MAKATI FINANCE
CORPORATION
MORE THAN JUST FINANCING

November 12, 2021

via electronic mail
ictdsubmission@sec.gov.ph

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307

Attention: **Mr. Vicente Graciano P. Felizmenio, Jr.**
Director, Markets and Securities Regulation Dept.

The Disclosure Department
THE PHILIPPINE STOCK EXCHANGE, INC.
3rd Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention: **MS. JANET A. ENCARNACION**
Head of Disclosure Department

Gentlemen:

We are sending herewith the Quarterly Report for the period ended September 30, 2021 (SEC Form 17-Q) of Makati Finance Corporation.

We are making this disclosure in compliance with the Continuing Listing Requirements of the Philippine Stock Exchange.

MAKATI FINANCE CORPORATION
Registrant

By:

MARCOS E. LAROSA
Chief Finance Officer/CIO

COVER SHEET

		2	8	7	8	8				

S.E.C. Registration Number

M A K A T I F I N A N C E C O R P O R A T I O N

(Company's Full Name)

3 RD FLOOR MAZDA MAKATI
BUILDING 2301 CHINO ROCES
BARANGAY MAGALLANES
AVENUE MAKATI CITY 1231

(Business Address : No. Street/City/Province)

MARCOS E. LAROSA
Contact Person

(02) 7751-8132
Company Telephone Number

1 2 (Month) **3 1** (Day)
Fiscal Year
2021

SEC Form 17-Q
3rd Qtr.2021
FORM TYPE

Financing
Secondary License Type, If Applicable

0 7 (Month) (Day)
Annual Meeting
Every last Thursday of July

M S R D
Dept. Requiring this Doc.

Amended Articles Number/Section

109
Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

Document I.D.

STAMPS

LCU

Cashier

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **September 30, 2021**

2. Commission identification number **28788**

3. BIR Tax Identification No. **000-473-966**

4. **MAKATI FINANCE CORPORATION**
   Exact name of issuer as specified in its charter

5. **MAKATI CITY, PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: [ ] (SEC Use Only)

7. **3F Mazda Makati, 2301 Chino Roces Avenue, Brgy. Magallanes, Makati City** **1231**
   Address of issuer's principal office Postal Code

8. **(0632) 7751-8132**
   Issuer's telephone number, including area code

9. **7823 MAKATI AVENUE, POBLACION, MAKATI CITY 1210**
   Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of Common Stock Outstanding and amount of debt outstanding
COMMON STOCK	**267,828,098***

**as reported by the stock transfer agent as of September 30, 2021*

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [X] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    _PHILIPPINE STOCK EXCHANGE__ ______Common Stock______

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
    Yes [/] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [/]   No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements. (See Annex A)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Key Variable and Other Qualitative and Quantitative Indicators

Financial Ratios (For the Quarter Ending September)

	2021	2020
NET INTEREST INCOME RATIO	**79.30%**	71.99%
EBIT MARGIN	**39.20%**	36.69%
RETURN ON ASSETS (ANNUALIZED)	**0.99%**	(0.01%)
DEBT TO EQUITY	**130.09%**	160.55%
RETURN ON EQUITY (ANNUALIZED)	**2.27%**	(0.02%)

Net interest income as of end of September 2021 ended at ₱102.7 million, 28% higher versus same period last year of ₱80 million, mainly due to better collections this year on product lines that generates higher effective interest rates. Net Income ended at ₱9.2 million this year, higher versus a loss of ₱.085 million in September 2020. Net interest income ratio, ended at 79.68%, higher versus 71.99% in the same period last year. On the other hand, EBIT margin, which measures profitability performance as annualized net income before interest expenses and taxes over the total interest income, ended at 39.2% this year, higher versus 36.69% in 2020. Return on assets was 0.99% in 2021, higher versus negative negative 0.01% in 2020 due to increase in Net Income this year. This ratio of annualized net income over the total assets is an indicator of management effectiveness. The return on equity or the ratio of annualized net income over the stockholder's equity was at 2.27% in 2021, higher versus negative 0.02% in the same period last year. The ROE measures the return on funds provided by the stockholders. The income generated steadily grows as the Company grows quality loan portfolio.

Liquidity

As for the Company's working capital requirements, the Company monitors its liquidity position on a daily basis and does not anticipate any cash flow or liquidity problem within the next twelve months. Makati Finance has available credit lines with its parent company, Amalgamated Investment Bancorporation at interest within accepted regulatory requirements to be considered as arms-length transaction and other bank lines. The Company also get other bank lines for possible cash inflow. The Company's acquired assets are being offered at good prices, which is also a good source of funds. In the meantime, fund requirements are being met by loans, collections, acceptance of private placements under the 19 lender rule and intensive efforts in disposal of real estate acquired assets.

Events that will Trigger Material Direct or Contingent Financial Obligation

There are no expected events that will trigger any material direct or contingent liabilities that the company may incur.

Material Off-Balance Sheet Transactions, Arrangements or Obligations

There are no material Off-Balance Sheet transactions, arrangements or obligations.

Material Commitments for Capital Expenditure

The Company has no expected capital expenditures in 2021.

Results of Operations/Material Changes in Financial Statement Accounts

The company posted a net income of ₱9.2 million as of 3rd Quarter of this year. Net interest income as of September 2020 amounted to ₱102.7 million, higher by ₱22.7 million versus ₱80.0 million in 2020. The thrust in loan production is to produce more low risk, low interest yield loans for higher quality portfolio.

Total operating expenses incurred amounted to ₱102.9 million as of September 2021. The Company continues to provide allowance for doubtful accounts within the limits of the newly implemented Accounting Standards on valuation of assets.

Total assets amounted to ₱1,240 million as of September 2021, 6% lower from ₱1,314 million as of December 31, 2020. The decrease is primarily due Loans Receivable which dropped by 9% or ₱83 million from ₱994 million in December 31, 2020 to ₱907 million as of September 30, 2021, due to the impact of the pandemic resulting to lower loan releases this year. Total liabilities amounted to ₱701 million as of September 30, 2021, 10% lower from ₱783 million in December 2020 due to loan payments made this year.

Material Events or Uncertainties

The Company had no material foreign exchange transactions; hence the peso depreciation had no direct effect on the company's financials. Management is not aware at this time of any forthcoming trends, uncertainties, demands, or events that would materially affect the Company's liquidity nor would have a material impact on its net income from continuing operations. There are also no material off-balance sheet transactions, arrangements nor obligations with unconsolidated entities.

PART II - OTHER INFORMATION

NOT APPLICABLE.

There are no material disclosures that have not been reported under SEC Form 17-C covered by this period.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer...........……….......….…. **RENE B. BENITEZ**..........…...............

Signature and Title...........…………...**CHAIRMAN**...……….............

Date ……November 12, 2021

Principal Financial/Accounting Officer/Controller...…..... **MARCOS E. LAROSA**........................

Signature and Title.. Chief Finance Officer/Compliance Office

Date ……. November 12, 2021

ANNEX A

INTERIM FINANCIAL STATEMENTS

For the Period Ending September 30, 2021
With Comparative Figures for 2020

MAKATI FINANCE CORPORATION

(A Subsidiary of Amalgamated Investment Bancorporation)

INTERIM STATEMENTS OF FINANCIAL POSITION
FOR THE PERIOD ENDING September 30, 2021, 2020 AND DEC. 31, 2020

	Note	**Sept. 30, 2021 (Unaudited)**	Dec.31, 2020 (Audited))	Sept 30, 2020 (Unaudited
ASSETS				
Cash and cash equivalents	*6*	**₱78,842,197**	₱74,788,904	₱77,462,685
Loans and other receivables -net	*7*	**906,834,354**	994,335,152	1,030,773,308
Property and equipment - net	*8*	**8563350**	6,990,218	6,770,419
Investment properties - net	*9*	**56,294,550**	61,240,053	62,458,217
Right-of-use assets - net	*20*	**23,636,443**	23,636,443	23,882,655
Deferred tax assets - net	*17*	**54,141,332**	57,221,822	62,185,232
Other assets - net	*10*	**111,470,624**	96,124,946	86,302,300
		₱1,239,782,850	₱1,314,337,538	₱1,349,834,816

LIABILITIES AND EQUITY

Liabilities				
Notes payable	*11*	**₱ 588,951,777**	₱686,393,001	₱ 733,286,013
Accounts payable	*18*	**26,541,994**	19,212,094	17,546,475
Accrued expenses	*12*	**48,309,298**	41,227,498	46,555,716
Income tax payable	*17*	**336,794**	761,701	
Lease liabilities	*20*	26,899,594	26,899,594	
Other liabilities		**435,964**	-	34,376,469
Retirement benefits liability - net	*15*	**9,477,069**	8,577,069	
		₱700,952,490	₱783,070,957	₱ 831,764,673
Equity				
Capital stock	*14*	**267,828,098**	266,204,047	266,204,047
Additional paid-in capital		**5,803,922**	5,803,922	5,803,922
Retained earnings		**262,301,637**	256,361,909	241,969,706
Remeasurement gains on retirement benefit liability - net of tax	*15*	**2,896,703**	2,896,703	4,092,468
		₱538,830,360	₱531,266,581	₱518,070,143
		₱ 1,239,782,850	₱1,314,337,538	₱1,349,834,816

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER ENDING September 30, 2021, and 2020

	FOR 3 MONTHS ENDING		FOR 9 MONTHS ENDING	
	2021-Sept 30	2020-Sept 30	**2021-Sept 30**	2020-Sept 30
Interest Income – Loans *(Note 6,7)*	**₱42,748,051**	₱42,670,351	**₱128,896,867**	₱111,127,066
Interest Expense *(Note 11,20)*	**8,359,512**	10,199,510	**26,190,147**	31,132,026
	₱34,388,539	₱32,470,841	**₱102,706,720**	₱79,995,040
Other Income:				
Service Charges	**671,441**	915,553	**3,822,105**	2,795,216
Miscellaneous *(Note 16)*	**2,835,102**	4,443,477	**10,211,082**	7,791,101
	₱3,506,543	₱5,359,030	**₱14,033,187**	₱10,586,317
Net Operating Income	**₱37,895,082**	₱37,829,871	**₱116,739,907**	₱90,581,357
Operating Expenses				
Salaries and employee benefits	**13,823,145**	14,039,280	**42,276,844**	40,662,226
Depreciation and amortization *(Note 8,9,10,20)*	**883,489**	1,038,895	**3,656,050**	3,842,811
Taxes and licenses	**3,905,321**	3,122,659	**10,463,870**	8,672,629
Provision (recovery) for credit losses *(Note 7)*	**6,487,611**	2,898,001	**11,875,531**	6,774,149
Management and professional fees	**1,489,039**	1,769,728	**4,887,388**	4,779,466
Loss (gain) from sale of repossessed assets	**(2,003,376)**	(1,308,753)	**(2,035,869)**	(2,301,577)
Travel and transportation	**1,484,901**	1,231,175	**5,036,361**	2,837,524
Occupancy costs	**5,258,464**	5,017,514	**16,046,523**	16,130,720
Commission	**95,951**	13,819	**614,025**	351,450
Entertainment, amusement and recreation	**10,934**	112,431	**214,389**	402,842
Miscellaneous *(Note 16)*	**3,623,451**	2,937,420	**9,828,609**	7,462,299
Total Operating Expenses, Net	**₱35,058,930**	₱30,872,169	**₱102,863,721**	₱89,614,539
Net Income Before Income Tax	**₱2,836,152**	₱6,957,702	**₱13,876,186**	₱966,818
Provisions for Tax/Deferred Tax Adjustment	**1,131,094**	1,476,518	**4,688,267**	1,051,864
Net Income (Net Loss)	**₱1,705,058**	₱5,481,184	**₱9,187,919**	₱ (85,046)
Other Comprehensive Income	**-**	-	**-**	-
Total Comprehensive Income (Loss)	**₱1,705,058**	₱5,481,184	**₱9,187,919**	₱(85,046)
Basic and Diluted Earnings Per Share	**0.01**	0.02	**2.02**	0.00

See Notes to the Financial Statements.

***As of September 30, 2021, and September 30, 2020,** there were no shares of stock that have a dilutive effect on the earnings per share of the Company.

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDING September 30, 2021 AND 2020 AND DECEMBER 31, 2020

	Capital Stock (Note 14)	Additional Paid-in Capital	Retained Earnings	Remeasurement Gains on Retirement Benefit Liability, net of tax (Note 15)	Total Equity
Balance at January 1, 2021	**₱266,204,047**	**₱5,803,922**	**₱256,361,909**	**₱2,896,703**	**₱531,266,581**
Stock dividends	1,624,051	–	(1,624,051)	–	–
Cash dividends	–	–	(1,624,140)	–	(1,624,140)
Total comprehensive income					
Net income	–	–	9,187,919	–	9,187,919
Other comprehensive loss	–	–	–	–	–
	–	–	0		0
Balance at September 30, 2021 (Unaudited)	**₱267,828,098**	**₱5,803,922**	**₱262,301,637**	**₱2,896,703**	**₱538,830,360**

Forward

	Capital Stock (Note 14)	Additional Paid-in Capital	Retained Earnings	Remeasurement Gains on Retirement Benefit Liability, net of tax (Note 15)	Total Equity
Balance at January 1, 2020	**₱262,948,243**	**₱5,803,922**	**₱252,046,301**	**₱4,092,468**	**₱524,890,934**
Stock dividends	**3,255,804**	**–**	**(3,255,804)**	**–**	**–**
Cash dividends	**–**	**–**	**(3,255,891)**	**–**	**(3,255,891)**
Total comprehensive income					
Net income	**–**	**–**	**10,827,303**	**–**	**10,827,303**
Other comprehensive loss	**–**	**–**	**–**	**(1,195,765)**	**(1,195,765)**
	–	**–**	**10,827,303**	**(1,195,765)**	**9,631,538**
Balance at December 31, 2020	**₱266,204,047**	**₱5,803,922**	**₱256,361,909**	**₱2,896,703**	**₱531,266,581**

Forward

	Capital Stock (Note 14)	Additional Paid-in Capital	Retained Earnings	Remeasurement Gains on Retirement Benefit Liability, net of tax (Note 15)	Total Equity
Balance at January 1, 2020	₱262,948,243	₱5,803,922	₱248,566,443	₱4,092,468	₱521,411,076
Adjustments	–	–	5	–	5
Balance at January 1, 2020, as restated	₱262,948,243	5,803,922	₱248,566,448	4,092,468	521,411,081
Stock dividends	3,255,804	–	(3,255,804)	–	–
Cash dividends	–	–	(3,255,891)	–	(3,255,891)
Total comprehensive income					
Net income	–	–	(85,046)	–	(85,046)
Other comprehensive loss	–	–	–	–	–
	–	–	(85,046)	–	(85,046)
Balance at September 30, 2020 (Unaudited)	₱266,204,047	₱5,803,922	₱241,969,707	₱4,092,468	₱518,070,144

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

INTERIM STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDING SEPTEMBER 30, 2021 AND 2020 AND DECEMBER 31, 2020

	Note	Sept 30, 2021 (Unaudited)	Dec. 31, 2020 (Audited))	Sept 30, 2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱13,876,186**	₱17,571,596	₱ 966,818
Adjustments for:				
Depreciation and amortization	*8,9,10,20*	**4,599,313**	18,502,108	4,154,946
Provision (recovery) for credit losses on loans and other receivables	*7*	**10,067,734**	14,649,739	6,774,149
Provision for (reversal of) impairment loss of repossessed assets	*10*	**1,807,797**	(3,492,533)	247,014
Loss (gain) from sale of repossessed assets	*10*	**(2,757,796)**	(3,296,379)	(2,687,618)
Retirement benefits expense	*15*	**–**	2,894,024	
Interest expense from lease liabilities	*20*	**–**	2,025,648	–
Provision for impairment loss of investment properties	*9*	**–**	915,951	–
Operating income before changes in working capital		**₱27,593,234**	₱49,770,154	₱9,455,309
Decrease (increase) in:				
Loans and other receivables		**83,484,832**	11,216,730	(16,839,110)
Other assets		**(22,079,240)**	(50,249,505)	(623,804)
Increase (decrease) in:				
Accounts payable		**1,126,072**	(11,964,493)	(11,140,430)
Accrued expenses		**20,135,582**	9,829,968	13,924,678
Net cash flows used in operating activities		**₱110,260,480**	₱8,602,854	(₱5,223,357)
Income taxes paid	*17*	**(1,590,654)**	(1,906,171)	(625,881)
Proceeds from sale of repossessed assets	*10*	**–**	48,830,590	–
Net cash provided by (used in) operating activities		**₱108,669,826**	₱55,527,273	(₱4,597,476)

Forward

	Note	Sept 30, 2021 (Unaudited)	Dec. 31, 2020 (Audited))	Sept 30, 2020 (Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and equipment	8	**(5,551,169)**	(899,846)	(1,387,184)
Software	10		(17,465)	–
Net cash used in investing activities		**(5,551,169)**	(917,311)	(1,387,184)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of notes payable	21	**79,216,659**	206,074,736	135,905,876
Settlements of notes payable	21	**(176,657,883)**	(228,990,783)	(111,928,911)
Payments of lease liabilities	20	**–**	(16,375,478)	–
Cash dividends paid- including fractional shares	14	**(1,624,140)**	(3,255,804)	(3,255,891)
Net cash provided by (used in) financing activities		**99,065,364)**	(42,547,329)	₱ 20,721,074
NET INCREASE (DECREASE) IN CASH IN CASH AND CASH EQUIVALENTS		**4,053,293**	12,062,633	14,736,414
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**74,788,904**	62,726,271	62,726,271
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱ 78,842,197**	₱74,788,904	₱ 77,462,685
OPERATIONAL CASH FLOWS FROM INTEREST				
Interest received		**₱128,896,867**	₱164,100,975	₱111,127,066
Interest paid		**₱26,190,720**	₱40,126,133	₱31,132,026

See Notes to the Financial Statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED SEPTEMBER 30, 2021 AND 2020
(WITH COMPARATIVE FIGURES AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020)

1. Reporting Entity

Makati Finance Corporation *(A Subsidiary of Amalgamated Investment Bancorporation)* (the “Company") was incorporated in the Philippines on February 17, 1966. The Company operates as a domestic corporation engaged in the sale of various financial products and services, catering generally to the consumer market.

On October 21, 2015, the Philippine Securities and Exchange Commission (SEC) approved the request of the Company to amend its Articles of Incorporation for the extension of the corporate term for another 50 years.

Amalgamated Investment Bancorporation (AIB) (the “Parent Company”) owns 42.89% of the Company as at December 31, 2020 and 2019.

On March 11, 2002, the Board of Directors (BOD) and stockholders approved the offer of up to 19,560,000 shares from the Company’s unissued common stock through initial common public offering (IPO). The application for the IPO of the Company was approved by the SEC and the Philippine Stock Exchange (PSE), on December 9, 2002 and November 28, 2002, respectively. The Company was listed in the PSE under the Small and Medium Enterprise Board on January 6, 2003, with an offer price of ₱1.38 per share.

As at September 30, 2021, the Company’s closing price at the PSE amounts to ₱2.40 per share.

The Company’s principal place of business is at 3rd Floor Mazda Makati Building, 2301 Chino Roces Avenue, Barangay Magallanes, Makati City.

2. Basis of Preparation

Statement of Compliance
The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

Basis of Preparation
The financial statements of the Company have been prepared on the historical cost basis. except for financial assets at fair value through other comprehensive income (FVOCI) which are measured at fair value on each reporting date.

Functional and Presentation Currency
The financial statements are presented in Philippine peso, which is the functional currency of the Company. All values are rounded off to the nearest peso (₱), except when otherwise indicated.

3. Significant Accounting Policies

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2020:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*. The amendments address the definition of material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

  These amendments had no impact on the financial statements of the Company.

- Conceptual Framework for Financial Reporting (Revised). The IASB issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework), a comprehensive set of concepts for financial reporting, in March 2018.

  It sets out:
  - the objective of financial reporting
  - the qualitative characteristics of useful financial information
  - a description of the reporting entity and its boundary
  - definitions of an asset, a liability, equity, income, and expenses
  - criteria for including assets and liabilities in financial statements (recognition) and guidance on when to remove them (derecognition)
  - measurement bases and guidance on when to use them
  - concepts and guidance on presentation and disclosure

  The purpose of the Conceptual Framework is to assist the IASB to develop financial reporting standards (Standards) based on consistent concepts, resulting in financial information that is useful to investors, lenders, and other creditors. It also assists preparers to develop consistent accounting policies for transactions or other events when no Standard applies, or a Standard allows a choice of accounting policies. The Conceptual Framework is not a Standard and does not override any Standard or any requirement in a Standard.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*. The amendments to PFRS 9 and PAS 39 *Financial Instruments: Recognition and Measurement and PAS 7 Financial Instruments: Disclosures* include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

  The mandatory reliefs provided in the Standard are as follows:

  - The assessment of whether a forecast transaction (or component thereof) is highly probable.
  - Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss.
  - The assessment of the economic relationship between the hedged item and the hedging instrument.
  - For a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship.

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

- Amendment to PFRS 16, *COVID-19 Related Rent Concession*. The amendment to PFRS 16 will provide relief to lessees for accounting for rent concessions from lessors specifically arising from covid-19 pandemic. While lessees that elect to apply the practical expedient do not need to assess whether a concession constitutes a modification, lessees still need to evaluate the appropriate accounting for each concession as the terms of the concession granted may vary.

  Lessees will apply the practical expedient retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings at the beginning of the annual reporting period in which the amendment first applied.

  These amendments had no impact on the financial statements of the Company.

<u>New and Amended PFRS Issued But Not Yet Effective</u>
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2020 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2021:

- Annual Improvements to IFRS: 2018-2020 Cycle

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

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

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

  - Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract* – The amendments specify the costs a Company includes when assessing whether a contract will be loss-making and is therefore recognized as an onerous contract. The amendments apply a "directly related approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities.

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

- Amendments to PAS 1, *Presentation of Financial Statements* - The amendments to PAS 1 specify the requirements for classifying current and noncurrent liabilities. The amendments will clarify that a right to defer must exist at the end of reporting period and the classification is unaffected by the likelihood that an entity will exercise its deferral right. The issuance of amendments was deferred until January 1, 2023 as a result of COVID-19 pandemic.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

  Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company.

Financial assets and financial liabilities

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

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

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

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

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

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

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

This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not “solely for payment of principal and interest” assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Company may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

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

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

As at September 30, 2021 and December 31, 2020, the Company does not have financial assets and liabilities at FVPL.

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

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

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

As at September 30, 2021 and December 31, 2020, the Company’s cash and cash equivalents, loans and other receivables, security deposits under other assets are included under this category (Notes 6, 7 and 10).

Financial liabilities at amortized cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at September 30, 2021 and December 31, 2020, the Company's liabilities arising from its notes payable, accounts payable, accrued expenses (excluding payable to government) and lease liabilities are included under this category (Notes 11,12, 18 and 20).

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

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

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

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

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

As at September 30, 2021 and December 31, 2020, the Company's investments in golf shares presented as "others" under other assets is included under this category (Note 10).

Reclassification

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

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

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

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

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

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

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

Impairment of financial assets at amortized cost

Overview of the ECL principles

The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk of the financial asset since origination. Otherwise if a significant increase in credit risk is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The major portfolios of financial assets identified upon initial analysis of the Company's credit exposure are loans and accounts receivables and refundable deposits. Loan and other receivables may be availed by specific individuals. Financial assets are grouped into Stage 1, Stage 2, and Stage 3 as described below.

Definition of "default" and "cure"

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower delays on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Significant increase in credit risk

In order to determine whether an instrument is subject to 12-month or Lifetime ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. These may include adverse trends or developments of financial, managerial, economic or political nature, or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics or may only be potential that deserves management's close attention and may lead to significant losses or may result in collection or liquidation of the outstanding loan amount to be highly improbable. For exposures without internal credit grades, if contractual payments are more than a specified day past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial asset improves such that there is no longer a significant increase in credit risks since initial recognition, the Company shall revert to recognizing a 12-month ECL.

Staging assessment

For non-credit-impaired financial assets:

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

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

For credit-impaired financial assets:

Financial assets are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial asset or a portfolio of financial assets. The ECL model requires a lifetime ECL for impaired financial assets.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired assets. These are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit adjusted EIR. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

Assessment of ECL on a collective basis

The Company calculates ECL either on an individual or a collective basis. The Company performs collective impairment by grouping exposures into smaller homogenous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (i.e. facility, security, credit rating, and collateral type, etc.) are pooled together for calculating provisions based on the ECL models.

ECL parameters and methodologies

ECL is a function of the probability of default (PD), exposure-at-default (EAD), and loss-given default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual financial asset is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Company segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD consists of the amortized cost and any accrued interest receivable. For off-balance sheet and undrawn committed amounts, EAD includes a credit conversion factor which is an estimate of any further amount to be drawn at the time of default.

LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held. The Company applies a simplified ECL approach for its loans and accounts receivables wherein the Organization uses a provisioning matrix that considers historical changes in the behavior of the portfolio to predict conditions over the span of a given observation period.

Forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, interest rates and BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Derecognition of financial assets and liabilities

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

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

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

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

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

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

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

Offsetting of financial assets and liabilities

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

Classification of financial instrument between liability and equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

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

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

Cash and cash equivalents
Cash includes cash on hand and in banks which are stated at amortized cost. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Loans and other receivables - net
Loans and other receivables are amounts due from customers for services performed in the ordinary course of business.

Loans and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for ECL.

Property and equipment - net
Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Depreciation, which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Furniture, fixtures and equipment	2 – 5
Leasehold rights and improvements	10 or the period of the lease, whichever is shorter
Transportation equipment	3 – 5

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

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of comprehensive income in the period of retirement and disposal.

Investment properties - net
Investment properties primarily consist of foreclosed real estate properties. These are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. A gain or loss on exchange is recognized in profit or loss under “Gain on foreclosed assets” account.

Foreclosed real estate properties are classified under “investment properties” account upon:

(a) entry of judgment in case of judicial foreclosure;
(b) execution of the Sheriff’s Certificate of Sale in case of extra-judicial foreclosure; or
(c) notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

Subsequent to initial recognition, depreciable investment properties are carried at cost less depreciation and any impairment in value. The Company estimates the useful lives of its investment properties based on the period over which the assets are expected to be available for use. Any depreciation for these assets is calculated on a straight-line basis using a useful life that ranges from 15 to 25 years.

Expenditures incurred after the investment properties have been put into operations such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Investment properties are derecognized when it has either been disposed or when it is permanently withdrawn from the use and not future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognized in profit or loss in the year of derecognition.

Other assets - net
The Company's other assets consist of repossessed assets, prepaid securities, security deposits, software cost and other investments.

Repossessed assets
Repossessed assets are carried at cost which represents the unpaid balance of customer loans at initial recognition. Subsequently, the Company recognizes repossessed assets at cost less impairment. In determining the recoverability of the repossessed assets, management considers whether those assets are damaged or if the selling prices have declined. Likewise, management also considers the estimated costs to be incurred to make the sale. Repossessed assets is presented under "Other assets" account in the statements to financial position.

Prepaid securities
Prepaid securities are recognized when payments for goods or services are made in advance for the delivery of the goods or the rendering of the services. Prepaid securities are carried at cost less utilized portion and any impairment loss. Prepaid securities are derecognized upon consumption or usage. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Prepaid items are apportioned over the period covered by the payment.

Security deposits
Security deposits represent payments made in relation to the lease and other agreements entered into by the Company. These are carried at amortized cost and will generally be applied as lease payment at the end of the agreements. Defaults on rent and utilities payment and other damages the Company may incur are applied against these deposits.

Software costs
Software costs that are not an integral part of the hardware are classified as intangible assets. This is included under "Other assets – net" account in the statements of financial position, which includes costs incurred relative to the development of the Company's software.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure is expensed as incurred.

Software asset is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software assets for the current and comparative periods range from three to five years.

Amortization methods, useful lives are reviewed at each reporting date and adjusted if appropriate.

Impairment of non-financial assets
The carrying amounts of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statements of income in those expense categories consistent with the function of the impaired asset.

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 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 recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair value measurements

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: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

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

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 prices (unadjusted) in active market 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 or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

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 the categorization 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 asset or liability and the level of the fair value hierarchy.

Notes payable
Notes payable are recognized initially at transaction price (that is, the present value of cash payable to the creditors, including transaction costs). Notes payable are subsequently stated at amortized cost using EIR method, which ensures that any finance costs even the period of repayment is a consistent rate in the balance of the liability carried in the statements of the financial position.

Accounts payable and accrued expenses
Accounts payable and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business whichever is longer); otherwise, they are presented as noncurrent liabilities.

Accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions.

Provisions
Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Capital stock and additional paid-in capital
Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments. Share capital is measured at par value. When the shares are sold at premium, the difference between the proceeds and par value is credited as additional paid-in capital.

Retained earnings
Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense, including items previously presented under the statements of changes in equity, that are not recognized in profit or loss for the year. Other comprehensive income of the Company pertains to remeasurement gain on accrued retirement benefit costs.

Revenue recognition
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

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

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

Interest income on loans and other receivables. Interest income on loans and other receivables is recognized in profit or loss for all financial instruments measured at amortized cost using the EIR method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

Interest income from banks deposits - interest from bank deposit accounts is recognized as the interest is earned. Interest income is presented net of tax unless final tax is deemed significant.

Service charges - service charges are recognized as revenue as the services are rendered.

Miscellaneous - miscellaneous are recognized as revenue as the penalties and other charges accrues.

Gain or loss on sale of repossessed assets - Gain or loss on sale of repossessed assets is recognized when the Company disposes of its repossessed assets. Gain or loss is computed as the difference between the proceeds of the disposed repossessed assets and its carrying amount.

Costs and Expenses
Costs 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 decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Foreign currency denominated transactions and balances
Transactions in foreign currencies are recorded in Philippine Peso based on the exchange rates prevailing at the transaction dates. Foreign currency-denominated monetary assets and liabilities are translated into Philippine Peso using the prevailing exchange rate as of statements of financial position date. Exchange gains or losses arising from translation of foreign currency-denominated items at rates different from those at which they were previously recorded are recognized in profit or loss.

Retirement benefit costs
The liability or asset recognized in the statements of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of all related pension obligations.
Retirement benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current 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 amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit 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 benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Income tax

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive income. The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized using the liability method for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 date.

Current tax and deferred tax are recognized in the statements of comprehensive income, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Leases
At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset of either:
    - the Company has the right to operate the asset; or
    - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At the inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

For contracts entered into before January 1, 2019, the Company determines whether an arrangement is or contains a lease based on whether of:

- fulfillment of the arrangement was dependent on the use of a specific asset or assets;
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met;
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of output;

- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of output.

Company as a lessee. The Company recognizes a right-of-use asset and lease liability at the date of initial application for leases previously classified as an operating lease under PAS 17.

The right-of-use asset is initially measured as if the standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the estimated useful life of 3 to 15 years or the lease term.

In addition, the right-of-use is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments option renewal period if the Company is reasonably to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. It is remeasured when there is a change in future lease payments or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases. The Company applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Related parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities. The key management personnel of the Company and post-employment benefit plans for the benefit of the Company's employees are also considered to be related parties.

Contingencies
Contingent liabilities are not recognized in the financial statements. They are disclosed in the

notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Earnings per share
Basic earnings per share (EPS) is computed by dividing the profit to the weighted average number of common shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding and assume of all dilutive potential ordinary shares.

Segment reporting
The Company's operating businesses are recognized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 5 to the financial statements.

Events after the statement of financial position date
Post year-end events up to the date the financial statements are authorized for issue by the BOD that provide additional information about the Company's financial position at the financial reporting date (adjusting events) are recognized in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

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 the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

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

Determination whether an arrangement contains a lease **-** The Company assesses whether an arrangement contains a lease based on PFRS 16, as disclosed in Note 3. On adoption of PFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

The details of these lease agreements are disclosed in Note 20.

Company as lessee. The Company has entered into lease agreements as a lessee. Depreciation of right-of-use of asset and interest expense on lease liability recognized in profit or loss are disclosed in Notes 20.

Determining the lease term of contracts with renewal and termination options – Company as lessee. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Capitalization of software costs - The Company has entered into a contract for the development of its loans management system. The Company used judgment to decide whether development costs are capitalizable as intangible assets and to assess that the asset will generate probable future economic benefits. The Company recorded the cost under "Other assets - net" account in the statements of financial position.

Provisions and contingencies - The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risks and uncertainties into account.

As at September 30, 2021 and December 31, 2020, management assessed that no provisions nor contingencies are necessary to be recognized or disclosed in the financial statements.

Evaluating Deferred Tax. In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Classifying Financial Instruments. The Company exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

Estimates and assumptions

The key estimates and assumptions used in the financial statements are based upon the Company's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such estimates.

Determining significant increases in credit risk and estimating allowance for ECL - The Company establishes a three stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized (as well as the amount of interest revenue).

For the purpose of determining significant increases in credit risk and recognizing ECL, the Company groups its loans and other financial receivables on the basis of share credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

At initial recognition of a financial asset, the Company recognizes an ECL equal to 12-month expected credit losses. These are the credit losses that are expected to result from default events that are possible within 12 months from the reporting date. This means that the actual loss does not need to take place within the 12-month period; it is the occurrence of the default event that ultimately results in that loss.

After initial recognition, the three stages would be applied as follows:

- Stage 1: Credit risk has not increased significantly since initial recognition – recognize 12-month expected credit losses
- Stage 2: Credit risk has increased significantly since initial recognition – recognize lifetime expected losses with interest revenue being calculated based on the gross amount of the asset
- Stage 3: There is objective evidence of impairment as at the reporting date (using the criteria currently included in PFRS 9) – recognize lifetime expected losses, with interest revenue being based on the net amount of the asset (that is, based on the impaired amount of the asset).

Determining from recognizing 12-month expected credit losses to lifetime expected credit losses requires judgment and careful estimates from management as the focus is on the change in the risk of the default, and not on the changes in the amount of expected credit losses. When determining which loans and other receivables may be subject to lifetime expected credit losses, the Company considers indicators such as request for loan modification or restructuring, changes in the health condition of borrowers, when accounts become past due or when accounts are in default, changes in industry or economic conditions that affect the ability of the borrowers to pay and other changes in the expected behavior of the borrower, and past-due information.

The measurement of expected credit losses is based on the present value of cash shortfalls, and takes into account both the amount and timing of contractual payments, including any proceeds from the repossession and sale of collaterals. These are reassessed and adjusted on any expected changes in the credit risks. Therefore, a credit loss may arise in instances where there is a delay in the payment of contractually required amount, even if all contractual cash payments are ultimately expected to be received in full.

As at September 30, 2021 and December 31, 2020, allowance for ECL amounted to ₱148.39 million and ₱138.32 million, respectively (Note 7). The carrying values of loans and other receivables amounted to ₱0.91 billion and ₱0.99 billion as at September 30, 2021 and December 31, 2020, respectively (see Note 7).

Realizability of deferred tax assets - The Company reviews the carrying amounts of deferred taxes at each reporting date and reduce deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income.

As at September 30, 2021 and December 31, 2020, deferred tax assets amounted to ₱54.14 million and ₱58.04 million, respectively (see Note 17).

Estimating useful lives of property and equipment, investment properties and software costs - The Company estimates the useful lives of its property and equipment, investment properties and software cost based on the period over which these properties are expected to be available for use. The estimated useful lives of the properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these properties. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The estimated useful lives are disclosed in Note 3.

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

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

As at September 30, 2021 and December 31, 2020, the Company did not recognize impairment on property and equipment and software costs. The carrying value of property and equipment amounted to ₱8.6 million and ₱6.99 million as at September 30, 2021 and December 31, 2020, respectively (see Note 8).

The carrying value of software cost amounted to ₱0.51 million and ₱0.51 million as at September 30, 2021 and December 31, 2020, respectively (see Note 10).

As at September 30, 2021 and December 31, 2020, the carrying value of investment properties amounted to ₱56.29 million and ₱61.24 million, respectively. Provision for impairment loss on investment properties amounted to nil in September 30, 2021 and ₱0.92 million in December 31, 2020(see Note 9).

As at September 30, 2021 and December 31, 2020, the carrying value of repossessed assets amounted to ₱101.24 million and ₱86.04 million, respectively. Provision for impairment loss on repossessed assets amounted to ₱1.8 million as at September 30, 2021 and reversal for impairment loss on repossessed assets amounted to ₱3.49 million in December 31, 2020, respectively (see Note 10).

Valuation of retirement benefits - The cost of defined benefit pension plan as well as the present value of the pension obligation was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details on the retirement liability are provided in Note 15.

The Company's net retirement liability amounted to ₱8.58 million and ₱3.97 million as at December 31, 2020 and 2019, respectively (see Note 15).

Leases - Estimating the incremental borrowing rate - The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Fair Value Measurement
The methods and assumptions used by the Company in estimating the fair value of its financial instrument are as follows:

Cash and Cash Equivalents and Security Deposits

Carrying amounts approximate fair values due to the relatively short-term maturities of these financial assets.

Loans and Other Receivables

The carrying amounts of loans and receivables approximate the fair values due either to the relatively short-term maturities of these assets or the fact that the interest rates reflect the prevailing market rates.

Other investments

Debt securities. Fair values are generally based on quoted market prices. If the prices are not readily available, fair values are estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow method methodology.

Equity securities. Fair value are generally based on quoted market prices. For equity securities with quoted bid and offer prices, fair values are based on the price within the bid-offer spread that is most representative of the exit price in the circumstances. If the market prices are not readily available, fair values are estimated using values obtained from independent parties offering pricing services.

Notes Payable

The carrying amount of notes payable approximate fair values as the interest rates are repriced quarterly.

Accounts Payable, Accrued Expenses (excluding payable to government) and Lease liabilities

The carrying amounts of accounts payable, accrued expenses (excluding payable to government) and lease liabilities approximate fair values due to their short-term maturities.

5. Segment Information

Operating Segments

The Company's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. The Company derives revenues from the following main operating business segments:

Rx Cashline Group

The Rx Cashline Group grants Rx cash line product - loans tailored to medical professionals.

Business loans

This group grants loans to finance business owners who wishes to expand its business or for the purpose of starting capital

MFC Factors Group

The MFC Factors Group is responsible for the research of businesses that seek to factor their receivables for extra liquidity.

Motor Vehicles Financing Group

The MC Financing Group grants loans to motorcycle buyers.

Other Segments

This segment includes pension loans, housing loans, personal loans and corporate salary loans.

The Company considers its Management Committee as chief operating decision maker. Management conducts weekly Management Committee meetings to monitor the performance and conversion of each of the product lines handled. Strategies and recommendations are formulated while operating parameters and guidelines are developed and implemented in these weekly meetings. Product line performance is evaluated based on how it performs versus target and versus last year's actual figures. Another major consideration is on the analysis of risk and collectability exposure contributed by each product line.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment assets and liabilities comprise all of the assets and liabilities, measured in a manner consistent with that shown in the statements of financial position.

The Company's assets producing revenues are located in the Philippines (i.e., one geographical location), therefore geographical segment information is no longer presented.

The sales revenue generated from the Company's operating segments amounted to 10% or more of the total revenues.

Financial information about operating segments follows:

	SEPTEMBER 30, 2021 (Unaudited)				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and Other Receivables	**₱189,857,927**	**₱587,876,052**	**₱653,214,439**	**₱76,405,898**	**₱1,507,354,316**
Results of operation					
Revenue					
Interest income	**15,871,455**	**51,224,639**	**56,063,050**	**5,737,723**	**128,896,867**
Other income	**2,515,695**	**5,094,410**	**4,502,529**	**1,920,553**	**14,033,187**
Total	**18,387,150**	**56,319,049**	**60,565,579**	**7,658,276**	**142,930,054**
Expenses					
Interest expense	**3,224,871**	**10,408,172**	**11,391,274**	**1,165,830**	**26,190,147**
Provision for losses	**1,211,587**	**3,910,360**	**4,279,712**	**438,003**	**9,839,662**
Operating expenses	**7,824,216**	**28,496,024**	**51,984,517**	**4,719,302**	**93,024,059**
	12,260,674	**42,814,556**	**67,655,503**	**6,323,135**	**129,053,868**
Net operating income (loss)	**6,126,476**	**13,504,493**	**(7,089,924)**	**1,335,141**	**13,876,186**
Less: Income tax expense (benefit)	**1,681,745**	**3,860,651**	**(1,242,187)**	**388,058**	**4,688,267**
Net Income (loss)	**4,444,731**	**9,643,842**	**(5,847,737)**	**947,083**	**9,187,919**

Statement of Financial Position					
Total Assets	**₱117,070,788**	**₱496,077,235**	**₱578,422,995**	**₱48,211,832**	**₱1,239,782,850**
Total Liabilities	**₱75,400,818**	**₱284,692,073**	**₱310,208,785**	**₱30,650,814**	**₱700,952,490**
Other segment information					
Capital expenditures	**₱683,532**	**₱2,206,079**	**₱2,414,454**	**₱247,105**	**₱5,551,170**
Depreciation and amortization	**₱529,475**	**₱1,708,864**	**₱1,870,275**	**₱191,412**	**₱4,300,026**

	December 31, 2020 (Audited)				
	Rx Cash Line	**Business Loans and MFC Factors**	**Motor Vehicles Financing**	**Others**	**Total**
Loans and Other Receivables	**₱194,734,024**	**₱536,362,629**	**₱717,900,425**	**₱78,657,862**	**₱1,527,654,940**
Results of operation					
Revenue					
Interest income	**25,450,977**	**55,374,079**	**75,523,487**	**7,752,432**	**164,100,975**
Other income	**3,237,867**	**7,380,129**	**3,688,113**	**2,603,139**	**16,909,248**
Total	**28,688,844**	**62,754,208**	**79,211,600**	**10,355,571**	**181,010,223**
Expenses					
Interest expense	**6,697,000**	**14,570,765**	**19,872,746**	**1,427,761**	**42,568,272**
Provision for losses	**333,209**	**5,785,490**	**3,664,118**	**1,374,389**	**11,157,206**
Operating expenses	**11,586,741**	**25,352,543**	**67,207,891**	**5,565,974**	**109,713,149**
	18,616,950	**45,708,798**	**90,744,755**	**8,368,124**	**163,438,627**
Net operating income (loss)	**10,071,894**	**17,045,410**	**(11,533,155)**	**1,987,447**	**17,571,596**
Less: Income tax expense (benefit)	**2,899,905**	**6,367,074**	**(3,018,367)**	**495,681**	**6,744,293**
Net Income (loss)	**7,171,989**	**10,678,336**	**(8,514,788)**	**1,491,767**	**10,827,303**
Statement of Financial Position					
Total Assets	**124,110,873**	**525,908,978**	**613,206,623**	**51,111,064**	**1,314,337,538**
Total Liabilities	**84,234,226**	**318,044,514**	**346,550,577**	**34,241,640**	**783,070,957**
Other segment information					
Capital expenditures	**₱114,705**	**₱315,938**	**₱422,870**	**₱46,333**	**₱899,846**
Depreciation and amortization	**₱1,990,160**	**₱7,514,280**	**₱8,187,778**	**₱809,890**	**₱18,502,108**

	September 30, 2020 (Unaudited)				
	Rx Cash Line	**Business Loans and Factoring**	**Motor Vehicles Financing**	**Others**	**Total**
Loans and Other Receivables	**₱188,523,415**	**₱546,073,787**	**₱752,525,642**	**₱80,022,656**	**₱1,567,145,500**
Results of operation					
Revenues					
Interest income	**₱15,514,275**	**₱34,774,699**	**₱54,881,367**	**₱5,956,725**	**₱111,127,066**
Other income	**989,394**	**2,903,492**	**3,240,700**	**3,452,731**	**10,586,317**
	16,503,669	**37,678,191**	**58,122,067**	**9,409,456**	**121,713,383**
Expenses					
Interest expense	**4,346,293**	**9,742,063**	**15,374,906**	**1,668,764**	**31,132,026**
Provision for credit losses	**945,728**	**2,119,817**	**3,345,491**	**363,113**	**6,774,149**
Operating expenses	**9,277,424**	**20,257,858**	**49,082,865**	**4,222,243**	**82,840,390**
	14,569,445	**32,119,738**	**67,803,262**	**6,254,120**	**120,746,565**
Net operating income (loss)	**1,934,223**	**5,558,454**	**(9,681,195)**	**3,155,336**	**966,818**
Less: Income tax expense (benefit)	**686,623**	**1,905,930**	**(2,528,125)**	**987,436**	**1,051,864**
Net income (loss)	**₱1,247,600**	**₱3,652,524**	**(₱7,153,070)**	**₱2,167,900**	**(₱85,046)**
Statement of financial position					
Total assets	**₱122,906,944**	**₱539,627,172**	**₱629,568,393**	**₱57,732,307**	**₱1,349,834,816**
Total liabilities	**₱84,963,371**	**₱334,171,162**	**₱372,805,610**	**₱39,824,530**	**₱831,764,673**
Other segment information					
Capital expenditures	**₱141,699**	**₱557,317**	**₱621,750**	**₱66,418**	**₱1,387,184**
Depreciation and amortization	**₱424,421**	**₱1,669,298**	**₱1,862,290**	**₱198,937**	**₱4,154,946**

6. Cash and Cash Equivalents

This account consists of:

	30-Sept-21 Unaudited	31-Dec-20 Audited	30-Sept-20 Unaudited
Cash on hand	**₱3,861,407**	₱3,611,015	₱25,320,775
Cash in banks	**59,599,221**	45,466,661	48,436,656
Cash equivalents	**15,381,569**	25,711,228	3,705,254
	₱ 78,842,197	₱74,788,904	₱77,462,685

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.125% and 0.125% per annum in September 30, 2021 and December 31, 2020, respectively. Interest income on cash in banks amounted to ₱0.0002 million and ₱0.06 million in December 31, 2020, respectively.

Cash equivalents include short-term placements with MAPI Lending Investors, Inc. (MAPILI) and HMW Lending Investors, Inc. (HMWLI) with maturities from 30 to 120 days at 10.5% and 8.5% interest per annum, respectively. Interest income on cash equivalents amounted to nil, and ₱1.77 million in September 30, 2021 and December 31, 2020 respectively (Note 18).

7. Loans and Other Receivables - Net

This account consists of:

	30-Sept-21 Unaudited	31-Dec-20 Audited	30-Sept-20 Unaudited
Receivables from customers			
Consumer	**₱1,166,566,700**	₱1,148,012,351	₱1,175,528,915
Services	**299,926,277**	329,518,176	335,235,754
Other receivables	**13,511,183**	13,958,311	14,526,423
	₱1,480,004,160	₱1,491,488,838	₱1,525,291,092
Unearned interest discounts	**(424,779,191)**	(358,830,805)	(364,070,494)
Allowance for Credit Losses ECL	**(148,390,615)**	(138,322,881)	(130,447,290)
	₱906,834,354	₱994,335,152	₱1,040,773,308

Loans and other receivables (gross of unearned interest income, client's equity and allowance for credit losses) grouped according to product type are as follows:

	30-Sept-21 Unaudited	31-Dec-20 Audited	30-Sept-20 Unaudited
Motorcycle financing	**₱503,925,551**	₱526,384,754	₱547,164,670
Business loans	**497,263,150**	415,910,560	406,817,985
Rx cash line	**188,961,755**	193,837,852	187,627,243
Car loans	**123,841,743**	160,667,581	174,009,442
Receivables purchased	**63,342,746**	84,285,967	97,401,396
Corporate salary loans	**9,066,909**	8,320,274	8,585,737
	₱1,386,401,854	₱1,389,406,988	₱1,421,606,473
Personal loans	**28,721,235**	28,257,396	27,934,436
Leisure bike loans	**15,338,129**	20,739,074	21,242,514
Pension loans	**14,390,060**	16,660,173	17,267,681
Accrued interest receivable	**11,270,801**	11,270,801	11,270,801
Housing loans	**10,636,511**	11,196,097	11,442,765
Sales contract receivable	**168,200**	1,368,200	1,368,200
Advances to officers and employees	**404,247**	442,224	1,011,192
Due from affiliates	**101,007**	101,007	101,007
Miscellaneous receivables	**12,572,116**	12,046,878	12,046,023
	₱1,480,004,160	₱1,491,488,838	₱1,525,291,092

Miscellaneous receivables pertain to receivables from employees, other related parties (Note 18) and other non-related parties.

Interest rates on loans receivable ranges from 1.1% to 2.8% add-on rate per month plus gross receipts tax. Interest income earned from receivables from customers amounted to ₱128.9 million, ₱164.04 million and ₱111.1 million in September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

Motorcycle financing receivables amounting to ₱358 million and ₱353.71 million in September 30, 2021 and December 31, 2020, respectively, were used as collateral on notes payable to banks (see Note 11).

The following table shows the breakdown of loans (gross of allowance for ECL) as to secured and unsecured and the breakdown of the unsecured loans and the breakdown of secured loans as to type of security as at September 30, 2021 and December 31, 2020:

	30-Sep-21 Unaudited	**%**	31-Dec-20 Audited	%
Secured loans				
Chattel mortgage	**₱487,656,427**	**46.21%**	**₱525,463,312**	**46.39%**
Real estate mortgage	**189,954,894**	**18.00%**	**306,929,079**	**27.10%**
Other collaterals*	**115,978,016**	**10.99%**	**115,866,784**	**10.23%**
Total secured	**₱793,589,337**	**75.20%**	**₱948,259,175**	**83.72%**
Unsecured	**261,715,632**	**24.80%**	**184,398,858**	**16.28%**
	₱1,055,304,969	**100%**	**₱1,132,658,033**	**100%**

**Other collaterals pertain to deposits, assignment of receivables and salary*

Movements in allowance for ECL follow:

	September 30, 2021 (Unaudited)			
	Receivable from Customers			
	Consumer	**Services**	**Others**	**Total**
At January 1				
Provisions (recovery) during the year				
At September 30				

	December 31, 2020 (Audited)			
	Receivable from Customers			
	Consumer	**Services**	**Others**	**Total**
At January 1	**₱106,922,558**	**₱12,163,820**	**4,586,764**	**₱123,673,142**
Provisions (recovery) during the year	**13,894,479**	**876,309**	**(121,049)**	**14,649,739**
At December 31	**₱120,817,037**	**₱13,040,129**	**₱4,465,715**	**₱138,322,881**

	September 30, 2020 (Unaudited)			
	Receivable from Customers			
	Consumer	**Services**	**Others**	**Total**
At January 1	**₱106,922,558**	**₱12,163,820**	**₱4,586,764**	**₱123,673,142**
Provisions (recovery) during the year	**5,856,642**	**(666,269)**	**251,238**	**6,774,149**
At September 30	**₱112,779,200**	**₱12,830,089**	**₱4,838,002**	**₱130,447,291**

In determining the allowance for ECL on loans and other receivables, the Company groups its loans and other financial receivables on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

In 2019, the Company recognized additional provision for ECL on loans and other receivables amounting to ₱4.50 million as a result of the Company's preliminary assessment on the impact of novel strain of coronavirus (COVID-19) pandemic (see Note 24). The management continuously assesses the length or severity of this pandemic, or the extent to which the disruption may materially impact the collectability of loans and other receivables onwards.

8. Property and Equipment - Net

The roll forward analysis of this account follows:

	September 30, 2021 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱18,300,573	₱7,476,840	₱10,003,075	₱35,780,488
Additions	385,076	2,935,525	1,655,380	4,975,981
Retirement	–	–	1,250,000	1,250,000
At September 30	₱18,685,649	₱10,412,365	₱10,408,455	₱39,506,469
Accumulated Depreciation				
At January 1	16,622,597	6,871,744	5,295,928	28,790,269
Depreciation	1,046,852	681,999	1,423,999	3,152,850
Retirement	–	–	1,000,000	1,000,000
At September 30	₱17,669,448	₱75,53,743	₱5,719,927	₱30,943,118
Carrying amount	₱1,016,201	₱2,858,622	₱4,688,528	₱8,563,351

	December 31, 2020 (Audited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱17,400,726	₱7,476,840	₱12,288,195	₱37,165,761
Additions	899,846	–	–	899,846
Retirement	–	–	(2,285,120)	(2,285,120)
At December 31	18,300,572	7,476,840	10,003,075	35,780,487
Accumulated Depreciation				
At January 1	15,529,860	5,831,212	6,578,643	27,939,715
Depreciation	1,391,272	1,210,192	1,995,449	4,596,913
Retirement	–	–	(2,285,120)	(2,285,120)
Adjustment	(298,535)	(169,660)	(993,044)	(1,461,239)
At December 31	16,622,597	6,871,744	5,295,928	28,790,269
Carrying amount	₱1,677,975	₱605,096	₱4,707,147	₱6,990,218

	September 30, 2020 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	**₱17,400,726**	**₱7,476,840**	**₱12,288,195**	**₱37,165,761**
Additions	**880,545**	**-**	**-**	**880,545**
Disposals	**-**	**-**	**(240,000)**	**(240,000)**
At September 30	**₱18,281,273**	**₱7,476,840**	**₱12,048,195**	**₱37,806,307**
Accumulated Depreciation and Amortization				
At January 1	**15,547,029**	**5,831,212**	**6,561,475**	**27,939,716**
Depreciation and amortization	**997,582**	**952,005**	**1,386,585**	**3,3361,72**
Disposals	**-**	**-**	**-**	**-**
At September 30	**₱16,544,611**	**₱6,783,217**	**₱ 7,708,060**	**₱31,035,888**
Carrying Amount	**₱1,736,662**	**₱ 693,622**	**₱ 4,340,135**	**₱ 6,770,419**

In December 31 2020, adjustments were made on the balances of certain equipment by an amount of ₱1.46 million to properly reflect their appropriate net book values as at year-end.

Fully depreciated transportation equipment with cost and net book value amounting to ₱2.29 million was retired in December 31, 2020.

As at September 30, 2021 and December 31, 2020, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱17.15 million and ₱17.15 million, respectively.

There are neither restrictions on title on the Company's property and equipment, nor was any of it pledged as security for liability. The Company has no contractual commitment for the acquisition of property and equipment.

Management believes that there are no indicators that the Company's property and equipment is impaired and that its carrying amount approximates its fair value or realizable value.

9. Investment Properties - Net

The roll forward of this account follows:

	September 30, 2021 (Unaudited)		
	Land	Building	Total
Cost			
At January 1	₱47,989,954	₱17,285,692	₱65,275,646
Additions	—	330,309	330,309
Disposals	(2,097,800)	(3,172,000)	(5,269,800)
At September 30	45,892,154	14,377,939	₱60,336,155
Accumulated depreciation and amortization			
At January 1	—	2,612,443	2,612,443
Depreciation	—	503,200	503,200
Disposal	—	(497,188)	(497,188)
At September 30	—	2,618,455	2,618,455
Allowance for impairment loss	(507,199)	(915,951)	(1,423,150)
Carrying amounts	₱45,384,955	₱10,909,595	₱56,294,550

	December 31, 2020 (Audited)		
	Land	**Building**	**Total**
Cost			
At January 1 and December 31	**₱47,989,954**	**₱17,285,692**	**₱65,275,646**
Accumulated depreciation and amortization			
At January 1	**–**	**1,803,590**	**1,803,590**
Depreciation	**–**	**808,853**	**808,853**
At December 31	–	**2,612,443**	**2,612,443**
Allowance for impairment loss	**507,199**	**915,951**	**1,423,150**
Carrying amounts	**₱47,482,755**	**₱13,757,298**	**₱61,240,053**

	September 30, 2020 (Unaudited)		
	Land	**Building**	**Total**
Cost			
At January 1	**₱47,989,954**	**₱17,285,692**	**₱65,275,646**
Accumulated depreciation and amortization			
At January 1	**–**	**1,803,590**	**1,803,590**
Depreciation	**–**	**506,640**	**506,640**
At September 30	–	**2,310,230**	**2,310,230**
Allowance for impairment loss	**507,199**	**-**	**507,199**
Carrying amounts	**₱47,482,755**	**₱14,975,462**	**₱62,458,217**

The aggregate fair value of the investment properties of the Company amounted to ₱67.64 in December 31, 2020.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to ₱71,975 and ₱71,975 in September 30, 2021 and December 31, 2020, respectively.

The movements in the allowance for impairment losses on investment properties follow:

	30-Sept-21 Unaudited	31-Dec-20 Audited	30-Sept-20 Unaudited
Balance, January 1	₱1,423,150	₱507,199	₱507,199
Provision (recovery)	**-**	915,951	**-**
Balance, as at September 30 and December 31	₱1,423,1500	₱1,423,150	₱507,199

10. Other Assets - Net

This account consists of:

	Note	**30-Sept-21 Unaudited**	31-Dec-20 Audited	30-Sept-20 Unaudited
Repossessed assets, net		₱101,241,712	₱86,040,026	₱76,811,410
Prepaid securities		**5,899,753**	5,709,949	7,983,786
Security deposits	*20*	**3,731,292**	3,780,959	145,496
Software costs		**517,867**	514,012	400,723
Others		**80,000**	80,000	960,885
		₱111,470,624	₱96,124,946	₱86,302,300

Repossessed assets pertain to motorcycle units that were repossessed from the Company's motorcycle financing business carried at the cost less impairment.

The movement in repossessed assets follow:

	30-Sept-21 Unaudited	31-Dec-20 Audited
Cost		
At January 1	**₱126,539,947**	₱121,361,611
Additions	**70,949,441**	50,712,547
Sale	**(53,939,958)**	(45,534,211)
At September 30 and December 31	**₱143,549,430**	126,539,947
Allowance for impairment losses		
At January 1	**40,499,921**	44,655,415
Allowance for (reversal of) impairment during the year	**1,807,797**	(3,492,533)
Write-off		(662,961)
At September 30 and December 31	**₱42,307,718**	40,499,921
Carrying amount	**₱101241712**	₱86,040,026

Included in the statements of comprehensive income are the gain from sale of repossessed assets amounting to ₱2.76 million and ₱3.30 million in September 30, 2021 and December 31, 2020, respectively. Provision for impairment loss of repossessed assets amounted to ₱1.81 million in September 30 2021 and reversal for impairment loss of repossessed assets amounted to ₱3.49 million in December 31, 2020.

Prepaid securities pertain to expenses paid in advance but not yet incurred.

The movement in software costs follow:

	30-Sept-21 Unaudited	31-Dec-20 Audited	30-Sept-20 Unaudited
Cost			
At January 1	**₱6,031,682**	₱6,014,217	₱6,014,217
Additions	**325,843**	17,465	12,252
Adjustment	**(5,212)**	-	-
At September 30 and December 31	**₱6,352,313**	₱6,031,682	₱6,026,469
Accumulated amortization			
At January 1	**₱5,517,670**	₱5,313,611	₱5,313,611
Amortization for the year	**321,988**	204,059	312,135
Adjustment	**(5,212)**	-	-
Accumulated Amortization	**₱5,834,446**	₱5,517,670	₱5,625,746
Carrying amount at September 30 and Dec.31	**₱517,867**	₱514,012	₱400,723

Other includes the Company's investment in golf shares.

11. Notes Payable

This account consists of:

	Note	30-Sept-21 Unaudited	31-Dec-20 Audited	30-Sept-20 Unaudited
Related parties	*18*	₱354,686,458	₱403,435,796	₱436,266,941
Banks		226,965,319	275,657,205	289,719,073
Individuals/corporate		7,300,000	7,300,000	7,300,000
		₱ 588,951,777	₱686,393,001	₱733,286,014

Interest rates from borrowings ranges from 5.00% to 7.75% and 5.00% to 7.15% per annum in September 30, 2021 and December 31, 2020, respectively.

Interest expense on these notes payable amounted to ₱26.19 million, ₱42.57 million and ₱31.13 million in September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

Notes payable to related parties and individuals/corporate are unsecured, with maturity of up to one (1) year.

Notes payable to banks have a maturity of up to three (3) years. As at September 30, 2021 and December 31, 2020, the notes payable to banks are secured by certain motorcycle financing receivables. Under the agreements with the bank creditors, the notes payable are subject to Deed of Assignment on summary list of loans receivable (with 50% to 85% loanable value) on a per availment basis.

The following assets were used to secure the notes payable to banks availed by the Company (see Note 7):

	30-Sept-21 Unaudited		Dec-20 Audited	
	Carrying amount	**Secured notes**	Carrying amount	Secured notes
Motorcycle financing receivables	**₱297214561**	**₱226,965,711**	**₱353,705,896**	**₱275,657,204**

12. Accrued Expenses

This account consists of:

	30-Sep-21 Unaudited	31-Dec-20 Audited	30-Sept-20 Unaudited
Accrued occupancy costs	**₱ 8,108,389**	₱8,265,816	9,427,218
Accrued insurance payable	**4,168,681**	5,808,279	529,697
Accrued taxes	**2,975,795**	4,773,155	3,330,595
Accrued interest	**4,029,624**	3,378,221	6,668,526
Accrued administrative expenses	**9,597,768**	1,196,014	5,326,594
Accrued management and professional fees	**2,601,887**	770,595	1,160,399
Others	**16,827,154**	17,035,418	20,112,689
	₱48,309,298	₱41,227,498	₱46,555,718

Others include accrual on utilities, commission and premium.

13. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities of the Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	30 September 2021 (Unaudited)			31 December 2020 (Audited)		
	Less than 12 Months	**Over 12 Months**	**Total**	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	**₱78,842,197**	**₱–**	**₱78,842,197**	₱74,788,904	₱–	₱74,788,904
Loans and other receivables gross	**904,257,141**	**575,747,019**	**1,480,004,160**	861,940,358	629,548,480	1,491,488,838
Security deposits, and other investments	–	**3,860,959**	**3,860,959**	–	3,860,959	3,860,959
	983,099,338	**579,607,978**	**1,562,707,316**	936,729,262	633,409,439	1,606,304,803

	30 September 2021 (Unaudited)			31 December 2020 (Audited)		
	Less than 12 Months	Over 12 Months	Total	Less than 12 Months	Over 12 Months	Total
Nonfinancial Assets						
Property and equipment - net	-	8,563,350	8,563,350	–	6,990,218	6,990,218
Investment properties - net	-	56,294,550	56,294,550	–	61,240,053	61,240,053
Deferred tax assets - net	-	54,141,332	54,141,332	–	57,221,822	57,221,822
Right-of-use assets		23,636,443	23,636,443	4,965,566	18,670,877	23,636,443
Other assets*	5,709,949	101,899,716	107,609,665	5,709,949	86,554,038	92,263,987
	5,709,949	244,535,391	250,245,340	10,675,515	230,677,008	241,352,523
Less: Allowance for credit losses	(83,637,773)	(64,752,842)	(148,390,615)	(81,319,851)	(57,003,030)	(138,322,881)
Unearned interest income	(229,367,809)	(195,411,382)	(424,779,191)	(210,956,189)	(147,874,616)	(358,830,805)
	(313,005,582)	(260,164,224)	(573,169,806)	(292,276,040)	(204,877,646)	(497,153,686)
	₱675,803,705	₱563,979,145	₱1,239,782,850	₱655,128,737	₱659,208,801	₱1,314,337,538

Forward

	30 September 2021 (Unaudited)			31 December 2020 (Audited)		
	Less than 12 Months	Over 12 Months	Total	Less than 12 Months	Over 12 Months	Total
Financial Liabilities						
Notes payable	₱356,372,393	₱232,579,384	₱588,951,777	₱601,889,396	₱84,503,605	₱686,393,001
Accounts payable	26,977,958	–	26,977,958	19,212,094	–	19,212,094
Accrued expenses**	43,536,143	–	43,536,143	36,454,343	–	36,454,343
	₱426,886,494	₱232,579,384	₱659,465,878	657,555,833	84,503,605	742,059,438
Nonfinancial Liabilities						
Accrued expenses	4,773,155	–	4,773,155	4,773,155	–	4,773,155
Retirement benefits liability	–	9,477,069	9,477,069	–	8,577,069	8,577,069
Lease liabilities	4,672,228	22,227,366	26,899,594	4,672,228	22,227,366	26,899,594
Income tax payable	336,794	–	336,794	761,701	–	761,701
	9,782,177	31,104,435	41,486,612	10,207,084	30,804,435	41,011,519
	₱436,668,671	₱264,283,819	₱700,952,490	₱667,762,917	₱115,308,040	₱783,070,957

**excluding security deposit and other investments which are presented under financial assets*
***excluding payable to government which is presented under nonfinancial liabilities*

14. Equity

On July 29, 2021, the BOD and stockholders approved the declaration of 0.61% stock dividends in the amount of ₱1.6 million to stockholders of record as of August 26, 2021 with distribution date not later than September 21, 2021. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱1.6 million.

On July 29, 2020, the BOD and stockholders approved the declaration of 1.24% stock dividends in the amount of ₱3.26 million to stockholders of record as of August 27, 2020 with distribution date not later than September 22, 2020. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱3.26 million.

As at September 30, 2021, the Company has 267,828,098 common shares issued and outstanding which are owned by 111 shareholders.

The movements in the number of issued shares and capital stock follow:

	30 September 2021 Unaudited		31 December 2020 Audited		30 September 2020 Unaudited	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Authorized - 300,000,000 shares; ₱1 par value						
At January 1	**266,204,047**	**₱266,204,047**	262,948,243	₱262,948,243	262,948,243	₱262,948,243
Stock dividends	**1,624,051**	**1,624,051**	**3,255,804**	**3,255,804**	**3,255,804**	**3,255,804**
At Sept 30 and December 31	**267,828,098**	**₱267,828,098**	**266,204,047**	**₱266,204,047**	**266,204,047**	**₱266,204,047**

Adjustment on retained earnings

In 2018, the Company adjusted its January 1, 2018 retained earnings amounting to ₱0.91 million to reflect the appropriate remeasurement gain on retirement.

Capital Management
The primary objective of the Company's capital management policies and procedures are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and to maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital, excluding remeasurement gains on defined benefit liability. No changes were made in the objectives, policies or processes in 2020.

Under R.A No. 8556, the Company is required to maintain the following capital requirements:

(a) minimum paid-up capital of ₱10.00 million; and
(b) additional capital requirements for each branch of ₱1.00 million for branches established in Metro Manila, ₱0.50 million for branches established in other classes of cities and ₱0.25 million for branches established in municipalities.

For the years ended June 30, 2021 and December 31, 2020, the Company is compliant with the minimum paid-up capital.

The Company is compliant with the minimum public float of 10% that is required by the PSE where the Company shares are traded.

15. Retirement Plan

The Company has a funded, tax-qualified defined benefit plan covering all of its officers and regular employees. The benefits are based on years of service and compensation on the last year of service.

The plan is non-contributory and of the defined benefit type which provides a retirement benefit equal to one hundred percent (100%) of the latest monthly salary for every year of credited service. Benefits are paid in lump sum upon retirement or separation in accordance with the terms of the plan. Normal retirement age is at age 60.

Net benefit cost is included in the Company's profit or loss under 'Salaries and employee benefits' The amounts of retirement benefit reserve recognized in the statements of comprehensive income follow:

	2020	2019
Components of retirement benefit liability recorded in profit or loss as retirement benefit expense		
Current service cost	**₱2,686,540**	₱1,315,564
Net interest expense:		
Interest expense on defined benefit obligation (DBO)	**555,371**	429,842
Interest expense on effect of asset ceiling	**–**	1,384
Interest income on plan assets	**(347,886)**	(449,609)
	2,894,025	1,297,181
Components of retirement benefit liability recorded in OCI		
Remeasurement loss on defined benefits obligation	**1,887,515**	3,185,498
Remeasurement gain on plan assets	**(179,279)**	(243,977)
Effect of asset ceiling	**–**	(19,767)
	1,708,236	2,921,754
Total components of retirement liability	**₱4,602,261**	₱4,218,935

The net retirement benefit liability recognized in the statements of financial position follows:

	2020	2019
Present value of retirement benefits obligation	**₱15,768,726**	₱10,639,300
Fair value of plan assets	**(7,191,657)**	(6,664,492)
Net retirement benefit liability	**₱8,577,069**	₱3,974,808

The balance of accumulated re-measurement gain on retirement benefit obligation - net of tax, reported in the statements of changes in equity follows:

	2020	2019	2018
Cumulative gain in OCI, beginning	**₱4,092,468**	₱6,137,696	₱3,737,996
Adjustment	–	–	633,627
Remeasurement gain (loss)	**(1,195,765)**	(2,045,228)	1,766,073
	₱2,896,703	₱4,092,468	₱6,137,696

The movements of the present value of retirement benefits liability of the Company follow:

	2020	2019
Balance at beginning of year	**₱10,639,300**	₱5,708,396
Current service cost	**2,686,540**	1,315,564
Interest expense	**555,371**	429,842
Remeasurement losses (gains) on obligation arising from:		
Changes in financial assumptions	**3,128,501**	3,383,456
Experience adjustment	**(1,240,986)**	(197,958)
Balance at end of year	**₱15,768,726**	₱10,639,300

The movements of the fair value of plan assets of the Company follow:

	2020	2019
Balance at beginning of year	**₱6,664,492**	₱5,970,906
Interest income	**347,886**	449,609
Remeasurement gain (loss) on plan assets	**179,279**	243,977
Balance at end of year	**₱7,191,657**	₱6,664,492

Changes in the retirement benefit liability follow:

	2020	2019
Balance at beginning of year	**₱3,974,808**	(₱244,127)
Current service cost	**2,686,540**	1,315,564
Net interest cost (income) on the retirement liability	**207,485**	(18,383)
Remeasurement loss on plan assets	**(179,279)**	(243,977)
Effect of asset ceiling	**–**	(19,767)
Actuarial losses (gains) on retirement liability arising from:		
Experience adjustment	**3,128,501**	3,383,456
Changes in financial assumptions	**(1,240,986)**	(197,958)
Balance at end of year	**₱8,577,069**	₱3,974,808

The fair values of plan assets by each class as at the end of the reporting period follow:

	2020	2019
Cash and cash equivalents	**₱2,290,403**	₱1,443,928
Financial assets at FVPL	**4,878,668**	5,194,760
Accrued and other receivables	**22,586**	25,804
	₱7,191,657	₱6,664,492

All debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The cost of defined benefit plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	January 1	
	2020	2019
Discount rate	**3.95%**	5.22%
Future salary increases	**5.00%**	5.00%
Average remaining working life (in years)	**26.3**	27.7

Assumptions for mortality and disability rate are based on the 2001 CSO Table- Generational and The Disability Study both published by the Society of Actuaries adjusted to suit local experience.

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis. The sensitivity analysis below has been determined based on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Change in Basis Points	Increase (decrease) in defined benefit obligation	
		2020	2019
Discount rate	**+100 basis point**	**(₱2,534,433)**	(₱1,669,541)
	-100 basis point	**3,175,038**	2,080,748
Future salary increases	**+100 basis point**	**3,106,454**	2,063,656
	-100 basis point	**(2,533,344)**	(1,687,075)

The Company has no contributions to the defined benefit plan in 2020 and 2019.

The average duration of the defined benefit plan as at the reporting date is 18.1 years and 17.6 years for year 2020 and 2019, respectively.

The BOD has no specific matching strategy between plan assets and plan liabilities.

16. Miscellaneous

Miscellaneous income consists of the following items:

	30-Sept-21 Unaudited	31-Dec-20 Audited	30-Sept-20 Unaudited
Penalties	**₱5,211,738**	₱7,047,586	₱3,972,845
Recoveries	**3,849,536**	5,116,261	3,226,411
Others	**1,149,808**	165,351	591,845
	₱10,211,082	₱12,329,198	7,791,101

Miscellaneous expense consists of the following items:

	30-Sept-21 Unaudited	31-Dec-20 Audited	30-Sept-20 Unaudited
Communication	**₱2,140,793**	₱2,327,281	₱2,006,637
Stationeries and supplies	**2,489,297**	1,511,318	1,178,071
Insurance	**584,688**	1,434,989	1,133,194
Repairs and maintenance	**1,303,028**	1,583,587	1,190,647
Training and development	**123,600**	85,567	152,455
Meetings and conferences	**7,454**	18,337	15,837
Others	**3,179,749**	2,421,311	1,785,458
	₱9,828,609	₱9,382,390	₱7,462,299

Other expenses include advertising costs, donations, membership dues and other miscellaneous expenses.

17. Income Taxes

Current tax regulations provide that the RCIT rate is 30%. The regulations also provide for MCIT of 2% on modified gross income and allow NOLCO. The MCIT and NOLCO may be applied against the Company's income tax liability and taxable income, respectively, over a three-year period from the year of incurrence.

The components of the Company's income tax expense as of September 30, 2021, for the years ended December 31, 2020, and as of September 30, 2020 are as follows:

	30-Sept-21 Unaudited	31-Dec-20 Audited	30-Sept-20 Unaudited
Current:			
MCIT	**₱–**	₱1,941,341	₱1,159,325
REGULAR	**1,657,149**	–	–
Deferred	**3,031,117**	4,802,952	(107,461)
	₱ 4,688,266	₱6,744,293	₱1,051,864

The components of deferred tax assets - net follow:

	30-Sept-21 Unaudited	31-Dec-20 Audited	30-Sept-20 Unaudited
Deferred tax assets on:			
Allowance for credit losses	**₱ 40,632,175**	₱41,426,605	₱41,113,770
Allowance of repossessed assets write-down	**12,692,315**	12,149,976	13,271,841
Accrued expenses	**2,022,466**	2,022,466	2,022,466
Effect of PFRS 16		1,254,593	
Retirement expense		868,208	–
Remeasurement gain on defined benefit obligation	**(1,253,976)**	(823,163)	(1,253,976)
Impairment loss on investment properties		274,785	–
Past service costs	**48,352**	48,352	48,352
NOLCO	**–**	–	6,982,779
	₱ 54,141,332	₱57,221,822	62,185,232₱

The Company did not recognize deferred tax asset on the MCIT amounting to ₱6.29 million as at December 31, 2020.

Details of the Company's NOLCO and MCIT which could be carried over as a deduction from the Company's future taxable income for the two taxable years as follow:

NOLCO

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2018	₱14,527,909	(₱14,527,909)	₱–	2021
2017	14,748,020	(14,748,020)	–	2020
	₱29,275,929	**(₱29,275,929)**	**₱–**	

MCIT

Inception Year	Amount	Additions	Used/Expired	Balance	Expiry Year
2020	₱–	₱1,941,341	₱–	₱1,941,341	2023
2019	2,315,132	–	–	2,315,132	2022
2018	2,078,273	–	–	2,078,273	2021
2017	1,897,303	–	(1,897,303)	–	2020
	₱6,290,708	**₱1,941,341**	**(₱1,897,303)**	**₱6,334,746**	

The reconciliation of the statutory income tax to the effective income tax follows:

	Sept. 30, 2021	**Dec. 31, 2020**
Income before income tax	**₱13,876,186**	**₱17,571,596**
Income tax computed at statutory rate (25% in 2021, 30% in 2020)	**₱3,469,046**	**₱5,271,479**
Additions to (reduction in) income tax resulting from the tax effects of:		
Change in unrecognized DTA	**1,000,001**	**1,483,836**
Interest income subjected to final tax	**(9,838)**	**(18,760)**
Non-deductible interest expense	**225,000**	**7,738**
Other non-deductible expense	**–**	**–**
Effective income tax expense	**₱4,688,267**	**₱6,744,293**

Interest allowed as deductible expense is reduced by an amount equivalent to 33.00% of interest income subjected to final tax.

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of a company engaged in the sale of services. EAR expenses amounted to ₱0.53 million, ₱1.05 million and ₱0.75 million in 2020, 2019 and 2018, respectively.

Below are the movements in income tax payable:

	30-Sept-21 Unaudited	31-Dec-20 Audited
Balance, January 1	**₱761,701**	₱726,531
Provision for income tax – current	**1,657,149**	1,941,341
Income tax paid during the year	**(2,082,056)**	(1,906,171)
Balance, Sept 30 and December 31	**₱336,794**	₱761,701

18. Related Party Transactions

In the ordinary course of business, the Company enters into transactions with its stockholders and affiliates. Under the Company's policy, these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. Related party transactions are settled in cash.

Affiliates are other companies linked indirectly to the Company through interlocking directorship or officership and those under common significant influence and common control.

Name of Related Party	Relationship	Nature of Operations	Country of Incorporation
Amalgamated Investment Bancorporation	Parent Company	Investment house	Philippines
Motor Ace Philippines, Inc.	Under common control	Motorcycle Trading Partner	Philippines
MAPI Lending Investors, Inc.	Under common control	Financing Company	Philippines
HMW Lending Investors, Inc.	Under common control	Financing Company	Philippines
Honda Motor World, Inc.	Under common control	Motorcycle Trading Partner	Philippines
Pikeville Bancshares	Under common control	Management Consultancy	Philippines
MERG Realty Development Corporation	Under common control	Real Estate Lessor	Philippines
Directors and other stockholders	Key management personnel	N/A	Philippines

The following transactions have been entered into with related parties:

		2020			2019			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	**Ref**	**Amount of Transaction**	**Due from related parties**	**Due to related parties**	Amount of transactions	Due from related parties	Due to related parties	**Nature, Terms and Condition**
Parent Company								
Miscellaneous receivables	A	**₱–**	**₱80,514**	**₱–**	₱–	₱80,514	₱–	Non-interest bearing, unsecured; No impairment
Notes payable	B	**–**	**–**	**338,600,000**	–	–	385,000,000	Unsecured, 1 year interest bearing placement at 5.75% annual interest rate
Availments		**24,500,000**	**–**	**–**	222,900,000	–	–	
Settlements		**70,900,000**	**–**	**–**	83,000,000	–	–	
Interest expense		**20,189,293**	**–**	**2,598,976**	10,916,628	–	2,599,108	
Entities under common control								
Motor Ace Philippines, Inc.								
Miscellaneous receivables	A	**–**	**240,184**	**–**		156,894	–	Non-interest bearing, unsecured; No impairment
Availments		**174,490**	**–**	**–**	220,522	–	–	
Settlements		**88,200**	**–**	**–**	63,628	–	–	

Forward

			2020			2019		
			Outstanding Balances			Outstanding Balances		
Category/Transaction	Ref	Amount of Transaction	Due from related parties	Due to related parties	Amount of transactions	Due from related parties	Due to related parties	Nature, Terms and Condition
Accounts payable	D	₱–	₱–	₱15,194,978	₱–	₱–	₱12,177,800	30 day unsecured, non-interest bearing
Availments		54,444,011	–	–	145,524,243	–	–	
Settlements		51,426,833	–	–	145,797,584	–	–	
Short term placements	C	–	–	–	–	–	–	Short-term interest bearing placements at 10.5% annual interest rate
Availments		–	–	–	8,000,000	–	–	
Settlements		–	–	–	8,000,000	–	–	
Interest income		–	–	–	101,150	–	–	
MAPI Lending Investors, Inc.								
Miscellaneous receivables	A	–	2,725,083	–	–	2,936,329	–	30 day unsecured, non-interest bearing
Availments		343,204	–	–	1,441,521	–	–	
Settlements		554,450	–	–	–	–	–	
Accounts payable	D	–	–	75,372		–	52,181	Non-interest bearing, unsecured
Availments		23,191	–	–	112,371	–	–	
Settlements		–	–	–	60,190	–	–	
Short term placements	C	–	25,711,228	–	–	23,570,385	–	
Availments		2,294,972	–	–	2,069,988	–	–	Short-term interest bearing placements at 10.5% annual interest rate
Settlements		154,129	–	–	2,182,426	–	–	
Interest income		–	–	–	1,769,900	824,840	–	
HMW Lending Investors, Inc.								
Short term placements	C	–	–	–		–	–	Short-term interest bearing placements at 8.5% annual interest rate
Interest income		–	–	–	83,111	–	–	
Honda Motor World, Inc.								
Miscellaneous receivables	A	–	106,017	–	–	44,542	–	Non-interest bearing, unsecured; No Impairment
Availments		125,228	–	–	117,042	–	–	
Settlements		63,753	–	–	72,500	–	–	
Accounts payable	D	–	–	1,839,777		–	2,227,484	Unsecured, interest bearing placement at 10.0% annual interest rate
Availments		16,571,009	–	–	65,330,486	–	–	
Settlements		16,958,716	–	–	64,369,648	–	–	
Pikeville Bancshares								
Professional fees		1,193,920	–	156,128	1,193,920	–	468,384	Payment of consultancy fees
MERG Realty Development Corp.								
Miscellaneous receivables	A	–	18,057	–		18,057	–	Non-interest bearing; No impairment
Availments		–	–	–	–	–	–	
Settlements		–	–	–	218,574	–	–	

Forward

		2020			2019			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	**Ref**	**Amount of Transaction**	**Due from related parties**	**Due to related parties**	**Amount of transactions**	**Due from related parties**	**Due to related parties**	**Nature, Terms and Condition**
Notes payable	B	**₱–**	**₱–**	**₱29,916,009**	₱	₱–	₱28,558,641	Unsecured interest bearing placements
Availments		**1,357,368**	**–**	**–**	21,200,154	–	–	at 5.5% annual interest rate;
Settlements		**–**	**–**	**–**	40,000,000	–	–	no impairment
Interest expense		**1,596,904**	**–**	**–**	2,125,192	–	–	
Directors and other stockholders								
Notes payable	B	**–**	**–**	**34,919,791**		–	29,668,733	Unsecured interest bearing placements
Availments		**13,417,368**	**–**	**–**	8,882,825	–	–	at 5.5% annual interest rate;
Settlements		**8,166,310**	**–**	**–**	7,622,000	–	–	no impairment
Interest expense		**1,880,705**	**–**	**8,403**	1,450,912	–	16,780	
Professional and other management fees		**3,333,611**	**–**	**–**	3,142,397	–	–	Payment of professional fees
TOTAL			**₱28,881,083**	**₱423,309,434**		₱27,631,561	₱460,769,111	

a. This includes various receivables from the Parent Company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement (Note 7).

b. As at December 31, 2020 and 2019, notes payable and accrued interest payable arising from borrowings from stockholders amounted to ₱403.44 million and ₱443.23 million, respectively and ₱2.62 million in both years. Interest expense from these borrowings amounted to ₱23.67 million and ₱14.49 million in 2020 and 2019, respectively (Note 11).

   Borrowings availed from related parties amounted to ₱39.27 million and ₱252.98 million in 2020 and 2019, respectively. Settlement from borrowings amounted to ₱79.07 million and ₱130.62 million in 2020 and 2019, respectively. Interest rates from borrowings range from 5.0% to 6.00% in 2020 and 2019 respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. The Company had short-term placements amounting to ₱25.71 million and ₱23.57 milling in 2020 and 2019, respectively. Interest income from these placements amounted to nil and ₱1.77 million in 2020 and 2019, respectively (see Note 6).

d. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.

e. This pertains to the commission payable to other related parties as referral fees for successful loan bookings.

The remuneration of directors and other members of key management personnel consist of short-term benefits amounting to ₱15.3 million, ₱14.40 million and ₱18.69 million in 2020, 2019 and 2018 respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statements of comprehensive income.

19. Earnings Per Share (EPS)

	30-Sept-21 Unaudited	31-Dec-20 Audited	30-Sept-20 Unaudited
a. Net Income	**₱9,187,919**	**₱10,827,301**	(₱ 85,046)
b. Weighted average number of outstanding common shares	**267,016,072**	**263,762,194**	264,577,645
c. Basic/diluted earnings per share (a/b)	₱0.03	₱0.04	(₱0.00)

The weighted average number of outstanding common shares in 2020 and 2019 was recomputed after giving retroactive effect to stock dividends declared on July 29, 2020, July 25, 2019 and July 26, 2018.

20. Leases

The Company entered into a new lease contract for a period of five (5) years starting from February 1, 2016 to January 31, 2021. Total rent expense for short term leases included under 'Occupancy cost' account in the statements of comprehensive income incurred in 2020, 2019 and 2018 amounted to ₱0.40 million, ₱1.21 million and ₱16.35 million, respectively.

Security deposits arising from these lease agreements amounted to ₱3.78 million and ₱3.82 million, as at December 31, 2020 and 2019, respectively (see Note 10).

The aggregate future minimum lease payments for the lease commitments are as follows:

	2020	2019	2018
Less than one year	**₱8,127,491**	₱15,477,556	₱13,102,722
Between one and five years	**26,912,777**	20,533,217	18,647,091
	₱35,040,268	₱36,010,773	₱31,749,813

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2020	2019
As at January 1	**₱33,542,018**	₱41,686,931
Adjustment	**–**	5,447,029
Additions	**7,707,406**	–
Accretion of interest	**2,025,648**	2,455,808
Payments	**(16,375,478)**	(16,047,750)
As at December 31	**₱26,899,594**	₱33,542,018

Right-of-use assets

	2020	2019
Balance at January 1	**₱28,821,320**	₱38,129,874
Adjustment	**–**	4,938,665
Additions	**7,707,406**	–
Depreciation of right-of-use assets	**(12,892,283)**	(14,247,219)
Balance at December 31	**₱23,636,443**	₱28,821,320

The effect of transition to PFRS 16 as at January 1, 2019 follows:

	January 1, 2019 *(as previously reported)*	*Adjustments*	January 1, 2019 *(as restated)*
Assets			
Other assets - net	₱80,748,175	(₱3,680,462)	₱77,067,713
Right-of-use assets	–	38,129,874	38,129,874
Deferred tax assets - net	69,401,876	1,067,117	70,468,993
	₱150,150,051	₱35,516,529	₱185,666,580
Liabilities and Equity			
Lease liabilities	₱–	₱41,686,931	₱41,686,931
Retained earnings	265,783,544	(6,170,402)	259,613,142
	₱265,783,544	₱35,516,529	₱301,300,073

When measuring the lease liabilities, the Company discounted lease payments using its incremental borrowing rates at January 1, 2019 specific for each lease agreements as follows:

Operating lease commitment as at December 31, 2018	₱51,810,257
Discounted using the incremental borrowing rate at January 1, 2019	(10,123,326)
Lease liabilities as at January 1, 2019	₱41,686,931

Adjustment on lease liability and right-of use assets

As a result of the review of the management of its books of accounts, certain adjustment was made by the management to correct the account balances related to leases. The details of such adjustment are as follows:

	January 1,2019		
	Before adjustment	Adjustment	After adjustment
Lease liability	(₱28,094,989)	(₱5,447,029)	(₱33,542,018)
Right-of-use assets	23,882,655	4,938,665	28,821,320
Retained earnings	(248,566,443)	(3,479,858	(252,046,301)
Security deposits	134,784	3,680,462	3,815,246
Deferred tax asset	61,209,971	307,760	61,517,731

21. Notes to Statements of Cash Flows

The following table shows the reconciliation analysis of liabilities arising from financing liabilities:

Notes Payable, December 31, 2018	464,742,883
Cash flows during the year	
Proceeds from loans payable	502,958,988
Payment of loans payable	(258,392,823)
	244,566,165
Notes Payable, December 31, 2019	709,309,048
Cash flows during the year	
Proceeds from loans payable	206,074,736
Payment of loans payable	(228,990,783)
	(22,916,047)
Notes Payable, December 31, 2020	**686,393,001**
Cash flows during the year	
Proceeds from loans payable	79,216,659
Payment of loans payable	(176,657,883)
	(97,441,224)
Notes Payable, September 30, 2021	**₱588,951,777**

22. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Company's financial instruments as at September 30, 2021 and December 31, 2020:

	30 September 2021 (Unaudited)		31 December 2020 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Financial assets at amortized cost				
Cash and cash equivalents	**₱78,842,197**	**₱78,842,197**	**₱74,788,904**	**₱74,788,904**
Loans and other receivables - net	**906,834,354**	**906,834,354**	**994,335,152**	**994,335,152**
Security deposits	**3,780,959**	**3,780,959**	**3,780,959**	**3,780,959**
*Financial assets at FVOCI**	**80,000**	**80,000**	**80,000**	**80,000**
	₱989,537,510	**₱989,537,510**	**₱1,072,985,015**	**₱1,072,985,015**
Financial Liabilities				
Financial liabilities at amortized cost				
Notes payable	**588,951,777**	**588,951,777**	**₱686,393,001**	**₱686,393,001**
Accounts payable	**26,541,994**	**26,541,994**	**19,212,094**	**19,212,094**
Accrued expenses**	**48,309,298**	**48,309,298**	**36,454,343**	**36,454,343**
	₱663,803,069	**₱663,803,069**	**₱742,059,438**	**₱742,059,438**

Included as part of 'Other assets - net' in the separate statement of financial position
***Excluding government payables*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

The carrying amounts of the Company's cash and cash equivalents, security deposits, accounts payable and accrued expenses (excluding government payables) approximate their fair values at each reporting date due to the relatively short-term maturities of these financial instruments.

Financial Assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. Unquoted equity securities are carried at cost less impairment.

The carrying value of loans and receivables -net and notes payable approximates the fair value due either to the relatively short-term maturities of these assets and the fact that the interest rates reflect the prevailing market rates.

<u>Fair Value Hierarchy</u>
Financial assets and financial liabilities measured at fair value in the separate statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value by valuation method:

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Financial assets at FVOCI	**₱80,000**	**₱–**	**₱–**	**₱80,000**

2019	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at FVOCI	₱1,051,728	₱–	₱–	₱1,051,728

The Company has no financial instruments valued based on Level 3 as at December 31, 2020 and 2019. In 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

23. Financial Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. There is no change in the financial risk management objectives and policies of the Company.

Credit Risk

Credit Risk Management and Collateral and Other Credit Enhancements

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages credit risk by setting limits for individual borrowers, and groups of borrowers, and industry segments. The Company also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

In addition, the Company obtains security where appropriate and enters into collateral arrangements with counterparties to limit the duration of exposures. Finally, credit applications go through a process of screening using the Company's credit standards to minimize risk.

The Company also focuses on markets and borrowers that have a relatively better capability to repay their loans. One example of this is the medical professional market where most doctors are able to pay because of their higher disposable income. Despite the systems and checks in place for the Company, there is no guarantee that none of its existing and future clients will default on a loan. An increase in loan defaults will have a negative effect on the Company's profitability.

The Company's motorcycle financing business has the motorcycle itself as collateral in case the borrower defaults on its loan. Other receivable from customers are secured by real estate and other chattel properties.

It is the Company's policy to dispose repossessed properties in an orderly fashion and proceeds are used to repay or reduce the outstanding claim.

The Company evaluates the concentration of risk with respect to receivable from customers as low, as its customers are located in several areas around Southern Luzon.

The table below shows the maximum exposure of loans and receivables after financial effect of collateral and credit enhancements to the maximum exposure to credit risk.

	September 30, 2021 (Unaudited)			December 31, 2020 (Audited)		
	Gross Maximum Exposures	Fair value of Collateral Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements	Gross Maximum Exposures	Fair value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Financial Assets at Amortized Cost						
Cash and cash equivalents*	**₱78,842,197**	**₱–**	**₱78,842,197**	₱71,177,889	₱–	₱71,177,889
Receivable from Customers: - net						
Consumer	**837,097,807**	**589,134,364**	**247,963,443**	881,039,777	619,949,422	261,090,355
Services	**204,790,997**	**27,125,322**	**177,665,675**	237,569,351	27,125,322	210,444,029
Other Receivables	**13,416,165**	**–**	**13,416,165**	14,098,275	–	14,098,275
Security deposits**	**3,780,959**	–	**3,780,959**	3,780,959	–	3,780,959
	₱ 1,137,928,125	**₱616,259,686**	**₱521,668,439**	₱1,207,666,251	₱647,074,744	₱560,591,507

	September 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Financial Assets At Amortized Cost						
Cash and cash equivalents*	**₱73,757,431**	**₱ -**	**₱73,757,431**	₱61,108,146	₱ -	₱61,108,146
Receivable from customers:						
Consumer	**896,868,717**	**619,127,693**	**277,741,024**	883,321,451	618,834,377	264,487,074
Services	**249,559,845**	**29,376,454**	**220,183,391**	247,088,916	29,376,454	217,712,462
Other receivables	**14,792,037**	**-**	**14,792,037**	13,464,482	-	13,464,482
Security deposits**	**134,784**	**-**	**134,784**	134,784	-	134,784
	₱1,235,112,814	**₱648,504,147**	**₱ 586,608,667**	₱1,205,117,779	₱648,210,831	₱556,906,948

**Excluding cash on hand*
***Presented under 'Other assets - net'*

	September 30, 2021 (Unaudited)					
	Stage 1			State 2	Stage 3	
	Neither Past Due nor Impaired			Past Due but		
	High Grade	Medium Grade	Low Grade	not Impaired	Impaired	Total
Financial Assets at Amortized Cost						
Cash and cash equivalents*	**₱78,842,197**	**₱–**	**₱–**	**₱–**	**₱–**	**₱78,842,197**
Receivable from Customers - net:						
Consumer	453,904,946	–	127,224,244	114,147,422	141,821,195	837,097,807
Services	25,774,004	–	148,245,071	20,053,871	10,718,051	204,790,997
Other Receivables	–	–	**13,336,165**	–	–	**13,336,165**
Security deposits	–	–	**3,780,959**	–	–	**3,780,959**
Other Investment	–	–	**80,000**	–	–	**80,000**
	₱558,521,147	**₱–**	**₱292,666,439**	**₱1,342,012,930**	**₱152,539,246**	**₱1,137,928,125**

**Excluding cash on hand*

	December 31, 2020 (Audited)					
	Stage 1			State 2	Stage 3	
	Neither Past Due nor Impaired			Past Due but		
	High Grade	Medium Grade	Low Grade	not Impaired	Impaired	Total
Financial Assets at Amortized Cost						
Cash and cash equivalents*	**₱71,177,889**	**₱–**	**₱–**	**₱–**	**₱–**	**₱71,177,889**
Receivable from Customers - net:						
Consumer	**477,148,129**	–	**134,924,425**	**119,944,060**	**149,023,163**	**881,039,777**
Services	**27,125,322**	–	**178,058,750**	**21,105,286**	**11,279,993**	**237,569,351**
Other Receivables	–	–	**14,098,275**	–	–	**14,098,275**
Security deposits	–	–	**3,780,959**	–	–	**3,780,959**
	₱575,451,340	**₱–**	**₱330,862,409**	**₱141,049,346**	**₱160,303,156**	**₱1,207,666,251**

**Excluding cash on hand*

Interest income was computed based on the carrying value (after allowance for ECL) for loans and receivables categorized under stage 3.

The Company's basis in grading its financial assets is as follows:

Cash in Banks

High grade pertains to cash deposited in local banks belonging to top ten (10) rank.

Cash Equivalents

High grade pertains to short term placements with AIB and other related parties, which have high probability of collection, as evidenced by AIB's and other related parties' ability to satisfy its obligations.

Loans and Other Receivables

- High grade pertains to receivables with no default in payment and fully secured with collateral.
- Medium grade pertains to receivables with no default in payment and partially secured with collateral.
- Low grade pertains to receivables with no default in payment and without security.
- Past due but not impaired receivables represent transactions with third parties where no significant credit risk exposure is anticipated considering that there was no historical default rate.
- Impaired pertains to past due receivables the Company believes that impairment is appropriate based on the cash flows of the available collateral or status of collection of the amounts due to the Company.

The analysis of receivables from customers that were past due but not impaired is as follows:

	September 30, 2021 (Unaudited)					
	1-30 days	30-60 days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	₱ 18,131,715	₱ 14,486,521	₱ 17,993,255	₱ 14,722,961	₱ 48,812,970	₱ 114,147,422
Services	1,334,138	1,617,951	1,813,358	4,988,583	10,299,841	20,053,871
	₱ 19,465,853	₱ 16,104,472	₱ 19,806,613	₱ 19,711,544	₱ 59,112,811	₱ 134,201,293

	December 31, 2020 (Audited)					
	1-30 days	30-60 days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	₱19,398,393	₱15,753,199	₱18,959,933	₱15,689,639	₱50,142,896	₱119,944,060
Services	1,527,105	1,810,918	2,006,325	5,161,550	10,599,388	21,105,286
	₱20,925,498	₱17,564,117	₱20,966,258	₱20,851,189	₱60,742,284	₱141,049,346

	September 30, 2020 (Unaudited)					
	1-30 days	30-60 days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	34,940,998	11,876,845	4,319,233	7,385,761	49,340,794	107,863,631
Services	616,078	1,848,233	693,026	1,119,159	2,196,468	6,472,965
	₱35,557,076	₱13,725,078	₱501,2259	₱8,504,920	₱51,537,262	₱114,336,595

Liquidity Risk

Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or Payment of asset purchases. The Company seeks to manage its liquidity profile to be able to service its maturing debts and to finance its operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and advances from related parties.

The table summarizes the contractual maturity profile of the Company's financial assets and liabilities based on undiscounted contractual payments and remaining contractual maturities.

	September 30, 2021 (Unaudited)						
		Contractual Maturities					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial assets							
Cash and cash equivalents	₱78,842,197	₱78,842,197	₱–	₱–	₱–	₱–	₱78,842,197
Loans and other receivables							
Receivable from customers:							
Consumer	837,097,807	353,671,219	138,872,193	199,015,172	388,047,060	86,961,056	1,166,566,700
Services	204,790,997	123,959,521	27,675,129	47,640,924	118,470,873	9,449,986	327,196,433
Other receivables	13,336,165	1,3422,983	–	–	–	168200	13,591,183
Security deposits	3,780,959	–	–	–	3,780,959	–	3,780,959
Financial assets at FVOCI*	80,000	–	–	–	–	80,000	80,000
	₱1,137,928,125	₱569,895,920	₱166,547,322	₱246,656,096	₱510298892	₱96659242	₱1,590,057,472
Financial Liabilities							
Notes payable	588,951,777	122,004,125	126,350,998	108,017,269	216,780,292	15,799,093	588,951,777
Accounts payable	63,838,894	63,838,894	–	–	–	–	63,838,894
Accrued expenses**	55,353,478	55,353,478	–	–	–	–	55,353,478
	₱708,144,149	241,196,497	126,350,998	108,017,269	216,780,292	15,799,093	708,144,149
Net liquidity gap	₱429,783,976	₱ 328,699,423	₱ 40,196,324	138,638,827	₱293,518,600	₱ 80,860,149	₱881,913,323

**Includes investments in golf shares which is presented under "Other asset"*
***Excluding government payables*

	December 31, 2020 (Audited)						
		Contractual Maturities					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial assets							
Cash and cash equivalents	₱71,177,889	₱71,177,889	₱–	₱–	₱–	₱–	₱71,177,889
Loans and other receivables							
Receivable from customers:							
Consumer	881,039,777	336,748,833	127,914,219	190,215,172	410,372,541	82,761,586	1,148,012,351
Services	237,569,351	117,932,586	28,083,531	48,140,924	125,345,058	10,016,077	329,518,176
Other receivables	14,098,275	12,905,093	–	–	–	1,053,218	13,958,311
Security deposits	3,780,959	–	–	–	3,780,959	–	3,780,959
Financial assets at FVOCI*	80,000	–	–	–	–	80,000	80,000
	1,207,746,251	538,764,401	155,997,750	238,356,096	539,498,558	93,910,881	1,566,527,686
Financial Liabilities							
Notes payable	686,393,001	137,141,100	137,141,100	274,282,200	137,828,601	–	686,393,001
Accounts payable	19,212,094	19,212,094	–	–	–	–	19,212,094
Accrued expenses**	36,454,343	36,454,343	–	–	–	–	36,454,343
	742,059,438	192,807,537	137,141,100	274,282,200	137,828,601	–	742,059,438
Net liquidity gap	₱465,686,813	₱345,956,864	₱18,856,650	₱35,926,104	₱401,669,957	₱93,910,881	₱824,468,248

**Includes investments in golf shares which is presented under "Other asset"*
***Excluding government payables*

	September 30, 2020 (Unaudited)						
		Contractual Maturities					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial assets							
Cash and cash equivalents	₱ 73,757,431	₱ 73,757,431	₱—	₱—	₱—	₱	₱ 73,757,431
Loans and other receivables							
Receivable from							

customers:							
Consumer	896,868,717	318,121,639	138,743,701	187,433,051	461,567,865	461,567,865	1,175,263,304
Services	249,559,845	173,176,475	28,848,290	47,559,705	92,556,530	34,949,160	377,090,160
Other receivables	14,792,037	13,423,837	—	—	—	1,368,200	14,792,037
Security deposits	134,784	—	—	—	134,784	—	134,784
Financial assets at FVOCI*	80,000	—	—	—	—	80,000	80,000
	1,235,192,814	578,479,382	167,591,991	234,992,756	554,259,179	105,794,408	164,1117,716
Financial Liabilities							
Notes payable	733,286,013	24,500,000	133,500,000	370,546,819	204,739,194	—	733,286,013
Accounts payable	46,669,907	46,669,907	—	—	—	—	46,669,907
Accrued expenses**	51,808,753	51,808,753	—	—	—	—	51,808,753
	831,764,673	122,978,660	133,500,000	370,546,819	204,739,194	—	831,764,673
Net liquidity gap	₱403,428,141	455,500,722	₱34,091,991	(₱135,554,063)	₱349,519,985	₱105,794,408	₱809,353,043

includes investments in golf shares which is presented under 'Other assets-net'

Market Risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (current risk), market interest rates (interest rate risk) and equity price (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risks arise from open position in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Company has no exposure to currency and price risks.

Interest Rate Risk

The probability of the Company may be influenced by changes in the level of interest rates. In the event that interest rates go up significantly, less people will be inclined to avail of a loan. The Company funds its loans operations through a combination of the operational cash flow and borrowings from related parties. Any increase in interest rates will cause the Company to incur more expenses for every peso they earn in interest income.

The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The interest rates on notes payable are fixed with maturity ranging from one (1) to three (3) years.

Sensitivity of Net Interest Income

A principal part of the Company's management of market risk in non-trading portfolios is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Company aims, through its management of market risk in non-trading portfolios, to mitigate the effect of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such activities on the current net revenue stream.

Presented below are the interest-bearing financial instruments:

	Note	**30-Sept-21 Unaudited**	**31-Dec-20 Audited**	**30-Sept-20 Unaudited**
Cash in banks and cash equivalents	*6*	**₱74,980,890**	₱71,177,889	₱73,757,431
Loans and receivable, net*	*7*	**894,265,238**	982,288,274	1,016,246,885
Notes payable	*11*	**(588,961,777)**	(686,393,001)	(733,286,013)
Net exposure		**₱380,284,251**	₱367,073,162	₱356,718,303

**excluding miscellaneous receivables*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Company's interest-bearing financial instruments, with all other variables held constant, on the Company's statements of total comprehensive income before income and final tax for the years ended December 31:

	Increase/Decrease in Interest Rate (in basis points)	Effect to Total Comprehensive Income before Income and Final Tax
2020	**+100bps**	**₱3,658,041**
	-100bps	**(3,658,041)**
2019	+100bps	₱6,267,164
	-100bps	(6,267,164)

24. Events After the Reporting Period

Continuing Effects of COVID-19 Pandemic

On March 11, 2020, the World Health Organization assessed that the COVID-19 has become a pandemic. In an effort to contain the spread of COVID-19 in the Philippines, the Government issued Presidential Proclamation No. 929 on March 16, 2020. The Proclamation declared a State of Calamity throughout the Philippines for a period of six months and imposed enhanced community quarantine, among others. These measures affected economic activities and business operations in an unprecedented manner as the effects continue to evolve.

In response to the pandemic, the Company recognized additional provision for ECL on loans and other receivables amounting to ₱4.50 million (see Note 7) in 2019.

In March 2021, following spike in the number of new COVID-19 cases, the Philippine Government has placed Metro Manila and other risk areas back to ECQ from March 29 to April 4, 2021 which was later extended to April 29, 2021.

These measures affected economic activities and business operations of the Company.

The management continuously assesses the length or severity of this pandemic, or the extent to which the disruption may materially impact the financial position, results of operations, and cash flows onwards. Management believes that the Company will continue as a going concern despite the effects of the pandemic.

Corporate Recovery and Tax Incentives for Enterprises or “CREATE” Act

On February 1, 2021, the Bicameral Conference Committee, under the 18th Congress of the Philippines, ratified the Corporate Recovery and Tax Incentives for Enterprises (the CREATE bill). The CREATE bill seeks to reform corporate income taxes and rationalize fiscal incentives in the country by implementing certain changes to the current tax regulations. Under the bill, some changes will be implemented for periods beginning July 1, 2020.

On February 24, 2021, the final version of the CREATE bill was transmitted to the Office of the President for signing or approval into law. On March 26, 2021, the Office of the President approved the bill, now called Republic Act No. 11534 or CREATE Act. The CREATE Act will become effective 15 days after complete publication in the Official Gazette or any newspaper of general circulation in the Philippines.

The CREATE Act resulted to the reduction of the Company’s tax rate from 2% to 1% of gross income for 3 years, effective July 1, 2020. The impact to the financial statements are as follows:

	Previous Rate	CREATE Rate	Difference
Deferred tax assets	₱57,221,822	₱47,684,852	₱9,536,970
Income tax payable	761,701	276,366	485,335
Provision for current income tax	1,941,341	1,456,006	485,335

25. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS.

The following are the tax information required for the taxable year ended September 30, 2021 based on Revenue Regulation No. 15-2010:

A. Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses, and permit fees lodged under 'Taxes and Licenses' account in the Company's statement of comprehensive income. Details for year 2021 consist of the following:

Gross Receipts Tax (GRT)	₱7,105,038
Documentary Stamp Tax (DST)	1,797,250
Final Tax	27,621
License and Permit Fees	1,231,126
	₱10,161,035

As at September 30, 2021, accrued GRT and DST amounted to ₱2,272,508 and ₱58,031 respectively.

B. Withholding taxes

Details of the withholding taxes at September, 2021 follow:

Expanded withholding taxes	₱3,999,614
Withholding taxes on compensation and benefits	2,381,515
	₱6,381,129

C. Tax Cases

As at September 30, 2021, the Company has no pending tax court cases.

D. Tax Assessment

As at September 30, 2021, the Company has a pending tax assessment for the year 2020.

AGING OF RECEIVABLES

AS SEPTEMBER 30, 2021

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS	TOTAL
A. Trade Receivables							
Loans Receivable (Principal Value)*	838,466,747	10,349,658	8,519,186	7,499,891	15,962,725	154,790,568	**1,035,588,775**
SUB-TOTAL	**838,466,747**	**10,349,658**	**8,519,186**	**7,499,891**	**15,962,725**	**154,790,568**	**1,035,588,775**
Less: Allowance for Doubtful Accounts**						142,265,604	**142,265,604**
Net Trade Receivables	**838,466,747**	**10,349,658**	**8,519,186**	**7,499,891**	**15,962,725**	**12,524,964**	**893,323,171**
***Principal Value=Gross PN less Unearned Interest and Clients' Equity**							
****Allowance for doubtful accounts is for principal only.**							
CLASSIFICATION	**CURRENT**	**1-30 DAYS**	**31-60 DAYS**	**61-90 DAYS**	**91-180 DAYS**	**> 180 DAYS**	**TOTAL**
B. Non-Trade Receivables							
Due from Subsidiaries/Affiliates							
Loans Receivable (Principal Value)*	13,591,183	-	-	-	-	-	13,511,183
SUB-TOTAL	13,591,183	**-**	**-**	**-**	**-**	**-**	13,511,183
Less: Allowance for Doubtful Accounts		-	-	-	-		
Net Non-Trade Receivables	13,591,183	**-**	**-**	**-**	**-**	**-**	13,511,183
NET RECEIVABLES	**852,057,930**	**10,349,658**	**8,519,186**	**7,499,891**	**15,962,725**	**12,524,964**	**906,834,354**