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## SECURITIES AND EXCHANGE COMMISSION

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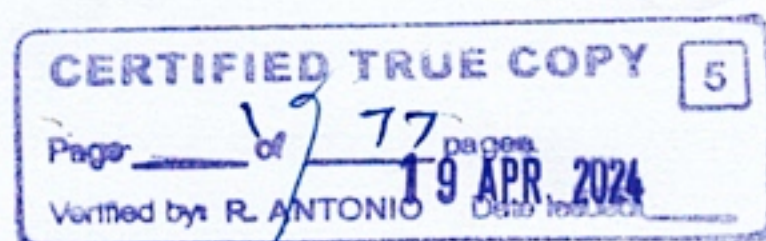
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### Company Information

SEC Registration No. 0000010442  
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Industry Classification  
Company Type Stock Corporation

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**YAO & ZIALCITA, INC.**  
**FINANCIAL STATEMENTS**  
**OCTOBER 31, 2023**

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**TEODORO SANTAMARIA AND CO.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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Salcedo Village 1226  
Makati City, Philippines  
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**Trust Service Commitment**

## **Report of Independent Auditors**

### **The Board of Directors and Stockholders**

#### **Yao & Zialcita, Inc.**

Vernida I Condominium

120 Amorsolo Street, Legaspi Village

Makati City

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of **Yao & Zialcita, Inc.** which comprise the statements of financial position as at **October 31, 2023 and 2022**, and the related statements of comprehensive income, statements of changes in equity, and statements of cash flows for the fiscal years then ended, and a summary of material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2023 and 2022, and its financial performance and its cash flows for the fiscal years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### **Basis for Opinion**

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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



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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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





### **Report on Supplemental Information required by the Bureau of Internal Revenue**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 27 of the Notes to Financial Statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all materials respects in relation to the basic financial statements taken as a whole.

### **Report on Supplementary Information required by the Securities and Exchange Commission**

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

### **TEODORO SANTAMARIA AND CO.**

By:

  
**Arsenio M. Dimagiba, Jr.**

Partner

CPA License No. 007468

Valid until June 05, 2026

BOA Accreditation No. 5593

Valid until September 26, 2024

BIR A.N. 08-008055-002-2023 (Individual)

Valid until April 12, 2026

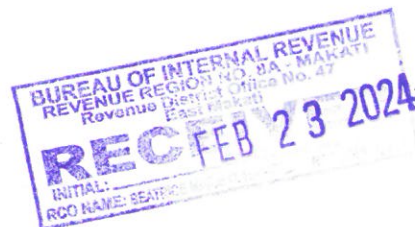
BIR A.N. 08-008055-000-2022 (Firm)

Valid until March 30, 2025

T.I.N. 106-713-002

PTR No. 10083278 / Makati City

January 11, 2024



February 15, 2024

Makati City, Philippines

YAO & ZIALCITA, INC.

STATEMENTS OF FINANCIAL POSITION

	As of October 31		Market Value of Securities				
			October 31, 2023		October 31, 2022		
	Notes	2023	2022	Long	Short	Long	Short
(In Philippine Peso)							
<u>Assets</u>							
Current assets							
Cash	7	34,992,893	21,324,384				
Trade receivables, net	8	3,871,309	5,089,013	606,218,665		490,398,027	
Advances to officers and employees		82,266	52,999				
Financial assets at fair value through profit or loss	9	90,594,781	43,429,645	90,594,781			43,429,645
Prepaid and other current assets		1,583	1,583				
Total current assets		129,542,832	69,897,624				
Non-current assets							
Financial assets at fair value through other comprehensive income	10	13,500	30,375				
Property and equipment, net	11	705,416	1,054,816				
Creditable withholding tax	23	971,200	718,136				
Total non-current assets		1,690,116	1,803,327				
Total assets		131,232,948	71,700,951				

**Securities**

In box, with Philippine Central Depository, Inc., transfer offices and clearing house

4,311,404,178

-forward-





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YAO & ZIALCITA, INC.  
Statements of Financial Position - 2

	As of October 31			
	Market Value of Securities			
	Notes	2023	2022	Long
(In Philippine Peso)				
<b>Liabilities and Equity</b>				
<b>Current liabilities</b>				
Trade payables	12	7,942,379	4,955,097	3,291,330,551
Payable to non-customers	13	1,285,751	123,883	323,260,181
Other current liabilities	14	1,722,099	893,613	3,561,114,844
Total current liabilities		10,950,229	5,972,593	116,131,151
<b>Non-current liabilities</b>				
Deferred tax liability, net	23	1,282,825	3,589,224	
Retirement liability	22	9,812,022	8,939,536	
Total non-current liabilities		11,094,846	12,528,759	
Total liabilities		22,045,075	18,501,352	
<b>Equity</b>				
Share capital	15	100,000,000	41,800,000	
Net unrecognized actuarial gain/(loss) on retirement liability	16	612,917	852,795	
Retained earnings				
Appropriated	17	11,444,145	11,444,145	
Unappropriated	17	(2,869,189)	(897,341)	
Total equity		109,187,873	53,199,599	
Total liabilities and equity		131,232,948	71,700,951	4,311,404,178

See accompanying notes to financial statements.



**YAO & ZIALCITA, INC.**

**STATEMENTS OF COMPREHENSIVE INCOME**

		For the fiscal years ended October 31	
	Notes	2023	2022
		(In Philippine Peso)	
<b>Revenue</b>			
Commission revenue	2	5,431,431	6,471,988
Cost of services	18	(5,327,244)	(3,727,743)
Gross profit		104,187	2,744,245
Other revenue	19	3,442,184	2,869,543
Unrealized (loss)/gain on financial assets at fair value through profit or loss (FVPL)	9	(4,360,056)	(12,835,328)
Gain on sale on financial assets at FVPL	9	1,525,845	-
Operating expenses	20	(4,993,823)	(3,921,092)
(Loss)/income before income tax		(4,281,663)	(11,142,632)
Income tax benefit/(expense)	23	2,331,101	2,799,156
Net (loss)/income		(1,950,562)	(8,343,476)
<b>Other comprehensive income:</b>			
<i>Not to be reclassified in profit or loss in subsequent periods:</i>			
Actuarial loss on retirement liability, net of tax	16, 22	(155,392)	1,060,202
Total comprehensive (loss)/income		(2,105,954)	(7,283,274)
(Loss)/earnings per share	2	(3.90)	(16.69)

See accompanying notes to financial statements.





YAO & ZIALCITA, INC.

STATEMENTS OF CHANGES IN EQUITY  
For the Fiscal Years Ended October 31, 2023 and 2022  
(In Philippine Peso)

	Share Capital (Note 15)	Net Unrecognized Actuarial Gain/(Loss) on Retirement Liability (Note 16)	Retained Earnings (Note 17)		Total
			Appropriated	Unappropriated	
Balance, November 1, 2022	41,800,000	(207,407)	11,444,145	8,057,788	61,094,526
Total comprehensive income	-	1,060,202	-	(8,343,476)	(7,283,274)
Appropriation per SRC Rule 49.1 (B)	-	-	-	-	-
Expired deferred tax assets - NOLCO	-	-	-	(599,136)	(599,136)
Expired deferred tax assets - MCIT	-	-	-	(12,517)	(12,517)
Balance, October 31, 2022	41,800,000	852,795	11,444,145	(897,341)	53,199,599
Total comprehensive loss	-	(155,392)	-	(1,950,562)	(2,105,954)
Appropriation per SRC Rule 49.1 (B)	-	-	-	-	-
Payment of subscription receivable	8,200,000	-	-	-	8,200,000
Additional share capital	50,000,000	-	-	-	50,000,000
Expired deferred tax assets - MCIT (Note 23)	-	-	-	(4,411)	(4,411)
Adjustment on tax rate	-	(84,486)	-	-	(84,486)
Prior period adjustments	-	-	-	(16,875)	(16,875)
Balance, October 31, 2023	100,000,000	612,917	11,444,145	(2,869,189)	109,187,873

See accompanying notes to financial statements.

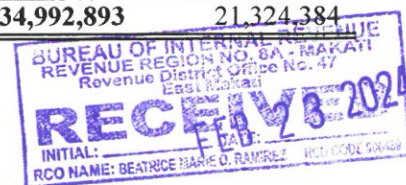


**YAO & ZIALCITA, INC.**

**STATEMENTS OF CASH FLOWS**

		For the fiscal years ended October 31	
	Notes	2023	2022
		(In Philippine Peso)	
<b>Cash flows from operating activities</b>			
(Loss)/income before income tax		(4,281,663)	(11,142,632)
Adjustments for -			
Depreciation	11, 20	466,648	276,569
Retirement benefit cost	18, 20, 22	665,297	345,784
Reversal of allowance	8	(3,503)	-
Unrealized loss/(gain) in fair value of financial assets at fair value through profit or loss	9	4,360,056	12,835,328
Operating profit before working capital changes		1,206,836	2,315,049
Decrease / (Increase) in -			
Trade receivables	8	1,221,207	7,292,881
Advances to officers and employees		(29,267)	(27,588)
Financial assets at fair value through profit or loss	9	(51,525,192)	3,500,000
(Decrease) / Increase in -			
Trade payables	12	2,987,282	303,467
Payable to non-customers	13	1,161,868	(211,630)
Other current liabilities	14	828,486	(883,531)
Cash (absorbed by)/generated from operations		(44,148,780)	12,288,648
Retirement benefits paid	22	-	-
Income tax paid		(265,461)	(329,546)
Net cash (used in)/provided by operating activities		(44,414,241)	11,959,102
<b>Cash flow from investing activity</b>			
Acquisitions of property and equipment	11	(117,249)	(1,140,879)
Net cash used in investing activities		(117,249)	(1,140,879)
<b>Cash flow from financing activities</b>			
Increase in share capital		50,000,000	-
Receipt of subscription receivable		8,200,000	-
Net cash provided by financing activities		58,200,000	-
Net increase in cash		13,668,510	10,818,223
Cash, November 1		21,324,384	10,506,161
Cash, October 31	7	34,992,893	21,324,384

See accompanying notes to financial statements.





## YAO & ZIALCITA, INC.

### NOTES TO FINANCIAL STATEMENTS

(Amounts in Philippine Peso, unless otherwise stated.)

#### 1. Corporate Information

Yao & Zialcita, Inc. (the Company) was incorporated on November 11, 1955 to engage in the stock brokerage business. The Company is a member of the Philippine Stock Exchange and operates within the Philippines.

The Company's application for extension of its corporate term for another fifty (50) years from and after November 11, 2005 was approved by the Securities and Exchange Commission (SEC) on May 17, 2004.

The primary purpose of the Company is to act as stockbroker of any company whether domestic or foreign or of any person, partnership, corporation or association engaged in any lawful business, entity or enterprise; and to carry on and undertake any business, undertaking, transaction or operation commonly carried on or undertaken by stock brokers.

The issued and outstanding share capital of the company are 99.2% owned by Stephen Y. Gan, Bettina Yao Go and Vivian Ann Siy Ng . Other shareholders of the Company are all Filipino individuals whose ownership ranges from 0.01% to 0.52%.

The Company's principal place and registered office is located at Vernida I Condominium, 120 Amorsolo Street, Legaspi Village, Makati City.

#### 2. Summary of Material Accounting Policies

##### Statement of compliance

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

##### Basis of preparation

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

##### Functional and presentation currency

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

#### Current Versus Non-current Classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

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

The Company adopted the following new standards and amendment to standards effective January 1, 2023. New standards and amendment to standards that do not materially affect the financial statements of the Company are not included here.

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

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

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



- *Amendments to PAS 8 Definition of Accounting Estimates*

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

- *Amendments to PAS 12 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Future Adoption of New or Revised and Amendments to Standards

The Company will adopt the following new standards and amendments to standards when these become effective and applicable. New standards and amendments to standards that do not have a material effect on the financial statements of the Company are not included here.

*Effective beginning on or after January 1, 2024*

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

The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

What is meant by a right to defer settlement.

That a right to defer must exist at the end of the reporting period

That classification is unaffected by the likelihood that an entity will exercise its deferral right

That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

**Material Accounting Policies**

Cash and cash equivalents

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

Foreign currency translation

Transactions in foreign currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the functional currency rate of exchange ruling at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated.

All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income, the gain or loss is then recognized net of the exchange component in other comprehensive income.

#### Financial instruments

##### Date of recognition

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

The Company has no financial liabilities at FVPL or derivatives for the fiscal years ended October 31, 2023 and 2022.

##### Classification, measurement and reclassification of financial

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

##### Financial assets at amortized cost

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

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

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

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

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

Financial assets at fair value through profit or loss

Financial assets that are held within a different business model other than “hold to collect” or “hold to collect and sell” are categorized at FVPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVPL. Also, equity securities are classified as financial assets at FVPL, unless the Company designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Company’s financial assets at FVPL include equity securities which are held for trading purposes or designated as at FVPL. Financial assets at FVPL are measured at fair value with gains or losses recognized in profit or loss as part of Trading Gain – net under Other Operating Income in the statements of income. Related transaction costs are recognized directly as expense in profit or loss. The fair values of these financial assets are determined by reference to active market transactions or using valuation technique when no active market exists. Interest earned on these investments is recorded as Interest Income and dividend income is reported as part of Dividends both under Other Income account in the statements of income. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI. The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes.

Accordingly, the Company is required to reclassify financial assets:

- (i) from amortized cost to FVPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
- (ii) from FVPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument’s contractual cash flows meet the amortized cost criteria.

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

Impairment of financial assets

The Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost, debt instruments measured at FVOCI and other contingent accounts. No impairment loss is recognized on equity investments. Recognition of credit losses or impairment is no longer dependent on the Company’s identification of a credit loss event. Instead, the Company considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets. The Company measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments for which they are measured as 12-month ECL:

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

For these financial instruments, the allowance for impairment is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as ‘Stage 1’ financial instruments). Unless there has been a significant increase in credit risk subsequent to



the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments). 'Stage 2' financial instruments also include those loan accounts and facilities where the credit risk has improved and have been reclassified from 'Stage 3'. A lifetime ECL shall be recognized for 'Stage 3' financial instruments, which include financial instruments that are subsequently credit-impaired, as well as purchased or originated credit impaired (POCI) assets.

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

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

The measurement of the ECL reflects:

- (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (ii) the time value of money; and,
- (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### Derecognition of financial assets

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

#### Other financial receivables

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

Impairment of financial assets at amortized cost

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

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

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

#### Other financial liabilities

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

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

As at October 31, 2023 and 2022, the Company's other financial liabilities include trade payables, payable to non-customers and other current liabilities, except taxes payable, accrued expenses and due to SSS/PHIC and HDMF.

#### Derecognition of financial liabilities

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

#### Offsetting financial instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The right of set-off



must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

#### Property and Equipment

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

Office furniture and fixtures	2 to 20 years
Office and computer equipment	2 to 4 years

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

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

#### Derecognition of property and equipment

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

#### Trading rights

The Company is a Trading Participant in the PSE using the Trading Rights of Ms. Carmelita Yao.

An agreement was executed between Mrs. Carmelita Yao and the Company that authorized the latter to use the Trading Rights of the former. The said agreement does not provide terms for any compensation or fee for the use of such rights.

The Company considered the Trading Rights as an intangible asset having an indefinite useful life, as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflow to the Company. Trading Rights is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Owner has no intention to sell the Trading Rights in the near future.

Impairment of non-financial assets

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

An impairment loss is charged to profit or loss in the period when it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged directly to the revaluation increment of the said asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the net recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount.

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

Related party relationships and transactions

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

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

Equity

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

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

#### Revenue recognition

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

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

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

#### Costs and expenses

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

#### Retirement benefits

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

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

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

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

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



Termination benefits

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

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

Income taxes

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

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

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

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

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

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

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

Earnings per share

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

Provisions and contingencies

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

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

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

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

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

Events after reporting period

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

**3. Significant Accounting Judgments and Estimates**

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

**Judgments**

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

Determination of functional and presentation currency

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

Categories of financial instruments

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

Impairment of financial assets

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

Provisions and contingencies

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

Valuation of financial instruments

The Company carries certain financial instruments at fair value which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence from observable active markets and other valuation techniques including the use of mathematical models. However, the amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity. Management valuation methods and assumptions in determining the fair value of the Company's financial instruments are discussed in Note 5.

Estimates

The estimates and assumptions used in the financial statements are based upon managements' evaluation of relevant facts and circumstances of the Company's financial statements. Actual results could differ from those estimates. The following are the relevant estimates performed by Management on its 2023 and 2022 financial statements:

Impairment of receivables

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

Allowance for credit losses recognized on trade receivables amounted to P11,646 in 2023 and P15,149 in 2022.



Allowance for impairment losses of receivables

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

Allowance for impairment recognized on financial assets at FVOCI amounted to P246,981 in 2023 and P217,545 in 2022.

Useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets.

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

Property and equipment, net of accumulated depreciation, amounted to P705,416 in 2023 and P1,054,816 in 2022. (Please see Note 11).

Realizable amount of deferred taxes

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

Net Deferred tax liability amounted to P1,282,825 in 2023 and P3,589,224 in 2022.

Impairment of non-financial assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Company's policy on estimating the impairment of non-financial asset is discussed in detail in Note 2 – Impairment of non-financial assets. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations. Based on Management assessment, there is no impairment loss on non-financial assets needed to be recognized in 2023 and 2022.

Retirement benefits

The determination of the Company's obligation and a cost of pension and other retirement benefits is depend on the selection of certain assumptions used by actuaries in calculating in such amounts. Those assumptions are described in Note 22 and include, among others, discount rates and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The retirement benefits – liability, unrecognized actuarial gain/(loss) net of tax, and retirement cost amounted to P9,812,022, P612,917 and P665,297 and P8,939,536, P852,795 and P345,784 respectively, in 2023 and 2022.

#### 4. Risk Management Objectives and Policies

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

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

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

##### Credit risks

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

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

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

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

	Notes	2023	2022
Cash in banks	7	34,977,924	21,309,215
Trade receivables	8	3,871,309	5,089,013
Advances to officers and employees		82,266	52,999
Financial assets at FVPL	9	90,594,781	43,429,645
Financial assets at FVOCI	10	260,481	247,920
Prepayments and other current assets		1,583	1,583
		<b>129,788,344</b>	<b>70,130,375</b>

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

2023	Neither past due nor impaired			Past Due	Allowance for credit losses	Total
	High Grade	Standard Grade	Low Grade			
Loans and receivables						
Cash in banks	34,977,924	-	-	-	-	34,977,924
Financial assets at FVPL						
Trade receivables, net	-	3,882,955	-	-	11,646	3,871,309
Advances to officers and employees	82,266	-	-	-	-	82,266
Financial assets at FVPL	-	90,594,781	-	-	-	90,594,781
Financial assets at FVOCI	-	-	260,481	-	246,981	13,500
Prepaid and other current assets	-	1,583	-	-	-	1,583
	35,060,190	94,479,319	260,481	-	258,627	129,541,363

2022	Neither past due nor impaired			Past Due	Allowance for credit losses	Total
	High Grade	Standard Grade	Low Grade			
Loans and receivables						
Cash in banks	21,309,215	-	-	-	-	21,309,215
Trade receivables, net	-	5,104,162	-	-	15,149	5,089,013
Advances to officers and employees	52,999	-	-	-	-	52,999
Financial assets at FVPL	-	43,429,645	-	-	-	43,429,645
Financial assets at FVOCI	-	-	247,920	-	217,545	30,375
Prepaid and other current assets	-	1,583	-	-	-	1,583
	21,362,214	48,535,390	247,920	-	232,694	69,912,830

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

Standard grade receivable consists of receivable from customers with minimal instances of payment defaults.

High grade receivables consist of advances to officers and employees which have a remote likelihood of default.

Standard grade financial assets at FVPL consist of equity securities listed in PSE shares, which have normal reactions to market conditions.

Low grade AFS financial assets at FVOCI are investments in suspended companies and are not currently traded in the stock market.

### Liquidity risks

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

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

Company's other financial liabilities are as follows:

	Notes	2023	2022
Trade payables	12	7,942,379	4,955,097
Payable to non-customers	13	1,285,751	123,883
Other current liabilities	14	12,191	7,648
		<b>9,240,321</b>	<b>5,086,628</b>

Company's other financial liabilities have contractual maturities of less than six (6) months as of October 31, 2023 and 2022.

As at October 31, 2023 and 2022, the Company has a liquidity ratio of 11.83:1 and 11.70:1 respectively. The Company has sufficient financial assets that can be used to manage its liquidity risk consisting of cash, trade receivables, advances to officers and employees, financial assets at FVPL, and financial assets at FVOCI.

### Market risks

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

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

The following table demonstrates the sensitivity to reasonably possible changes in market value of financial assets at FVPL with all variable held constant, of net results and equity.

### **2023**

	Change in	Effect on net results	Effect on Equity	Change in	Effect on net results	Effect on Equity
Financial assets at FVPL	(10%)	(9,059,478)	(7,247,583)	10%	9,059,478	7,247,583



2022

	Change in	Effect on net results	Effect on Equity	Change in	Effect on net results	Effect on Equity
Financial assets at FVPL	(10%)	(4,342,965)	(3,474,372)	10%	4,342,965	3,474,372

Interest rate risk

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

2023

	Change in +10 basis points		Change in -10 basis points	
	Effect on net results	Effect on Equity	Effect on net results	Effect on Equity
Cash in banks	34,978	27,982	(34,978)	(27,982)

2022

	Change in +10 basis points		Change in -10 basis points	
	Effect on net results	Effect on Equity	Effect on net results	Effect on Equity
Cash in banks	21,309	17,047	(21,309)	(17,047)

Foreign currency risk

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

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

### Comparison of carrying values and fair values

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

		2023		2022	
	Notes	Carrying values	Fair values	Carrying values	Fair values
<b>Financial assets</b>					
Loans and receivables:					
Cash	7	34,992,893	34,992,893	21,324,384	21,324,384
Trade receivables, net	8	3,871,309	3,871,309	5,089,013	5,089,013
Advances to officers and employees		82,266	82,266	52,999	52,999
		38,946,468	38,946,468	26,466,396	26,466,396
Financial assets at FVPL	9	90,594,781	90,594,781	43,429,645	43,429,645
Financial assets at FVOCI, net	10	13,500	13,500	30,375	30,375
Prepayments and other current assets		1,583	1,583	1,583	1,583
		129,556,332	129,556,332	69,927,999	69,927,999
<b>Other financial liabilities</b>					
Trade payables	12	7,942,379	7,942,379	4,955,097	4,955,097
Payable to non-customers	13	1,285,751	1,285,751	123,883	123,883
Other current liabilities	14	12,191	12,191	7,648	7,648
		9,240,321	9,240,321	5,086,628	5,086,628

Because of their short term nature, Management considers the carrying amounts recognized in the statements of financial positions to be reasonable estimates of the fair values of cash, trade receivables, advances to officers and employees, prepayments and other current assets, trade payables, payable to clearing house, payable to non-customers, and other current liabilities.

The fair values of financial assets at FVPL were based on the quoted market price at the PSE as at October 31, 2023 and 2022.

The fair value of financial assets at FVOCI is equal to its costs less impairment losses as at October 31, 2023 and 2022. These investments are carried at cost since their fair value cannot be measured reliably.

### Fair value hierarchy measurements

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

	Level 1	Level 2	Level 3	Total
October 31, 2023				
Financial assets at FVPL	90,594,781	-	-	90,594,781
Financial assets at FVOCI	-	-	13,500	13,500
	90,594,781	-	13,500	90,608,281
October 31, 2022				
Financial assets at FVPL	43,429,645	-	-	43,429,645
Financial assets at FVOCI	-	-	30,375	30,375
	43,429,645	-	30,375	43,460,020

The different levels have been defined as follows:

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

There were no transfer of financial instruments between Level 1, 2, and 3 in 2023 and 2022.

## 6. Capital Management Objectives, Policies and Procedures

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

The Company's capital strategies, which were unchanged from 2010, are to maintain gearing ratios of not exceeding 50%.

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

	2023	2022
Net debt	(12,947,818)	(2,823,031)
Net equity	109,187,873	53,199,599
Total capital	96,240,055	50,376,568
Gearing ratio	-13%	-6%

The Company manages its capital structure and makes adjustments to it as changes in economic conditions arise. For the years 2023 and 2022, the Company has a gearing ratio of -13% and -6% respectively.

Minimum capital requirement

On May 28, 2009, the Securities and Exchange Commission (“SEC”) approved Memorandum Circular No. 2009-0316 or Rules Governing Trading Rights and Trading Participants, Art. III, Sec. 8(c). The guidelines states that “Trading Participants shall have a minimum unimpaired paid-up capital, as defined by the 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).”

On April 15, 2010, PSE issued Memorandum Circular No.2010-0158 or Deferment of the Rule on Minimum Unimpaired Paid-up Capital for Trading Participants previously set to take effect on December 31, 2010.

On October 22, 2010, SEC approved Memorandum Circular No. 2010-0494 or Deferment on the Minimum Unimpaired Paid-up Capital for Trading Participants (TPs). The Memo states that “TPs with Unimpaired Paid-up Capital (“UPC”) falling below Thirty Million pesos (P30,000,000) shall post surety bond amounting Ten Million (P10,000,000) for the period covering 1 January 2011 to 31 December 2011 until securities held and controlled by the TPs shall be recorded under the name of the individual clients in the books of the Transfer Agent.” The deferral granted by the Commission is effective only for the period January 2011 until December 31, 2011. Hence, all TPs must have complied with the Thirty Million UPC requirement by the year 2012.

The Company has complied with the minimum unimpaired paid-up capital as at October 31, 2023 and 2022.

Risk-based capital adequacy rule

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

The Company, being a registered broker in securities is subject to the stringent rules of the SEC and other regulatory agencies with respect to the maintenance of specific levels of RBCA ratios. RBCA is a ratio that compares the broker or dealer’s total measured risk to its liquid capital. As a rule, the company must maintain an RBCA ratio of at least 120% and a net liquid capital (NLC) of at least P5.0 million or five percent (5%) of its aggregate indebtedness, whichever is higher. Also, the aggregate indebtedness (AI) of every stockbroker should not exceed two thousand percent (2,000%) of its NLC. In the event that the minimum RBCA ratio of 120% or the minimum NLC is breached, the company shall immediately cease doing business as a broker and shall notify the PSE and SEC. Total risk capital requirement amounted to P39,215,357 in 2023 and P 26,742,153 in



2022. The Company's RBCA ratio for the fiscal year ended October 31, 2023 and 2022 is 256% and 171% respectively.

As of October 31, 2023 and 2022, the Company is compliant with the foregoing requirements.

The RBCA ratio of the Company as of October 31, 2023 and 2022 are as follows:

	2023	2022
Equity eligible for net liquid capital	103,948,427	49,998,995
Less: Ineligible assets	3,587,878	4,266,227
<b>Total</b>	<b>100,360,549</b>	<b>45,732,768</b>
Position risks	28,434,323	14,708,976
Operational risks	1,666,570	1,456,895
Counterparty risks	450	9,590
Large exposure risks	9,114,014	10,566,692
<b>Total Risk Capital Requirement</b>	<b>39,215,357</b>	<b>26,742,153</b>
<b>AI</b>	<b>15,522,805</b>	<b>11,711,524</b>
5% of AI	776,140	585,576
<b>Required NLC</b>	<b>5,000,000</b>	<b>5,000,000</b>
<b>Net Risk-Based Capital Excess</b>	<b>95,360,549</b>	<b>40,732,768</b>
<b>Ratio of AI to NLC</b>	<b>15%</b>	<b>26%</b>
<b>RBCA Ratio</b>	<b>256%</b>	<b>171%</b>

The following are the definition of terms used in the above computation:

Ineligible asset

These pertain to fixed assets and assets which cannot be readily converted into cash.

Operational risk requirement

The amount required to cover a level of operational risk which is the exposure 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 systems which include, among others, risk of fraud, operational or settlement failure and storage of liquid resources, or from external events.

Position risk requirement

The amount necessary to accommodate a given level of position risk which is a risk a broker dealer is exposed to and arising from securities held by it as a principal or in its proprietary dealer account.

Aggregate indebtedness

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 failed to receive, the market value of securities borrowed.

The Company is in compliance with all externally imposed capital requirements for the years ended October 31, 2023 and 2022.

## 7. Cash

This account consists of:

	2023	2022
Cash on hand	14,969	15,169
Cash in banks	34,977,924	21,309,215
<b>Total</b>	<b>34,992,893</b>	<b>21,324,384</b>

Cash in bank includes Special Reserve Bank Account amounting to P14,496,167.38 and P14,488,821 in 2023 and 2022, respectively, which was created and maintained for the exclusive benefit of customers as prescribed under SRC Rule 49.2 (Customer Protection Reserves and Custody of Assets) and mentioned in Part I (Rule 49.C) of this rule. The company is in compliance with this rule.

Cash in bank earns interest at rates ranging from 0.25% to 0.50% in 2023 and 2022 per annum. Interest income earned amounted to P30,727 in 2023 and P16,393 in 2022. (Note 19)

## 8. Trade Receivables, net

This account consists of:

	2023	2022
Receivable from customers	3,882,955	3,309,530
Receivable from clearing house	-	1,794,632
Allowance for credit losses	(11,646)	(15,149)
<b>Total</b>	<b>3,871,309</b>	<b>5,089,013</b>

All receivables from customers do not bear any interest and are due after three days from the time of transaction, except for those on which allowance for impairment has already been provided. No receivable is denominated in foreign currency in 2023 and 2022.

Receivable from customer are secured by securities owned by customers. The collateral's fair value (market value) are based on the quoted market at the PSE as at October 31, 2023 and 2022, on the last trading day of each year.

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

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

Receivable from/(Payable to) clearing house pertains to the Company's receivable from/(Payable to) Securities Clearing Corporation of the Philippines (SCCP). "Receivable from clearing house" arises when total selling transactions, i.e. shares of stock sold by customers exceeds total buying transactions within the last three trading days of the fiscal year. On the other hand, Payable to

Clearing house arises when total buying transactions exceeds total selling transactions within the last three trading days of the fiscal year. Receivable from clearing house amounted to nil in 2023 and P1,794,632 in 2022. (See Note 12).

The security values of the debit balances of the customer's and non-customer's account follow:

	2023		2022	
<b>Receivable from customers</b>				
Ratio of market value of securities to debit balances	<b>Debit balances</b>	<b>Market value of securities</b>	Debit balances	Market value of securities
Fully secured accounts:				
250% or more	627,096	560,030,731	499,809	252,871,766
200% to 250%	3,187,742	7,175,850	146	295
150% to 200%	800	1,324	951	1,849
100% to 150%	150	203	5,830	8,496
	<b>3,815,788</b>	<b>567,208,108</b>	<b>506,735</b>	<b>252,882,406</b>
Partly secured accounts:				
Less than 100%	6,953	4,240	6,645	2,295
Unsecured	3,878	-	128	-
	<b>10,830</b>	<b>4,240</b>	<b>6,772</b>	<b>2,295</b>
Total	<b>3,826,618</b>	<b>567,212,348</b>	<b>513,507</b>	<b>252,884,701</b>
Less: Allowance for impairment losses	11,646	-	15,149	-
Net	<b>3,814,972</b>	<b>567,212,348</b>	<b>498,358</b>	<b>252,884,701</b>
<b>Receivable from non-customer</b>	<b>56,336</b>	<b>39,006,316</b>	<b>2,796,023</b>	<b>237,513,325</b>
<b>Receivable from clearing house</b>	<b>-</b>	<b>-</b>	<b>1,794,632</b>	<b>-</b>
Total	<b>3,871,309</b>	<b>606,218,665</b>	<b>5,089,013</b>	<b>490,398,027</b>

Receivable from customers as at October 31, 2023 and 2022 amounting to P3,822,740 and P573,379, respectively, is secured by the collateral comprising of equity securities of listed companies owned by customers with total fair values of P567,752,348 and P252,884,701, respectively. The collateral's fair value (market value) is based on the quoted market price at the PSE as at October 31, 2023 and 2022.

In the event that the customers fail to pay within 24 hours from the transaction, the certificates covering the purchase will be issued under the Company's name. If payment is not received within 3 days, the Company is automatically authorized to sell out the customers' securities for their account without any liability whatsoever for any loss.

The movements of the allowance for credit losses are as follows:

	Note	2023	2022
Beginning balance		15,149	4,752
(Reversal)/ Provision of allowance	19,20	(3,503)	10,397
Ending balance		11,646	15,149

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

The table below shows the aging of trade receivables as of October 31, 2023 and 2022.

	2023		2022	
	Debit balances	Collateral	Debit balances	Collateral
Neither past due nor impaired				
0 to 2 days	3,599,045	25,124,422	208,193	37,258,471
3 to 13 days	171,465	32,193,640	-	-
	3,770,510	57,318,062	208,193	37,258,471
Past due but not impaired				
Beyond 14 days to 30 days	12,285	338,106,597	62,587	109,443,043
Beyond 31 days	43,823	8,253,273	242,727	33,989,306
	56,109	346,359,870	305,314	143,432,349
Total	3,826,618	403,677,932	513,507	180,690,819
Less: Allowance for credit losses	11,646	-	15,149	-
Total	3,814,972	403,677,932	498,358	180,690,819

#### 9. Financial Assets at Fair value through Profit or Loss

The movement of financial assets at FVPL follows:

	2023	2022
Balance, November 1	43,429,645	59,764,973
Buying/Selling net,	51,525,192	(3,500,000)
Changes in fair value	(4,360,056)	(12,835,328)
Balance, October 31	90,594,781	43,429,645

Financial assets at FVPL represent the Company's investment in shares of stocks of companies listed at the Philippine Stock Exchange (PSE). Fair values of these instruments are based on the quoted market prices at the PSE as of October 31, 2023 and 2022.



Reconciliation between cost and fair value of financial assets at FVPL follows:

	2023	2022
Cost	64,505,700	12,980,508
Fair value adjustment	26,089,081	30,449,137
Fair value, October 31	90,594,781	43,429,645

Dividends income on financial assets at FVPL amounted to P3,407,954 in 2023 and P2,853,150 in 2022. (Note 19)

Gain on sale on financial assets at FVPL amounted to P1,525,845 in 2023 and nil in 2022.

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

Financial assets at fair value through other comprehensive income (FVOCI) represents the Company's investments in shares of stocks of local companies that are not listed and/or listed but suspended in the Philippine Stock Exchange (PSE). These investments are carried at cost since their fair value cannot be reliably measured.

	2023	2022
Cost	260,481	247,920
Less: Allowance for impairment losses	246,981	217,545
Net amount	13,500	30,375

# 11. Property and Equipment, net

This account consists of office furniture, fixture and equipment, the movement as follows:

	Office Furnitures and fixtures	Office and Computer equipment	Total
Cost			
November 1, 2021	48,712	288,746	337,458
Acquisition	19,275	1,121,604	1,140,879
Disposal/Write-off	-	(63,018)	(63,018)
October 31, 2022	67,987	1,347,332	1,415,319
Acquisition	-	117,248	117,248
Disposal/Write-off	-	(209,353)	(209,353)
October 31, 2023	67,987	1,255,227	1,323,214
Accumulated Depreciation			
November 1, 2021	48,712	98,240	146,952
Depreciation	-	276,569	276,569
Disposal/Write-off	-	(63,018)	(63,018)
October 31, 2022	48,712	311,791	360,503
Depreciation	-	466,648	466,648
Disposal/Write-off	-	(209,353)	(209,353)
October 31, 2023	48,712	569,086	617,798
Net Book Value			
October 31, 2023	<b>19,275</b>	<b>686,141</b>	<b>705,416</b>
October 31, 2022	19,275	1,035,541	1,054,816

For the fiscal years ended October 31, 2023 and 2022, property and equipment do not include fully depreciated office and computer equipment that are still being used, amounting to P74,722.

## 12. Trade Payables

Trade payables account pertains to payable to customers as follows:

	2023		2022	
<b>Payable to customer</b>				
Ratio of market value of securities to debit balances	<b>Credit balances</b>	<b>Market value of securities</b>	Credit balances	Market value of securities
Free				
With money balances	6,038,145	984,078,581	4,955,097	1,590,700,724
No money balances	-	2,307,251,969	-	1,970,414,120
<b>Total</b>	<b>6,038,145</b>	<b>3,291,330,551</b>	<b>4,955,097</b>	<b>3,561,114,844</b>
Payable to clearing house	1,904,234	-	-	-
<b>Total</b>	<b>7,942,379</b>	<b>3,291,330,551</b>	<b>4,955,097</b>	<b>3,561,114,844</b>

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

Payable to Clearing House pertain to payable to SCCP and arises when total buying transactions exceeds total selling transaction within the last three days of the fiscal year. Payable to Clearing House amounted to P1,904,234 in 2023 and nil in 2022.

## 13. Payable to Non- Customers

Payable to non-customers is as follows:

	2023		2022	
Ratio of market value of securities to debit balances	<b>Credit balances</b>	<b>Market value of securities</b>	Credit balances	Market value of securities
Free				
With money balances	1,285,751	109,605,180	123,883	15,665,958
No money balances		213,655,001		100,465,193
<b>Total</b>	<b>1,285,751</b>	<b>323,260,181</b>	<b>123,883</b>	<b>116,131,151</b>

Payable to non-customers are expected to be settled within the next operating cycle of the Company. This account consists of claims due to other parties which are non-trade related.

#### 14. Other Current Liabilities

	2023	2022
Accrued personnel benefits	1,555,630	785,076
Due to BIR	154,277	86,925
SSS, HDMF and Philhealth payables	1	13,963
SCCP and Transaction fee payable	12,191	7,648
<b>Total</b>	<b>1,722,099</b>	<b>893,613</b>

Accrued personnel benefits pertain to bonus, 13<sup>th</sup> month pay and other related benefits of employees during the year as well as retirement benefits.

Due to BIR account consists of the following:

	2023	2022
Withholding tax payable	87,700	33,200
VAT payable	37,673	29,499
Stock transaction tax payable	26,816	22,790
Expanded withholding tax	2,089	1,437
<b>Total</b>	<b>154,277</b>	<b>86,925</b>

Other current liabilities are expected to be settled within the next 12 months.

#### 15. Share Capital

	2023	2022
Authorized - Par value, P100 per share:		
1,000,000 shares;	100,000,000	
500,000 shares in 2022	50,000,000	
Subscribed 1,000,000 shares; 500,000 shares in 2022	100,000,000	50,000,000
Less: Subscription Receivables - 82,000 shares	-	(8,200,000)
<b>Subscribed and paid-up</b>	<b>100,000,000</b>	<b>41,800,000</b>

In its special meeting held on February 8, 2023, the Board of Directors and Stockholders of the Company resolved to increase the Company's authorized capital stock from Fifty Million Pesos (P50,000,000) to One Hundred Million Pesos (P100,000,000) consisting of One Million (1,000,000) shares at the par value of One Hundred Pesos (P100.00) per share. The increase in authorized capital stock and the corresponding amendment to its Articles of Incorporation was approved by the SEC on April 20, 2023

As of October 31, 2023, the Company has eight (8) shareholders and five (5) of which own 100 or more shares each.



# **16. Net Unrecognized Actuarial Losses on Retirement Liability**

Unrecognized actuarial losses are on retirement liability that includes effects of differences between previous actuarial assumptions and what has actually occurred. Movement of the account is as follows:

	Gross (Note 22)	Tax effect	Net
October 31, 2021	(300,840)	(93,433)	(207,407)
Actuarial gain during the year	1,325,252	265,050	1,060,202
October 31, 2022	1,024,412	171,617	852,795
Actuarial loss during the year	(207,189)	(51,797)	(155,392)
Adjustment on tax rate		84,486	(84,486)
<b>October 31, 2023</b>	<b>817,223</b>	<b>204,306</b>	<b>612,917</b>

# **17. Retained Earnings**

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

No appropriation was made in 2023 and 2022 since the Company incurred net loss in both years.

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

# **18. Cost of Services**

This account consists of the following:

	Notes	2023	2022
Personnel cost - operations	21	<b>4,426,186</b>	3,106,174
PSE dues and fees		<b>453,588</b>	349,831
Retirement benefit cost	22	<b>365,913</b>	190,181
Research fees		<b>81,557</b>	81,557
<b>Total</b>		<b>5,327,244</b>	3,727,743

## 19. Other Revenue

This account consists of the following:

	Notes	2023	2022
Interest on bank deposits	7	30,727	16,393
Reversal of allowance for credit losses	8	3,503	-
Dividends	9	3,407,954	2,853,150
<b>Total</b>		<b>3,442,184</b>	<b>2,869,543</b>

## 20. Operating Expenses

The breakdown of operating expenses follows:

	Notes	2023	2022
Personnel cost - administration	21	2,708,564	2,500,972
Taxes and licenses		671,749	68,126
Depreciation	11	466,648	276,569
Retirement benefit cost	22	299,384	155,603
Entertainment, amusement and recreation		162,868	57,659
Utilities		137,507	139,404
Office supplies		134,057	329,853
Postage, telephone and communication		127,329	132,502
Professional fees		69,000	48,000
Insurance expense		38,749	40,369
Repairs and maintenance		30,222	41,739
Transportation and travel		14,547	10,806
Gas and oil		3,187	893
Trainings and seminars		600	-
Provision of allowance for credit losses	8	-	10,397
Miscellaneous expense		129,414	108,201
<b>Total</b>		<b>4,993,823</b>	<b>3,921,092</b>

## 21. Personnel Cost

Details of this account are broken down as follows:

2023	Cost of services	Operating expenses	Total
Salaries and wages	2,674,227	1,588,568	4,262,795
13th month pay and related benefits	1,450,530	683,882	2,134,412
Employee welfare	167,693	181,793	349,486
SSS contribution	90,695	181,605	272,300
Philhealth contribution	19,100	25,520	44,620
HDMF fund contribution	23,940	47,196	71,136
Total	4,426,186	2,708,564	7,134,750

2022	Cost of services	Operating expenses	Total
Salaries and wages	1,990,352	1,648,500	3,638,852
13th month pay and related benefits	750,560	641,571	1,392,130
SSS contribution	178,801	102,164	280,965
Employee welfare	143,820	77,580	221,400
HDMF fund contribution	26,736	17,357	44,093
Philhealth contribution	15,905	13,800	29,705
Total	3,106,174	2,500,972	5,607,145

## 22. Retirement Liability

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

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

	2023	2022
Present value of the obligation	9,812,022	8,939,536
Fair value of plan assets	-	-
Liability to be recognized in the Statement of financial position	9,812,022	8,939,536

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

	2023	2022
Balance, beginning	8,939,536	9,919,004
Interest cost	576,600	235,080
Current service cost	88,697	110,704
Benefits paid	-	-
Actuarial (gain)/loss on;		
Changes in financial assumptions	(7,481)	(478,059)
Changes in demographic assumptions	-	2,842
Experience	214,670	(850,035)
Balance, ending	9,812,022	8,939,536

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

	2023	2022
Current service cost	88,697	110,704
Net interest cost	576,600	235,080
Expense recognized during the year	665,297	345,784

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

	2023	2022
Accumulated loss/(gain) in other comprehensive income, beginning	(1,024,412)	300,840
Actuarial (gain)/loss- DBO	207,189	(1,325,252)
Remeasurement gain - plan assets	-	-
Remeasurement gain -	-	-
changes in the effect of the asset ceiling	-	-
Defined benefit cost in OCI - (income)/expense	207,189	(1,325,252)
Accumulated loss in other comprehensive income, ending	(817,223)	(1,024,412)

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

	2023	2022
Discount rate	6.52%	6.45%
Salary increase rate	2.00%	2.00%

Sensitivity analysis as follows:

	2023		2022
Decrease in DBO due to 100 bps increase in discount rate	(100,933)	;	(83,993)
Increase in DBO due to 100 bps decrease in discount rate	112,918	;	93,901
Increase in DBO due to 100 bps increase in salary increase rate	117,024	;	97,246
Decrease in DBO due to 100 bps decrease in salary decrease rate	(106,155)	;	(88,284)

Expected future benefit payments as follows:

Financial Year	Amount
Year 1	7,817,012
Year 2	-
Year 3	1,241,625
Year 4	-
Year 5	1,299,462
Year 6 - 10	264,522

The Company's average remaining working life was 2.8 and 3.6 years in October 31, 2023 and 2022.

The weighted average duration of Defined Benefit obligation is 1.1 and 1.0 years in October 31, 2023 and 2022, respectively.

### 23. Income Tax

This account consists of the following:

	2023	2022
Current:		
Regular income tax	-	-
Retirement benefits paid	-	-
Final tax on interest income	(6,145)	(3,279)
Total current expense	(6,145)	(3,279)
Deferred:		
Unrealized loss at FVPL	1,090,014	2,567,066
Net operating loss carry over (NOLCO)	1,028,946	164,133
Provision for retirement benefits	166,324	69,157
Unallowable representation expense	-	-
Provision/(Reversal) for credit losses	18,118	2,079
Adjustment for DTA - Retirement	446,978	-
Adjustment for DTA - NOLCO	324,836	-
Adjustment on actuarial loss	84,486	-
Adjustment for DTL	(822,456)	-
Total deferred benefit	2,337,246	2,802,435
	2,331,101	2,799,156



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

	2023	2022
(Profit)/ Loss before income tax	1,070,416	2,228,527
Tax effect of:		
Non-taxable income		
Dividend income	851,989	570,630
Provision for/(Reversal of) credit losses	876	-
Interest income	1,536	-
Unallowable representation expense	(27,138)	-
Non-deductible expenses		
Adjustment on DTA - Retirement	446,978	-
Adjustment on DTA - NOLCO	324,836	-
Adjustment on DTL	(822,456)	-
Adjustment on actuarial loss	84,486	-
Provision for allowance for credit losses	18,118	-
Sale of FA at FVPL subject to final tax	381,461	-
Total	2,331,101	2,799,156

Validity of NOLCO follows:

Year Incurred	Validity	Applied Previous Years	Applied Current Year	Expired	NOLCO Unapplied
2020	2025	-	-	-	3,383,582
2021	2026	-	-	-	2,292,474
2022	2025	-	-	-	820,667
2023	2026	-	-	-	4,115,786
				-	10,612,509

The NIRC 1997 provides for the recognition of Net Operating loss Carryover (NOLCO). NOLCO is allowed as deduction from the taxable income in the next three years from inception year.

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

A minimum corporate income tax (MCIT) of 2% of the gross income as defined in Republic Act No. 8424 is imposed when MCIT is greater than the RCIT.

Validity of MCIT follows:

Year Incurred	Validity	Applied Previous Years	Applied Current Year	Expired	MCIT Unapplied
2020	2023	-	-	4,411	-
2021	2024	-	-	-	33,060
2022	2025	-	-	-	29,344
2023	2026	-	-	-	6,252
				4,411	68,656

#### CREATE Act

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

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

Creditable withholding taxes are taxes withheld by payers and remitted to the BIR in behalf of the Company. This can be deducted from the Company’s income tax liability.

Creditable withholding tax is as follows:

	2023	2022
Creditable withholdng tax	971,200	718,136

Deferred tax assets/(liability)

Deferred income tax assets/(liability) consist of:

2023				
	Balance at the beginning of year	Charged to income	Charged to equity	Balance at the end of year
Deferred tax asset:				
Retirement benefit obligations	1,787,905	665,101	-	2,453,006
NOLCO	1,299,345	1,353,783	-	2,653,127
MCIT	66,815	6,252	(4,411)	68,656
Allowance for credit and impairment losses	46,539	18,118	-	64,657
Total deferred tax asset	3,200,604	2,043,254	(4,411)	5,239,445
Deferred tax liability:				
Fair value adjustments of the financial assets at FVPL	6,789,828	(267,558)	-	6,522,270
Deferred tax asset/(liability), net	3,589,224			(1,282,825)
2022				
	Balance at the beginning of year	Charged to income	Charged to equity	Balance at the end of year
Deferred tax asset:				
Retirement benefit obligations	1,983,800	69,157	(265,050)	1,787,905
NOLCO	1,734,347	164,133	(599,136)	1,299,345
MCIT	49,988	29,344	(12,517)	66,815
Allowance for credit and impairment losses	44,460	(2,237)	4,316	46,539
Total deferred tax asset	3,812,595	260,397	(872,387)	3,200,604
Deferred tax liability:				
Fair value adjustments of the financial assets at FVPL	9,356,893	(2,567,065.00)	-	6,789,828
Deferred tax asset/(liability), net				(3,589,224)

## 24. Related Party Transactions

### Key management personnel compensation

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

	2023	2022
Salary	4,262,795	3,638,853
13th month and other benefits	2,134,412	1,392,130
Total	6,397,207	5,030,983

### Trading rights

The Company is a Trading Participant in the PSE using the Trading Rights of Ms. Carmelita Yao, a relative of stockholders owning 66% of the company's stocks.

An agreement was executed between Mrs. Carmelita Yao and the Company that authorized the latter to use the Trading Rights of the former. The said agreement does not provide terms for any compensation or fee for the use of such rights.

## 25. Effects of COVID19 Pandemic to Operations

The Philippines has experienced a pandemic due to the novel coronavirus (COVID- 19). The rapid spread of the disease has forced the Philippine Government to declare a state of calamity throughout the country which resulted in the imposition of an Enhanced Community Quarantine (ECQ) throughout Luzon starting midnight of March 16, 2020 until May 15, 2020. On January 14, 2022, trading hours have been reduced by the Philippine Stock Exchange (PSE) to 9:00 am – 1:00 pm from the normal 9:30 am – 3:00 pm due to surge of COVID-19 cases caused by Omicron variant. Normal trading hours resumed on March 1, 2022 and remains effective as of October 31, 2023. As of October 31, 2023, no alert level or restriction were present.

This event, as at October 31, 2022, has not significantly affected the Company since the operation still continued.

## 26. Approval of Financial Statements

The Board of Directors authorized the accompanying financial statements for issue on February 15, 2024.

## 27. Supplementary Information required by the Bureau of Internal Revenue

### Revenue regulation no. 15-2010

Revenue Regulation 15-2010 issued by the Bureau of Internal Revenue, requires, in addition to the disclosures mandated under the Philippine Financial Reporting Standards, and such other standards and/or conventions as may heretofore be adopted, the Notes to Financial Statements to include information on taxes, duties and license fees paid or accrued during the taxable year, as follow:

#### Value-added tax

	2023	2022
Income subject to VAT	5,431,431	6,471,988
Tax rate	12%	12%
Output VAT for the year	651,772	776,639

#### Input VAT

Input VAT for the year	-	-
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#### Withholding taxes

	2023	2022
Tax withheld by the company on:		
Compensation	504,308	808,202
Expanded	26,233	
	530,541	808,202

#### Taxes and licenses

	Date	O.R Number	2023	2022
Municipal taxes, licenses and permits	1/17/2022	MKTCTF4427288	31,671	26,172
SEC Registration fee	11/16/2022	2021116-4403370	36,895	37,905
Community tax certificate	1/17/2022	CCC201900121212	102,070	2,906
Barangay clearance	1/17/2022	MKT9129617	1,040	570
BIR registration fee	1/5/2022	BIR Form No. 0605	500,000	500
Others	various	various	73	73
<b>Total taxes and licences paid</b>			<b>671,749</b>	<b>68,126</b>

As of the year ended October 31, 2023, the Company has no pending tax assessment and litigation.

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