | 5,300 | 5,315,900 | - | - | - | - |
| JG SUMMIT HOLDINGS, INC. | 53 | 446,495 | 23,664,235 | 5 | 265 | 446,500 | 23,664,500 | - | - | - | - |
| THE KEEPERS HOLDINGS, INC. | 1 | 22,237,597 | 29,353,628 | - | - | 22,237,597 | 29,353,628 | - | - | - | - |
| KEPPEL PHILIPPINES PROPERTIES, INC. | 3 | 64,121 | 193,004 | - | - | 64,121 | 193,004 | - | - | - | - |
| KEPPEL PHIL HOLDINGS,INC-A | 6 | 61,427 | 374,705 | - | - | 61,427 | 374,705 | - | - | - | - |
| KEPPEL PHIL HOLDINGS,INC-B | 6 | 62,241 | 380,915 | - | - | 62,241 | 380,915 | - | - | - | - |
| KEPPEL PHILIPPINES MARINE, INC. | - | 8,916 | - | - | - | - | - | - | - | 8,916 | - |
| KUOK PHIL. PROPERTIES, INC. | - | 718 | - | - | - | - | - | - | - | 718 | - |
| KEPWEALTH PROPERTY PHILS., INC. | 3 | 42,900 | 121,407 | - | - | 42,900 | 121,407 | - | - | - | - |
| CITY & LAND DEVELOPERS, INC. | 1 | 373,766 | 317,701 | 71,137 | 60,466 | 444,903 | 378,168 | - | - | - | - |
| LBC EXPRESS HOLDINGS, INC. | 25 | 20,000 | 499,000 | - | - | 20,000 | 499,000 | - | - | - | - |
| LEPANTO CONS. MNG. "A" | 0 | 221,326,312 | 30,985,684 | 22,267 | 3,117 | 221,348,579 | 30,988,801 | - | - | - | - |
| LEPANTO CONS. MNG. - B | 0 | 27,819,650 | 3,727,833 | - | - | 27,809,650 | 3,726,493 | - | - | 10,000 | 1,340 |
| LIBERTY FLOUR MILLS, INC. | 27 | 56,300 | 1,162,595 | - | - | 56,300 | 1,162,595 | - | - | - | - |
| LIBERTY TELECOMS HOLDINGS, INC. | 2 | 2,405,000 | - | - | - | 2,382,000 | - | - | - | 23,000 | - |
| LMG CHEMICALS CORPORATION | 4 | 143,500 | 574,000 | - | - | 143,500 | 574,000 | - | - | - | - |
| LODESTAR INVT. HLDG | 1 | 23,769,000 | 14,974,470 | - | - | 23,769,000 | 14,974,470 | - | - | - | - |
| PACIFIC ONLINE SYS CORP. | 2 | 335,000 | 582,900 | - | - | 335,000 | 582,900 | - | - | - | - |
| LOPEZ HOLDINGS CORPORATION | 3 | 89,676,840 | 260,959,604 | - | - | 89,675,160 | 260,954,716 | - | - | 1,680 | 4,889 |
| LEISURE & RESORTS WORLD CORP. | 1 | 16,999,247 | 25,328,878 | - | - | 16,999,247 | 25,328,878 | - | - | - | - |
| REPUBLIC CEMENT & BLDG. MATERIALS | - | 3,021 | - | - | - | 3,021 | - | - | - | - | - |
| LORENZO SHIPPING CORP. | 1 | 29,500 | 26,550 | - | - | 29,250 | 26,325 | - | - | 250 | 225 |
| LT GROUP, INC. | 10 | 4,750,650 | 47,031,435 | - | - | 4,750,650 | 47,031,435 | - | - | - | - |
| MANILA MINING CORP. "A" | 0 | 1,334,245,463 | 14,676,700 | 56,039 | 616 | 1,334,301,502 | 14,677,317 | - | - | - | - |
| MANILA MINING CORP. - B | 0 | 383,454,913 | 3,834,549 | 70,505 | 705 | 383,525,418 | 3,835,254 | - | - | - | - |
| MACROASIA CORPORATION | 5 | 2,026,800 | 10,742,040 | - | - | 2,026,800 | 10,742,040 | - | - | - | - |
| METRO ALLIANCE HOLDINGS "A" | 1 | 7,000 | 8,330 | - | - | 7,000 | 8,330 | - | - | - | - |
| METRO ALLIANCE HOLDINGS "B" | 1 | 36,000 | 36,000 | - | - | 36,000 | 36,000 | - | - | - | - |
| MARCVENTURES HOLDINGS, INC. | 1 | 2,572,210 | 3,009,486 | - | - | 2,572,210 | 3,009,486 | - | - | - | - |
| MAX'S GROUP,INC. | 6 | 883,770 | 5,726,830 | - | - | 883,770 | 5,726,830 | - | - | - | - |
| MANILA BULLETIN PUBLISHING | 0 | 3,433,910 | 1,425,073 | - | - | 3,426,442 | 1,421,973 | 7,468 | 3,099 | - | - |
| MANILA BROADCASTING COMPANY | 10 | 80 | 761 | - | - | 80 | 761 | - | - | - | - |
| METRO BANK & TRUST CO. | 56 | 3,118,551 | 173,703,291 | - | - | 3,118,551 | 173,703,291 | - | - | - | - |
| MARSTEEL CONS. INC. "A" | 0 | 14,900,000 | - | - | - | 14,900,000 | - | - | - | - | - |
| MARSTEEL CONS.INC.-B | 0 | 18,700,000 | - | - | - | 18,700,000 | - | - | - | - | - |
| MEDCO HOLDINGS, INC. | 0 | 1,486,000 | 445,800 | - | - | 1,486,000 | 445,800 | - | - | - | - |
| Sub-Total | 3,231 | 2,211,082,262 | 4,058,032,380 | 275,723 | 111,459 | 2,211,293,750 | 4,056,421,466 | 7,468 | 3,099 | 56,767 | 1,719,274 |

| | | CUSTOMERS' ACCOUNT | | DEALERS' ACCOUNT | | DUE FROM PHIL. CENTRAL DEPOSITORY | | DUE FROM TRANSFER OFFICE | | IN BOX | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAME OF STOCKS | PER CLIENT Closing Price | No. of Shares | Market Value | No. of Shares | Market Value | No. of Shares | Market Value | No. of Shares | Market Value | No. of Shares | Market Value |
| MEDILINES DISTRIBUTORS INCORPORATED | 1 | 18,569,000 | 23,954,010 | 760,000 | 980,400 | 19,329,000 | 24,934,410 | - | - | - | - |
| MEGAWORLD CORPORATION | 3 | 30,255,857 | 95,305,950 | - | - | 30,255,857 | 95,305,950 | - | - | - | - |
| MANILA ELECTRIC CO. | 295 | 70,993 | 20,957,134 | - | - | 70,661 | 20,859,127 | - | - | 332 | 98,006 |
| MANULIFE FINANCIAL CORPORATION | 947 | 82 | 77,613 | - | - | 82 | 77,613 | - | - | - | - |
| MAKATI FINANCE CORPORATION | 3 | 113,230 | 283,075 | - | - | 113,230 | 283,075 | - | - | - | - |
| MILLENIUM GLOBAL HOLDINGS, INC. | 0 | 38,310,000 | 6,091,290 | - | - | 38,310,000 | 6,091,290 | - | - | - | - |
| METRO GLOBAL HOLDINGS CORPORATION | 1 | 50,000 | - | - | - | 50,000 | - | - | - | - | - |
| MABUHAY HOLDINGS CORP. | 0 | 14,627,000 | 5,485,125 | - | - | 14,627,000 | 5,485,125 | - | - | - | - |
| MANILA JOCKEY CLUB, INC. | 2 | 876 | 2,102 | - | - | 876 | 2,102 | - | - | - | - |
| MJC INVESTMENTS CORPORATION | 1 | 20,700 | 24,219 | - | - | 20,700 | 24,219 | - | - | - | - |
| MERRYMART CONSUMER CORP. | 3 | 5,178,100 | 12,997,031 | - | - | 5,178,100 | 12,997,031 | - | - | - | - |
| MARCOPPER MINING CORP. | 1 | 330 | - | - | - | 330 | - | - | - | - | - |
| MONDRAGON INT'L. PHIL. | - | 120 | - | 660 | - | - | - | - | - | 780 | - |
| MONDE NISSIN CORPORATION | 16 | 3,601,700 | 58,347,540 | - | - | 3,601,700 | 58,347,540 | - | - | - | - |
| METRO PACIFIC CORP. | - | 350 | - | - | - | - | - | - | - | 350 | - |
| METRO PACIFIC INVT. CORPORATION | 4 | 4,041,575 | 15,762,143 | - | - | 4,041,575 | 15,762,143 | - | - | - | - |
| MRC ALLIED IND. INC. | 0 | 17,735,000 | 4,522,425 | - | - | 17,720,000 | 4,518,600 | - | - | 15,000 | 3,825 |
| MEGAWORLD REIT INC. | 20 | 468,600 | 9,231,420 | - | - | 468,600 | 9,231,420 | - | - | - | - |
| MELCO RESORTS & ENTERTAINMENT (PH) | - | 3,300 | - | - | - | - | - | - | - | 3,300 | - |
| METRO RETAIL STORES GROUP, INC. | 1 | 856,500 | 1,233,360 | - | - | 856,500 | 1,233,360 | - | - | - | - |
| MABUHAY VINYL CORPORATION | 4 | 21,400 | 91,592 | - | - | 21,400 | 91,592 | - | - | - | - |
| MANILA WATER CORPORATION | 25 | 397,600 | 9,840,600 | - | - | 397,600 | 9,840,600 | - | - | - | - |
| MEGAWIDE CONSTRUCTION CORP. | 5 | 2,795,022 | 14,478,214 | - | - | 2,795,022 | 14,478,214 | - | - | - | - |
| MWIDE PREFERRED SHARES 2B | 101 | 20,000 | 1,990,000 | - | - | 20,000 | 1,990,000 | - | - | - | - |
| MEGAWIDE CONSTRUCTION CORP-PREF | 101 | 1,450 | 146,305 | - | - | 1,450 | 146,305 | - | - | - | - |
| NI HAO MINERALS RESOURCES | 1 | 39,615,750 | 40,804,223 | - | - | 37,266,018 | 38,383,999 | - | - | 2,349,732 | 2,420,224 |
| NICKEL ASIA CORP | 5 | 17,769,738 | 95,068,098 | - | - | 17,769,738 | 95,068,098 | - | - | - | - |
| NOW CORPORATION | 1 | 6,762,300 | 8,723,367 | - | - | 6,752,300 | 8,710,467 | 10,000 | 12,900 | - | - |
| PHIL. NATIONAL REINSURRANCE CORP. | 1 | 1,027,000 | 616,200 | - | - | 1,027,000 | 616,200 | - | - | - | - |
| NEXTGENESIS CORPORATION | 7 | 167,275 | - | - | - | 167,275 | - | - | - | - | - |
| OMICO CORPORATION | 0 | 3,226,333 | 1,113,085 | 1,999 | 690 | 3,188,332 | 1,099,975 | - | - | 40,000 | 13,800 |
| ORIENTAL PETROLEUM "A" | 0 | 1,022,808,162 | 11,250,890 | - | - | 1,022,808,162 | 11,250,890 | - | - | - | - |
| ORIENTAL PETROLEUM - B | 0 | 784,805,578 | 8,632,861 | 89,650 | 986 | 784,895,228 | 8,633,848 | - | - | - | - |
| ORIENTAL PENINSULA RESOURCES GROUP, | 1 | 5,430,000 | 4,235,400 | - | - | 5,430,000 | 4,235,400 | - | - | - | - |
| THE PHILODRILL CORPORATION | 0 | 1,298,955,685 | 12,989,557 | - | - | 1,298,955,685 | 12,989,557 | - | - | - | - |
| PACIFICA, INC. "A" | 3 | 409,400 | 1,310,080 | - | - | 409,400 | 1,310,080 | - | - | - | - |
| PAL HOLDINGS, INC. | 6 | 7,200 | - | - | - | 7,200 | - | - | - | - | - |
| PAXYS, INC | 2 | 1,371,800 | 2,236,034 | - | - | 1,371,800 | 2,236,034 | - | - | - | - |
| PHILIPPINE BUSINESS BANK | 10 | 368,622 | 3,686,220 | - | - | 368,622 | 3,686,220 | - | - | - | - |
| PHIL. BANK OF COMMUNICATIONS | 18 | 109,547 | 1,949,937 | - | - | 109,547 | 1,949,937 | - | - | - | - |
| PLDTCOMMUNICATIONS&ENERGY VENTURES | - | 1,700 | - | - | - | - | - | - | - | 1,700 | - |
| PETRON CORP. | 3 | 5,095,318 | 16,152,158 | - | - | 5,088,362 | 16,130,108 | - | - | 6,956 | 22,051 |
| PICOP RESOURCES, INC. | 0 | 5,653,370 | - | - | - | 5,652,830 | - | - | - | 540 | - |
| PETROENERGY RESOURCES CORP | 4 | 945,887 | 3,783,548 | - | - | 944,521 | 3,778,084 | - | - | 1,366 | 5,464 |
| PUREGOLD PRICE CLUB, INC. | 39 | 137,660 | 5,410,038 | - | - | 137,660 | 5,410,038 | - | - | - | - |
| PREMIERE HORIZON ALLIANCE CORP. | 1 | 4,181,000 | 2,341,360 | - | - | 4,181,000 | 2,341,360 | - | - | - | - |
| PHILCOMSAT HOLDINGS CORPORATION | - | 66,800 | - | - | - | 66,800 | - | - | - | - | - |
| PHILIPPINE ESTATES CORPORATION | 1 | 76,552,000 | 39,041,520 | - | - | 76,552,000 | 39,041,520 | - | - | - | - |
| PHINMA CORPORATION | 20 | 5,437 | 109,556 | - | - | 5,437 | 109,556 | - | - | - | - |
| PH RESORTS GROUP HOLDINGS, INC. | 1 | 4,140,880 | 3,229,886 | - | - | 4,140,880 | 3,229,886 | - | - | - | - |
| SHAKEY'S PIZZA ASIA VENTURES, INC. | 10 | 186,500 | 1,883,650 | - | - | 186,500 | 1,883,650 | - | - | - | - |
| PREMIUM LEISURE CORP. | 0 | 7,035,000 | 3,025,050 | - | - | 7,005,000 | 3,012,150 | - | - | 30,000 | 12,900 |
| Sub-Total | 1,669 | 3,423,974,727 | 548,413,864 | 852,309 | 982,076 | 3,422,366,980 | 546,886,770 | 10,000 | 12,900 | 2,458,056 | 2,576,270 |

| NAME OF STOCKS | PER CLIENT Closing Price | CUSTOMERS' ACCOUNT | | DEALERS' ACCOUNT | | DUE FROM PHIL. CENTRAL DEPOSITORY | | DUE FROM TRANSFER OFFICE | | IN BOX | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | No. of Shares | Market Value | No. of Shares | Market Value | No. of Shares | Market Value | No. of Shares | Market Value | No. of Shares | Market Value |
| PANASONIC MFG. PHILS. CORP. | 6 | 183,100 | 1,098,600 | - | - | 183,100 | 1,098,600 | - | - | - | - |
| PRIMETOWN PROP. GROUP | 0 | 50,000 | - | - | - | 50,000 | - | - | - | - | - |
| PHIL. NATIONAL BANK | 20 | 5,894,364 | 118,476,716 | 14 | 281 | 5,894,378 | 118,476,998 | - | - | - | - |
| PHOENIX PETROLEUM PHILS. | 11 | 828,802 | 9,000,790 | - | - | 828,802 | 9,000,790 | - | - | - | - |
| PHOENIX PETROLEUM PREF 3B | 102 | 26,970 | 2,761,728 | - | - | 26,970 | 2,761,728 | - | - | - | - |
| PHOENIX PETROLEUM PHILS. INC. PREF4 | 998 | 8,750 | 8,732,500 | - | - | 8,750 | 8,732,500 | - | - | - | - |
| PRYCE PROPERTIES-A | 6 | 1,695,730 | 9,818,277 | - | - | 1,695,730 | 9,818,277 | - | - | - | - |
| PHIL. TOWN PROPERTIES, INC. | 1 | 26,544 | - | 137 | - | 26,681 | - | - | - | - | - |
| PHIL. RACING CLUB | 8 | 3,074 | 23,977 | - | - | 3,074 | 23,977 | - | - | - | - |
| PETRON CORP. PREF. SERIES 3A | 1,000 | 40,230 | 40,230,000 | - | - | 40,230 | 40,230,000 | - | - | - | - |
| PETRON CORP. PREF. SERIES 3B | 1,119 | 7,605 | 8,509,995 | - | - | 7,605 | 8,509,995 | - | - | - | - |
| PRIME MEDIA HOLDINGS, INC. | 1 | 136,010 | 159,132 | - | - | 136,010 | 159,132 | - | - | - | - |
| PRIMEX CORPORATION | 2 | 2,501,200 | 5,377,580 | - | - | 2,501,200 | 5,377,580 | - | - | - | - |
| PHIL. SAVINGS BANK | 58 | 20,349 | 1,149,719 | - | - | 20,349 | 1,149,719 | - | - | - | - |
| PHIL. STOCK EXCHANGE, INC. | 215 | 69,079 | 14,851,985 | - | - | 69,079 | 14,851,985 | - | - | - | - |
| PHIL. TELEGRAPH & TEL. CORP. | 0 | 3,448,998 | - | 3,000 | - | 3,451,998 | - | - | - | - | - |
| PHILEX MINING CORP. | 5 | 9,542,941 | 52,009,028 | - | - | 9,541,087 | 51,998,924 | - | - | 1,854 | 10,104 |
| PXP ENERGY CORPORATION | 6 | 1,277,649 | 7,857,541 | 45 | 277 | 1,276,710 | 7,851,767 | 492 | 3,026 | 492 | 3,026 |
| RIZAL COMMERCIAL BANKING CORP | 20 | 1,964,422 | 39,288,440 | - | - | 1,964,422 | 39,288,440 | - | - | - | - |
| ROXAS AND COMPANY, INC | 1 | 915,063 | 594,791 | - | - | 915,063 | 594,791 | - | - | - | - |
| RL COMMERCIAL REIT, INC. | 8 | 10,353,500 | 78,790,135 | - | - | 10,353,500 | 78,790,135 | - | - | - | - |
| REP. GLASS CORPORATION "A" | 3 | 32,500 | 97,500 | - | - | 32,500 | 97,500 | - | - | - | - |
| RFM CORPORATION | 5 | 157,738 | 720,863 | - | - | 157,738 | 720,863 | - | - | - | - |
| ROBINSON'S LAND CORP. - B | 19 | 71,197 | 1,366,982 | - | - | 70,797 | 1,359,302 | - | - | 400 | 7,680 |
| PHIL. REALTY & HOLDINGS CORP. | 0 | 18,385,030 | 3,713,776 | - | - | 18,383,605 | 3,713,488 | - | - | 1,425 | 288 |
| ROCKWELL LAND CORP. | 1 | 3,377,645 | 4,998,915 | - | - | 3,377,645 | 4,998,915 | - | - | - | - |
| ROXAS HOLDINGS, INC. | 1 | 458,985 | 477,344 | - | - | 458,985 | 477,344 | - | - | - | - |
| REYNOLDS PHILIPPINES CORPORATION | 0 | 40,565 | - | 4,288 | - | 44,853 | - | - | - | - | - |
| ROBINSONS RETAIL HOLDINGS, INC. | 65 | 5,220 | 341,388 | - | - | 5,220 | 341,388 | - | - | - | - |
| TRAVELLERS INT'L HOTEL GROUP, INC. | 5 | 50,000 | - | - | - | 50,000 | - | - | - | - | - |
| SBS PHILIPPINES CORPORATION | 4 | 1,898,186 | 7,421,907 | - | - | 1,898,186 | 7,421,907 | - | - | - | - |
| SEMIRARA MINING & POWER CORP | 21 | 1,266,120 | 27,031,662 | - | - | 1,266,120 | 27,031,662 | - | - | - | - |
| SECURITY BANK CORP. | 119 | 786,664 | 93,613,016 | - | - | 786,624 | 93,608,256 | - | - | 40 | 4,760 |
| SECURITY BANK CORPORATION - PREF | - | 44,479 | - | 8,567 | - | - | - | - | - | 53,046 | - |
| SWIFT FOODS, INC. | 0 | 2,581,900 | 268,518 | 433 | 45 | 2,577,333 | 268,043 | - | - | 5,000 | 520 |
| SWIFT FOOD INC. - PREFFERRED | 2 | 25,894 | 38,841 | 75 | 113 | 25,969 | 38,954 | - | - | - | - |
| SOLID GROUP, INC. | 1 | 14,340,768 | 15,488,029 | - | - | 14,340,768 | 15,488,029 | - | - | - | - |
| SYNERGY GRID & DEVT. PHILS., INC. | 13 | 6,949,100 | 91,172,192 | - | - | 6,949,100 | 91,172,192 | - | - | - | - |
| PILIPINAS SHELL PETROLEUM CORP | 20 | 908,450 | 18,059,986 | - | - | 908,450 | 18,059,986 | - | - | - | - |
| SHANG PROPERTIES, INC. | 3 | 539,871 | 1,409,063 | - | - | 539,871 | 1,409,063 | - | - | - | - |
| SUN LIFE FINANCIAL CORPORATION | 2,788 | 10 | 27,880 | - | - | 10 | 27,880 | - | - | - | - |
| STA. LUCIA LAND, INC. | 3 | 2,258,000 | 6,503,040 | - | - | 2,258,000 | 6,503,040 | - | - | - | - |
| SM INVESTMENT CORPORATION | 943 | 901 | 849,643 | - | - | 901 | 849,643 | - | - | - | - |
| SAN MIGUEL CORPORATION "A" | 115 | 491,767 | 56,504,028 | - | - | 490,292 | 56,334,551 | - | - | 1,475 | 169,478 |
| SMC SUBSERIES "2F" | 79 | 372,940 | 29,201,202 | - | - | 372,940 | 29,201,202 | - | - | - | - |
| SMC PREFERRED SERIES 2J | 77 | 208,200 | 15,927,300 | - | - | 208,200 | 15,927,300 | - | - | - | - |
| SM PRIME HOLDINGS, INC. | 34 | 670,797 | 22,740,018 | - | - | 666,797 | 22,604,418 | - | - | 4,000 | 135,600 |
| Sub-Total | 7,909 | 94,917,307 | 796,704,028 | 16,559 | 716 | 94,865,642 | 796,370,263 | 492 | 3,026 | 67,732 | 331,455 |

| | | CUSTOMERS' ACCOUNT | | DEALERS' ACCOUNT | | DUE FROM PHIL. CENTRAL DEPOSITORY | | DUE FROM TRANSFER OFFICE | | IN BOX | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAME OF STOCKS | PER CLIENT Closing Price | No. of Shares | Market Value | No. of Shares | Market Value | No. of Shares | Market Value | No. of Shares | Market Value | No. of Shares | Market Value |
| SOCRESOURCES, INC. | 1 | 1,490,000 | 923,800 | - | - | 1,480,000 | 917,600 | - | - | 10,000 | 6,200 |
| SALCON POWER CORPORATION | 14 | 25,000 | 349,000 | - | - | 25,000 | 349,000 | - | - | - | - |
| SPLASH CORPORATION | - | 1,000 | - | - | - | 1,000 | - | - | - | - | - |
| SEAFRONT RESOURCES CORPORATION | 2 | 5,235,823 | 10,524,004 | 7,956 | 15,992 | 5,243,779 | 10,539,996 | - | - | - | - |
| SOLAR PHILIPPINES NUEVA ECIJA CORP | 1 | 1,960,000 | 2,508,800 | - | - | 1,960,000 | 2,508,800 | - | - | - | - |
| SSI GROUP, INC. | 1 | 430,800 | 482,496 | - | - | 430,800 | 482,496 | - | - | - | - |
| SFA SEMICON PHILIPPINES CORPORATION | 1 | 914,000 | 1,005,400 | 100,000 | 110,000 | 1,014,000 | 1,115,400 | - | - | - | - |
| STI EDUCATION SYSTEMS HOLDINGS, INC | 0 | 1,921,000 | 653,140 | - | - | 1,921,000 | 653,140 | - | - | - | - |
| STENIEL MANUFACTURING CORP. | 0 | 499,875 | - | - | - | 496,125 | - | - | - | 3,750 | - |
| VISTAMALLS, INC. | 4 | 283,200 | 1,053,504 | - | - | 283,200 | 1,053,504 | - | - | - | - |
| SUNTRUST HOME DEVELOPERS, INC. | 1 | 13,470,000 | 15,086,400 | - | - | 13,470,000 | 15,086,400 | - | - | - | - |
| SANITARY WARES MFG., CORP. | 0 | 188,050 | - | 2,000 | - | 190,000 | - | - | - | 50 | - |
| TKC METALS CORPORATION | 1 | 2,880,000 | 2,246,400 | - | - | 2,880,000 | 2,246,400 | - | - | - | - |
| TRANSPACIFIC BROADCAST GROUP, INC. | 0 | 13,302,000 | 3,990,600 | - | - | 13,302,000 | 3,990,600 | - | - | - | - |
| 2D PREFERRED CLASS B-2 SHARES | 53 | 2,000 | 106,800 | - | - | 2,000 | 106,800 | - | - | - | - |
| CIRTEK HOLDINGS PHILS. CORP | 4 | 1,278,407 | 4,819,594 | - | - | 1,278,407 | 4,819,594 | - | - | - | - |
| CIRTEK HOLDINGS - WARRANT | 1 | 3,974,794 | 3,418,323 | 418 | 359 | 3,975,212 | 3,418,682 | - | - | - | - |
| PLDT INC. | 1,812 | 25,777 | 46,707,924 | - | - | 25,777 | 46,707,924 | - | - | - | - |
| PLDT (10% PREF) SERIES G | - | 210 | - | - | - | - | - | - | - | 210 | - |
| PLDT (10% PREF) SERIES H | - | 40 | - | - | - | - | - | - | - | 40 | - |
| PLDT (10% PREF) SERIES I | - | 130 | - | - | - | - | - | - | - | 130 | - |
| PLDT (10% PREF) SERIES L | - | 90 | - | - | - | - | - | - | - | 90 | - |
| PLDT (10% PREF) SERIES N | - | 350 | - | - | - | - | - | - | - | 350 | - |
| PHILIPPINE TOBACCO FLUE-CURING & RE | 43 | 500 | 21,550 | - | - | 500 | 21,550 | - | - | - | - |
| TOP FRONTIER INVSTMNT HOLDINGS INC. | 128 | 21,321 | 2,722,692 | - | - | 21,321 | 2,722,692 | - | - | - | - |
| HARBOR STAR SHIPPING SERVICES,INC. | 1 | 15,000 | 13,650 | - | - | 15,000 | 13,650 | - | - | - | - |
| UNION BANK OF THE PHILS. | 100 | 961,635 | 95,682,683 | - | - | 961,491 | 95,668,355 | - | - | 144 | 14,328 |
| UNIOIL RESOURCES & HOLDINGS CO. | 0 | 6,430,000 | - | - | - | 6,430,000 | - | - | - | - | - |
| UNIVERSAL RIGHTFIELD PROP. | 0 | 1,019,000 | - | - | - | 1,013,000 | - | - | - | 6,000 | - |
| UNITED PARAGON MINING CORP. | 0 | 271,991,250 | 1,876,740 | - | - | 271,841,250 | 1,875,705 | - | - | 150,000 | 1,035 |
| UNIVERSAL ROBINA CORP. | 128 | 81,120 | 10,383,360 | - | - | 81,120 | 10,383,360 | - | - | - | - |
| UNIWIDE HOLDINGS INC. | 0 | 6,406,000 | - | 1,000 | - | 6,406,000 | - | 1,000 | - | - | - |
| IVANTAGE CORPORATION | 1 | 1,602,624 | 1,314,152 | - | - | 1,602,624 | 1,314,152 | - | - | - | - |
| VITARICH CORP. | 1 | 1,020,500 | 755,170 | - | - | 1,020,000 | 754,800 | - | - | 500 | 370 |
| VISTA LAND & LIFESCAPES, INC. | 4 | 118,362,650 | 417,820,155 | - | - | 118,362,650 | 417,820,155 | - | - | - | - |
| VICTORIAS MILLING CO., INC. | 3 | 8,211,975 | 19,708,740 | 481 | 1,154 | 8,212,456 | 19,709,894 | - | - | - | - |
| VULCAN INDL. & MNG. CORP. | 1 | 25,252,000 | 24,241,920 | - | - | 25,252,000 | 24,241,920 | - | - | - | - |
| VIVANT CORP. (FORMERLY PHILSTAR.COM | 15 | 13,125 | 190,313 | - | - | 13,125 | 190,313 | - | - | - | - |
| PHILWEB. COM. INC. | 2 | 133,028 | 260,735 | - | - | 130,828 | 256,423 | 2,200 | 4,312 | - | - |
| WELLEX INDUSTRIAL, INC. | 0 | 40,305,600 | 9,270,288 | - | - | 40,305,600 | 9,270,288 | - | - | - | - |
| WILCON DEPOT, INC. | 31 | 908,800 | 27,718,400 | - | - | 908,800 | 27,718,400 | - | - | - | - |
| WATERFRONT PHILS. INC. | 0 | 22,583,100 | 10,388,226 | - | - | 22,565,500 | 10,380,130 | - | - | 17,600 | 8,096 |
| XURPAS INC. | 1 | 6,399,900 | - | - | - | 6,399,900 | - | - | - | - | - |
| ZEUS HOLDINGS, INC. | 0 | 16,855,000 | 3,033,900 | - | - | 16,855,000 | 3,033,900 | - | - | - | - |
| | | | | | | | | | | | |
| Sub-Total | 2,353 | 576,456,674 | 719,278,857 | 111,855 | 127,505 | 576,376,465 | 719,372,021 | 3,200 | 4,312 | 188,864 | 30,029 |
| | | | | | | | | | | | |
| Grand Total | - | 9,595,361,132 | 8,991,999,941 | 1,405,635.0 | 1,735,570 | 9,591,084,922 | 8,984,014,718 | 1,191,297 | 3,965,340 | 4,490,548 | 5,755,453 |

**HDI SECURITIES, INC.**
**SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS**
**IN TWO COMPARATIVE PERIODS**
**UNDER SRC RULE 68, AS AMENDED**
**DECEMBER 31, 2021**

| Key Performance Indicators | Formula | | 2021 | 2020 |
|---|---|---|---|---|
| Current Ratio | Current Assets / Current Liabilities | 109,311,928 / 58,660,093 | 1.86 | 1.81 |
| Acid Test Ratio | Cash & cash equivalents + Receivables / Current liabilities | 102,968,284 / 58,660,093 | 1.76 | 1.72 |
| Debt to Equity Ratio | Total Liabilities / Stockholders' equity | 62,067,048 / 62,537,807 | 0.99 | 1.01 |
| Assets to Equity Ratio | Total Assets / Stockholders' Equity | 124,604,855 / 62,537,807 | 1.99 | 2.01 |
| Solvency Ratio | Income after tax+ Depreciation / Total liabilities- deferred tax liabilities | (5,092,088) / 62,067,048 | (0.08) | 0.009 |
| Operating Margin | Loss before income tax / Revenues | (2,254,540) / 28,559,664 | -7.89% | 6.19% |
| Return on Equity | Net Income / Stockholders' Equity | (5,097,771) / 62,537,807 | -8.15% | .64% |
| Return on Assets | Net Income / Total assets | (5,097,771) / 124,604,855 | -4.09% | .64% |

MAM & Co.

**M. A. MERCADO & Co.**
*Certified Public Accountants*
*2109 Cityland 10 Tower 1*
*156 H.V. Dela Costa Street*
*6815 Ayala Avenue North*
*1226 Makati City, Philippines*

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+63 (2) 8893-1509
*Fax:* +63 (2) 8894-4793
*E-mail:* mercado_cpa@yahoo.com
*Website:* mamercado.com

# SUPPLEMENTAL WRITTEN STATEMENT OF AUDITORS

The Stockholders and the Board of Directors
**HDI Securities, Inc.**
Unit 2305A, The Orient Square Building
Francisco Ortigas Jr. Road, Ortigas Center
San Antonio, Pasig City

We have audited the financial statements of HDI Securities, Inc. for the year ended December 31, 2021, on which we have rendered the attached report dated April 12, 2022.

In compliance with Revised Securities Regulation Code 68, we are stating that the Company has a total number of two (2) stockholders owning one hundred (100) or more shares each.

**M.A. MERCADO & CO.**

**MARCELINO A. MERCADO**
Partner
CPA License No. 066885
Tax Identification No. 102-921-222
P.T.R. No. 8864974; Issued on January 14, 2022, Makati City
SEC Accreditation No. 66885-SEC (Group B)
Issued on January 25, 2022;
Valid until 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-003338-002-2021
Issued on December 9, 2021; Valid until December 8, 2024
IC Accreditation No. 74629-IC (Group A)
Issued January 26,2021
Valid until 2024 financial statements of IC covered institution
Firm's BOA/PRC Cert. of Reg. No. 5658
Issued on September 18, 2020; Valid until September 17, 2023
Firm's SEC Accreditation No. 5658-SEC (Group B)
Issued on January 25, 2022;
Valid until 2025 financial statements of SEC covered institutions
Firm's BIR Accreditation No. 08-006173-000-2021
Issued on March 4, 2021; Valid until March 3, 2024
Firm's IC Accreditation No. 5658-IC (Group A)
Issued on January 26, 2021;
Valid until 2024 financial statements of IC covered institutions

April 12, 2022