SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City, 1209, Metro Manila Philippines
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Company Information

SEC Registration No.: 0000028788
Company Name: MAKATI FINANCE CORP.
Industry Classification: J66110
Company Type: Stock Corporation

Document Information

Document ID: OST10424202381039032
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2022
Submission Type: Annual
Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	8	7	8	8

COMPANY NAME

MAKATI FINANCE CORPORATION

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

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

Form Type	Department requiring the report	Secondary License Type, if Applicable
AAFS	CRMD	FINANCING

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
mfin@makatifinance.com.ph	02-775-18132	N/A

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
111	Last Thursday of July	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Marcos E. Larosa	mlarosa@makatifinance.com.ph	02-775-18132	0917-530-9923

CONTACT PERSON's ADDRESS

3rd floor Mazda Makati Building, 2301 Chino Roces Avenue, Barangay Magallanes, Makati City

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

2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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Submission Date/Time: **Apr 18, 2023 03:53 PM**
Company TIN: **000-473-966**

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MAKATI FINANCE
CORPORATION
MORE THAN JUST FINANCING

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

MARCOS E. LAROSA
Chief Finance Officer

MAXCY FRANCISCO JOSE R. BORROMEO
President

RENE B. BENITEZ
Chairman of the Board

Signed this 14th day of April 2023

SUBSCRIBED AND SWORN TO BEFORE ME
THIS DAY OF 19 APR 2023
AFFIANT EXHIBITED HIS/HER
NO. ______ ISSUED ON ______
AT ______

DOC. NO. 290
PAGE NO. 59
BOOK NO. XVI
SERIES OF 2023

ATTY. RENE MA. M. VILLA
Notary Public of Makati City
Appointment No. M-111
Until December 31, 2024
PTR No. MKT 9565544; 01-03-2023; Makati City
IBP Lifetime No. 013595; 12-27-2013; I.C.
Roll No. 37226
MCLE Compliance No. VII-0024195; 11-15-2022
Ground Floor, Makati Terraces Condominium
3650 Davila St., Brgy. Tejeros, Makati City 1204

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Makati Finance Corporation
3rd Floor Mazda Makati Building
2301 Chino Roces Avenue
Barangay Magallanes, Makati City

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Makati Finance Corporation (the "Company") as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The financial statements of the Company comprise:

- the statement of financial position as at December 31, 2022;
- the statement of total comprehensive income for the year ended December 31, 2022;
- the statement of changes in equity for the year ended December 31, 2022;
- the statement of cash flows for the year ended December 31, 2022; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and Code of Ethics.

Other Matter

The financial statements of the Company as at December 31, 2021 and for the years ended December 31, 2021 and 2020 have been audited by another auditor, who expressed an unmodified opinion on those statements on April 8, 2022.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit pertains to the impairment losses on loans and other receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment losses on loans and other receivables We focused on this account because of the significant judgments and estimation that management makes in ascertaining the provision for credit losses. As at December 31, 2022, the total allowance for impairment on loans and other receivables amounted to P140.51 million while the provision for credit losses recognized in profit or loss for the year then ended amounted to P18.84 million. Refer to Note 3 in the financial statements.	Our work over the impairment losses of loans and other receivables included: • assessment of the methodology applied by the Company in the development of its expected credit loss (ECL) model vis-à-vis the requirements of PFRS 9, *'Financial Instruments'*; • testing of data inputs and key assumptions in the ECL model such as the classification of credit exposures, age of the receivables, collection experience and existence of collateral, among others; and • recalculation of the ECL allowance using the model adopted by the Company, including consideration of relevant forward looking information applicable to the Company's receivable portfolio.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Bureau of Internal Revenue (BIR) Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BIR Revenue Regulations Nos. 15-2010 and 34-2020 in Note 20 to the financial statements is presented for the purposes of filing with the BIR and is not a required part of the basic financial statements. Such information is the responsibility of management of the Company. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Ruth F. Blasco.

Isla Lipana & Co.

Ruth F. Blasco
Partner
CPA Cert No. 112595
P.T.R. No. 0018519, issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors 112595-SEC, Category A; valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
TIN 235-725-236
BIR A.N. 08-000745-133-2020, issued on June 5, 2020; effective until June 4, 2023
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 14, 2023

Makati Finance Corporation

Statement of Financial Position
December 31, 2022
(With comparative figures as at December 31, 2021)
(All amounts in Philippine Peso)

	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	2	34,051,506	73,115,778
Loans and other receivables, net	3	476,372,353	573,816,404
Other assets, net	4	108,457,610	118,870,441
Total current assets		618,881,469	765,802,623
Non-current assets			
Loans and other receivables, net	3	338,928,285	297,979,914
Property and equipment, net	5	6,276,492	8,598,163
Investment properties	6	90,801,000	63,128,241
Right-of use asset, net	16	18,730,644	32,311,216
Deferred tax assets, net	13	40,530,674	44,481,308
Total non-current assets		495,267,095	446,498,842
Total assets		1,114,148,564	1,212,301,465
LIABILITIES AND EQUITY			
Current liabilities			
Notes payable	9	419,496,400	522,654,225
Accounts payable		40,392,497	35,722,757
Accrued expenses	8	20,587,598	22,831,211
Lease liabilities	16	6,493,544	6,611,667
Income tax payable	13	1,529,041	2,380,651
Total current liabilities		488,499,080	590,200,511
Non-current liabilities			
Notes payable	9	42,052,330	42,052,331
Lease liabilities	16	15,019,195	29,644,749
Retirement benefit obligation, net	14	5,478,727	7,912,942
Total non-current liabilities		62,550,252	79,610,022
Total liabilities		551,049,332	669,810,533
Equity			
Capital stock	10	269,283,709	267,828,098
Additional paid-in capital		5,803,922	5,803,922
Retained earnings		277,759,900	262,818,124
Remeasurement gain on retirement benefit obligation	16	10,251,701	6,040,788
Total equity		563,099,232	542,490,932
Total liabilities and equity		1,114,148,564	1,212,301,465

(The notes on pages 1 to 37 are an integral part of these financial statements.)

Makati Finance Corporation

Statement of Total Comprehensive Income
For the year ended December 31, 2022
(With comparative figures for the years ended December 31, 2021 and 2020)
(All amounts in Philippine Peso)

	Notes	2022	2021	2020
Interest income	2,3	158,979,539	174,717,502	164,100,975
Interest expense	9	(33,125,884)	(35,883,274)	(42,568,272)
		125,853,655	138,834,228	121,532,703
Other income				
Service charges	11	4,681,392	6,102,222	4,580,050
Miscellaneous	12	34,760,438	21,838,560	15,625,577
Total other income		39,441,830	27,940,782	20,205,627
Total operating income		165,295,485	166,775,010	141,738,330
Operating expenses				
Salaries and employee benefits		60,608,488	59,458,056	54,318,528
Provision for credit losses	3	18,840,356	16,318,563	14,649,739
Taxes and licenses		13,696,781	14,667,754	14,703,685
Occupancy costs		12,310,518	13,515,015	2,169,628
Depreciation and amortization	5	9,473,494	12,023,567	18,502,108
Travel and transportation		7,664,302	5,374,796	3,256,469
Management and professional fees		7,037,544	6,321,676	7,533,057
Commission		1,097,649	931,758	1,925,474
Provision for (reversal of) impairment loss of repossessed assets		377,146	927,711	(3,492,533)
Entertainment, amusement and recreation		375,368	260,209	302,238
Miscellaneous	12	10,407,838	11,979,309	10,298,341
Total operating expenses		141,889,484	141,778,414	124,166,734
Income before tax		23,406,001	24,996,596	17,571,596
Income tax expense	13	5,552,903	15,292,190	6,744,293
Net income		17,853,098	9,704,406	10,827,303
Other comprehensive income		4,210,913	3,144,085	(1,195,765)
Total comprehensive income for the year		22,064,011	12,848,491	9,631,538
Basic and diluted earnings per share	10	0.07	0.04	0.04

(The notes on pages 1 to 37 are an integral part of these financial statements.)

Makati Finance Corporation

Statement of Changes in Equity
For the year ended December 31, 2022
(With comparative figures for the year ended December 31, 2021)
(All amounts in Philippine Peso)

	Capital stock (Note 10)	Additional paid-in capital	Retained earnings	Remeasurement gain (loss) on retirement benefit obligation	Total equity
Balances at January 1, 2020	262,948,243	5,803,922	252,046,301	4,092,468	524,890,934
Transactions with owners					
Stock dividends	3,255,804	-	(3,255,804)	-	-
Cash dividends	-	-	(3,255,891)	-	(3,255,891)
Total transactions with owners	3,255,804	-	(6,511,695)	-	(3,255,891)
Comprehensive income					
Net income for the year	-	-	10,827,303	-	10,827,303
Other comprehensive loss	-	-	-	(1,195,765)	(1,195,765)
Total comprehensive income (loss)	-	-	10,827,303	(1,195,765)	9,631,538
Balances at January 1, 2021	226,204,047	5,803,922	256,361,909	2,896,703	531,266,581
Transactions with owners					
Stock dividends	1,624,051	-	(1,624,051)	-	-
Cash dividends	-	-	(1,624,140)	-	(1,624,140)
Total transactions with owners	1,624,051	-	(3,248,191)	-	(1,624,140)
Comprehensive income					
Net income for the year	-	-	9,704,406	-	9,704,406
Other comprehensive income	-	-	-	3,144,085	3,144,085
Total comprehensive income	-	-	9,704,406	3,144,085	12,848,491
Balances at December 31, 2021	267,828,098	5,803,922	262,818,124	6,040,788	542,490,932
Transactions with owners					
Stock dividends	1,455,611	-	(1,455,611)	-	-
Cash dividends	-	-	(1,455,711)	-	(1,455,711)
Total transactions with owners	1,455,611	-	(2,911,322)	-	(1,455,711)
Comprehensive income					
Net income for the year	-	-	17,853,098	-	17,853,098
Other comprehensive income	-	-	-	4,210,913	4,210,913
Total comprehensive income	-	-	17,853,098	4,210,913	22,064,011
Balances at December 31, 2022	269,283,709	5,803,922	277,759,900	10,251,701	563,099,232

(The notes on pages 1 to 37 are an integral part of these financial statements.)

Makati Finance Corporation

Statement of Cash Flows
For the year ended December 31, 2022
(With comparative figures for the year ended December 31, 2021 and 2020)
(All amounts in Philippine Peso)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		23,406,001	24,996,596	17,571,596
Adjustments for:				
Provision for credit losses on loans and other receivables	3	18,840,356	16,318,563	14,649,739
Depreciation and amortization	5,16	9,417,435	12,023,566	18,502,108
Fair value change in investment properties	6	(24,602,534)	(4,430,491)	-
Retirement benefits expense	14	3,180,335	3,527,986	2,894,024
Interest expense from lease liabilities	16	1,249,467	1,766,789	2,025,648
Provision for (reversal of) impairment loss of repossessed assets	4	377,146	927,711	(3,492,533)
Gain from sale of repossessed assets	4	(463,451)	(2,377,048)	(3,296,379)
Loss on sale of investment property		-	272,612	-
Provision for impairment loss of investment properties		-	-	915,951
Operating income before working capital changes		31,404,755	53,026,284	49,770,154
Decrease (increase) in:				
Loans and other receivables		37,655,324	110,970,271	11,216,730
Other assets		(67,361,622)	(99,412,877)	(50,249,505)
Increase (decrease) in:				
Accounts payable		4,669,740	16,510,663	(11,964,493)
Accrued expenses		(2,243,613)	(18,396,287)	9,829,968
Net cash flows provided by operating activities		4,124,584	62,698,054	8,602,854
Income taxes paid	13	(3,857,517)	(1,980,754)	(1,906,171)
Proceeds from sale of repossessed assets		77,887,488	77,353,188	48,830,590
Net cash from operating activities		78,154,555	138,070,488	55,527,273
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment	5	(683,956)	(5,925,121)	(899,846)
Additions to software		(113,116)	(335,631)	(17,465)
Additions to investment properties	6	(3,070,225)	(2,230,309)	-
Net cash used in investing activities		(3,867,297)	(8,491,061)	(917,311)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of notes payable		219,516,745	144,434,268	206,074,736
Settlement of notes payable		(322,674,571)	(266,120,713)	(228,990,783)
Payment of lease liabilities	16	(8,737,993)	(7,941,968)	(16,375,478)
Cash dividends paid		(1,455,711)	(1,624,140)	(3,255,804)
Net cash from financing activities		(113,351,530)	(131,252,553)	(42,547,329)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(39,064,272)	(1,673,126)	12,062,633
Cash and cash equivalents				
January 1		73,115,778	74,788,904	62,726,271
December 31		34,051,506	73,115,778	74,788,904

(The notes on pages 1 to 37 are an integral part of these financial statements.)

Makati Finance Corporation

Notes to the Financial Statements
As at and for the year ended December 31, 2022
(With comparative figures and notes as at December 31, 2021 and for the years ended December 31, 2021 and 2020)
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General information

Makati Finance Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 17, 1966. The Company is a domestic corporation engaged in the sale of various financial products and services, catering generally to the consumer market.

The Company is considered a public company under Rule 3.1 of Implementing Rules and Regulations of the Securities Regulation Code (SRC), which, among others, defines a public company as any corporation with a class of equity securities listed on an exchange, or with assets of at least P50 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities.

On March 11, 2022, the Board of Directors (BOD) and shareholders approved the offer of up to 19,560,000 shares from the Company's unissued common shares 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 P1.38 per share.

As at December 31, 2022, the Company's closing price at the PSE amounts to P2.35 per share (2021 - P2.50 per share).

Amalgamated Investment Bancorporation (AIB) (the "Parent Company") owns 42.89% of the Company as at December 31, 2022 and 2021.

The Company's registered office address, which is also its principal place of business, is at 3rd Floor Mazda Makati Building, 2301 Chino Roces Avenue, Barangay Magallanes, Makati City.

The Company has 156 employees as at December 31, 2022 (2021 - 184).

Approval of the financial statements

These financial statements have been approved and authorized for issuance by the Company's BOD on April 14, 2023.

Note 2 - Cash and cash equivalents

This account consists of:

	2022	2021
Cash on hand	650,871	811,958
Cash in banks	33,400,635	56,616,646
Cash equivalents	-	15,687,174
	34,051,506	73,115,778

Cash in banks earn interest at the prevailing bank deposit rates which range from 0.05% to 0.15% (2021 - 0.05% to 0.13%). In 2022, interest income on cash in banks amount to P31,283 (2021 - P50,003; 2020 - P52,686).

Cash equivalents include short-term placements with MAPI Lending investors, Inc. and HMW Lending Investors, Inc. at 10.5% and 8.5% interest rates, respectively, and with maturities ranging from 30 to 120 days. Cash equivalents as at December 31, 2021 fully matured in 2022.

Note 3 - Loans and other receivables, net

The account as at December 31 consist of:

	2022	2021
Consumer	1,031,311,381	1,081,544,549
Services	266,927,819	319,050,230
Other receivables	13,085,453	12,092,865
	1,311,324,653	1,412,687,644
Unearned interest discount	(355,513,027)	(411,237,406)
Allowance for expected credit loss (ECL)	(140,510,988)	(129,653,920)
	815,300,638	871,796,318

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

	2022	2021
Motorcycle financing	436,806,686	455,131,617
Business loans	525,983,849	500,614,501
Rx cash line	179,098,116	184,527,827
Car loans	73,851,287	110,717,136
Receivables purchased	3,057,353	63,452,340
Corporate salary loans	5,467,779	7,693,502
	1,224,265,070	1,322,136,923
Personal loans	31,624,014	28,650,462
Pension loans	14,884,222	14,349,231
Leisure bike loans	14,588,482	13,778,336
Accrued interest receivable	5,918,804	11,248,012
Housing loans	6,958,608	10,431,815
Due from affiliates	554,143	101,007
Sales contract receivable	-	168,200
Miscellaneous receivables	12,531,310	11,823,658
	1,311,324,653	1,412,687,644

Miscellaneous receivables pertain to receivables from employees and other related and non-related parties.

Interest rates on loans and other receivables for the year ended December 31, 2022 range from 1.2% to 3.0% (2021 and 2020 - 1.2% to 2.6%) add-on rate per month plus gross receipts tax. For the year ended December 31, 2022, interest income earned on loans receivables amounts to P158.95 million (2021 - P174.67 million; 2020 - P164.04 million).

Certain motorcycle financing receivables amounting to P175.52 million (2021 - P275.66 million) were used as collateral on notes payable to banks (see Note 9).

The following table shows the breakdown of loans (gross of allowance for ECL) as to collateral as at December 31:

	2022	%	2021	%
Secured loans				
Chattel mortgage	383,569,862	40.13%	434,680,837	43.41%
Real estate mortgage	177,231,108	18.54%	176,122,611	17.59%
Other collaterals	31,272,185	3.27%	91,755,707	9.16%
Total secured	592,073,155	61.94%	702,559,155	70.16%
Unsecured	363,738,471	38.06%	298,891,083	29.84%
	955,811,626	100.00%	1,001,450,238	100.00%

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

Movements in allowance for ECL follow:

	December 31, 2022			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	109,621,244	15,566,961	4,465,715	129,653,920
Provision during the year	14,530,224	4,310,132	-	18,840,356
Write-off during the year	(7,983,288)	-	-	(7,983,288)
At December 31	116,168,180	19,877,093	4,465,715	140,510,988

	December 31, 2021			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	120,817,037	13,040,129	4,465,715	138,322,881
Provision during the year	13,791,731	2,526,832	-	16,318,563
Write-off during the year	(24,987,524)	-	-	(24,987,524)
At December 31	109,621,244	15,566,961	4,465,715	129,653,920

In determining the allowance for ECL on loans and other receivables, the Company groups its loans and other 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.

Note 4 - Other assets, net

This account consists of:

	2022	2021
Repossessed assets, net	99,692,514	109,462,837
Prepaid expenses	3,569,794	5,543,471
Security deposits	4,733,792	3,373,292
Software costs	381,510	410,841
Financial asset at fair value through other comprehensive income (FVOCI)	80,000	80,000
	108,457,610	118,870,441

Repossessed assets pertain to motorcycle units that were repossessed from the Company's motorcycle financing business.

The movement in repossessed assets follow:

	2022	2021
Cost		
At January 1	150,809,469	126,539,947
Additions	68,111,860	99,326,662
Disposals	(77,424,037)	(74,976,140)
At December 31	141,497,292	150,890,469
Allowance for impairment losses		
At January 1	41,427,632	40,499,921
Allowance for impairment during the year	377,146	927,711
At December 31	41,804,778	41,427,632
Carrying amount	99,692,514	109,462,837

Included in the statement of total comprehensive income are the gain from sale of repossessed assets amounting to P463,451 in 2022 (2021 - P2.38 million). Proceeds from sale amounted to P77.89 million in 2022 (2021 - P77.35 million).

The movement in software costs follow:

	2022	2021
Cost		
At January	6,362,100	6,031,682
Additions	113,116	335,631
Reclassification	-	(5,212)
At December 31	6,475,216	6,362,101
Accumulated amortization		
At January 1	5,951,260	5,517,670
Amortization for the year	142,445	438,802
Reclassification	-	(5,212)
Accumulated amortization	6,093,706	5,951,260
Carrying amount	381,510	410,841

Note 5 - Property and equipment, net

The movements in the account for the years ended December 31 are summarized below:

	2022			
	Furniture, fixtures and equipment	Leasehold rights and improvements	Transportation equipment	Total
Cost				
At January 1	19,185,516	10,861,636	10,408,455	40,455,607
Additions	683,957	-	-	683,956
At December 31	19,869,473	10,861,636	10,408,455	41,139,563
Accumulated depreciation				
At January 1	17,925,575	7,693,733	6,238,136	31,857,444
Depreciation	875,954	676,959	1,452,714	3,005,627
At December 31	18,801,529	8,370,692	7,690,850	34,863,071
Carrying amount	1,067,944	2,490,944	2,717,605	6,276,493

	2021			
	Furniture, fixtures and equipment	Leasehold rights and improvements	Transportation equipment	Total
Cost				
At January 1	18,300,572	7,476,839	10,003,075	35,780,486
Additions	884,944	3,384,797	1,655,380	5,925,121
Retirement	-	-	(1,250,000)	(1,250,000)
At December 31	19,185,516	10,861,636	10,408,455	40,455,607
Accumulated depreciation				
At January 1	16,622,596	6,871,744	5,295,928	28,790,268
Depreciation	1,302,979	821,989	1,942,208	4,067,176
Retirement	-	-	(1,000,000)	(1,000,000)
At December 31	17,925,575	7,693,733	6,238,136	31,857,444
Carrying amount	1,259,941	3,167,903	4,170,319	8,598,163

As at December 31, 2022, the Company has fully depreciated property and equipment that are still in use with original cost amounting to P25.68 million (2021 - P23.33 million).

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 as at December 31, 2022 and 2021.

Note 6 - Investment properties, net

The movements in the account for the years ended December 31 are summarized below:

	2022	2021
Beginning of the year	63,128,241	61,240,053
Additions	3,070,225	2,230,309
Disposals	-	(4,772,612)
Fair value adjustment	24,602,534	4,430,491
	90,801,000	63,128,241

Investment properties consist of land and building amounting to P73,858,715 and P16,942,285, respectively (2021 - P46,012,956 and P17,115,285, respectively).

The Company presents its investment properties at fair value and changes on such are recognized in profit or loss. The fair value of the investment properties was determined by management and independent and professionally qualified appraiser on various dates in December 2022 and January 2023.

The fair value of the Company's investment properties was determined using the Market Approach, which is a comparative approach to value that considers sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. In general, a property being valued (a subject property) is compared with sales of similar properties that have been transacted in the market.

Direct operating expenses with regard to investment properties pertain to local property taxes amounting to P76,043 in 2022 (2021 - P76,043).

Note 7 - Segment information

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 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 the 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 collectibility 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 statement of financial position.

The Company's assets producing revenues are located in the Philippines (i.e., one geographical location), therefore the 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:

	2022				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and other receivables	179,098,116	529,041,202	531,165,259	72,020,076	1,311,324,653
Results of operation					
Revenue					
Interest income	22,946,252	57,393,493	65,433,531	13,206,263	158,979,539
Other income	2,269,873	28,025,287	5,587,068	3,559,602	39,441,830
Total	25,216,125	85,418,780	71,020,599	16,765,865	198,421,369
Expenses					
Interest expense	4,524,267	13,364,316	13,417,973	1,819,328	33,125,884
Provision for losses	3,667,710	9,576,412	1,663,782	4,309,598	19,217,502
Operating expenses	10,650,563	38,673,084	66,792,325	6,556,010	122,671,982
	18,842,540	61,613,812	81,874,080	12,684,936	175,015,368
Net operating income (loss)	6,373,585	23,804,968	(10,853,481)	4,080,929	23,406,001
Income tax expense (benefit)	1,773,788	6,503,111	(4,397,730)	1,673,733	5,552,902
Net Income (loss)	4,559,797	17,301,857	(6,455,751)	2,407,196	17,853,099
Statement of Financial Position					
Total Assets	103,295,406	510,795,835	459,248,231	40,809,092	1,114,148,564
Total Liabilities	62,264,341	253,960,063	212,168,236	22,656,692	551,049,332
Other segment information					
Capital expenditures	578,303	1,446,460	1,649,089	332,830	4,006,682
Depreciation and amortization	1,392,032	3,481,771	3,969,519	801,158	9,644,480

	2021				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and other receivables	185,423,999	589,836,996	589,220,105	74,010,892	1,438,491,992
Results of operation					
Revenue					
Interest income	21,997,658	67,892,983	77,056,532	7,770,329	174,717,502
Other income	3,218,580	9,933,740	13,651,501	1,136,913	27,940,734
	25,216,238	77,826,723	90,708,033	8,907,242	202,658,236
Expenses					
Interest expense	4,517,853	13,943,781	15,825,779	1,595,861	35,883,274
Provision for losses	2,171,377	6,701,681	7,606,210	767,006	17,246,274
Operating expenses	11,365,248	35,933,418	69,374,072	5,482,354	122,155,092
	18,054,478	56,578,880	92,806,061	7,845,221	175,284,640
Net operating income (loss)	7,161,760	21,247,843	(2,098,028)	1,062,021	27,373,596
Income tax expense (benefit)	2,928,996	8,825,971	2,869,541	667,682	15,292,190
Net Income (loss)	4,232,764	12,421,872	(4,967,569)	394,339	12,081,406
Statement of Financial Position					
Total Assets	117,365,439	509,938,385	542,360,807	42,636,834	1,212,301,465
Total Liabilities	76,719,670	291,696,693	275,183,329	26,210,841	669,810,533
Other segment information					
Capital expenditures	1,069,060	3,299,518	3,744,855	377,628	8,491,061
Depreciation and amortization	1,513,817	4,672,204	5,302,814	534,732	12,023,567

	2020				
	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	6,984,492	2,603,139	20,205,627
Total	28,688,844	62,754,208	82,507,979	10,355,571	184,306,602
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	70,504,270	5,565,974	113,009,528
	18,616,950	45,708,798	94,041,134	8,368,124	166,735,006
Net operating income (loss)	10,071,894	17,045,410	(11,533,155)	1,987,447	17,571,596
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)	1,491,766	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

Note 8 - Accrued expenses

This account consists of:

	2022	2021
Accrued rent	4,894,595	3,387,008
Accrued insurance payable	3,981,994	3,775,424
Accrued taxes	3,454,505	4,032,302
Accrued commissions and outside services	1,776,647	2,473,627
Accrued interest	1,283,054	1,498,494
Accrued administrative expenses	1,255,443	1,077,699
Accrued management and professional fees	737,677	883,514
Advances from customers	-	854,354
Others	3,203,683	4,848,789
	20,587,598	22,831,211

Others mainly include accrual on utilities and travel and transportation.

Note 9 - Notes payable

The account as at December 31 consists of:

	2022	2021
Notes payable to:		
Related parties	257,408,526	342,504,386
Banks	175,517,005	201,618,486
Individuals/corporate	28,623,199	20,583,684
	461,548,730	564,706,556

Interest rates on notes payable range from 5.50% to 8.75% in 2022 (2021 - 5% to 6%). Interest expenses on these notes payable amount to P31.47 million in 2022 (2021 - P34.12 million; 2020 - P40.54 million).

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

Notes payable to banks have a maturity of up to three (3) years. As at December 31, 2022 and 2021, 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 receivables (with 50% to 85% loanable value) on per availment basis.

The following assets were used to secure the notes payable to banks availed by the Company (Note 3):

	2022		2021	
	Carrying amount	Secured notes	Carrying amount	Secured notes
Motorcycle financing receivables	227,613,885	175,517,005	P353,705,896	P275,657,204

Note 10 - Equity

On July 28 2022, the BOD and stockholders approved the declaration of 0.54% stock dividends in the amount of P1.46 million to stockholders of record as at August 26, 2022 with distribution date not later than September 21, 2022. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to P1.46 million.

On July 29, 2021, the BOD and stockholders approved the declaration of 0.61% stock dividends in the amount of P1.62 million to stockholders of record as at August 26, 2021 with distribution date not later than September 21, 2021. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to P1.62 million.

On July 29, 2020, the BOD and stockholders approved the declaration of 1.24% stock dividends in the amount of P3.26 million to stockholders of records as of August 27, 2020 with distribution date not later than September 22, 2020. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to P3.26 million

As at December 31, 2022, the Company has 269,283,709 common shares issued and outstanding which are owned by 111 shareholders.

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

	2022		2021		2020	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Authorized - 300,000,000 shares; P1 par value						
At January 1	267,828,098	267,828,098	266,204,047	266,204,047	262,948,243	262,948,243
Stock dividends	1,455,611	1,455,611	1,624,051	1,624,051	3,255,804	3,255,804
At December 31	269,283,709	269,283,709	267,828,098	267,828,098	266,204,047	266,204,047

Earnings per share

Earnings per share is calculated by dividing the net income by the weighted average number of outstanding common shares.

The information used in the computation of basic and diluted earnings per share for the years ended December 31 follow:

	2022	2021	2020
Net income for the year	17,853,098	9,704,406	10,827,303
Weighted average number of outstanding common shares	268,555,904	266,610,060	263,762,194
Basic and diluted earnings per share	0.07	0.04	0.04

Note 11 - Service charges

The account for the years ended December 31 consists of the following:

	2022	2021	2020
Processing fees	4,011,154	3,494,270	3,970,744
Late payment charges	661,681	2,592,064	607,312
Others	8,557	15,888	1,994
	4,681,392	6,102,222	4,580,050

Processing fees refer to charges that are deducted from the loan proceeds before they are disbursed to the borrower. This fee covers the cost of processing the loan application, including evaluating the borrower's creditworthiness, verifying their employment and income, and other administrative expenses.

Late payment charges, on the other hand, are fees that are assessed when a borrower fails to make a loan payment on time. These charges are designed to encourage timely payments and compensate the Company for the costs associated with processing and collecting late payments.

Note 12 - Miscellaneous

Miscellaneous income for the years ended December 31 consists of the following items:

	2022	2021	2020
Penalties	6,053,470	7,776,978	7,047,586
Fair value adjustment	24,602,534	4,430,491	-
Others	4,104,434	9,631,091	8,577,991
	34,760,438	21,838,560	15,625,577

Others mainly consist of gain on sale of motorcycle units.

Miscellaneous expenses for the years ended December 31 consist of the following items:

	2022	2021	2020
Communication	2,894,069	2,931,713	2,327,281
Stationaries and supplies	2,256,939	2,918,595	1,511,318
Others	5,256,830	6,129,001	6,459,742
	10,407,838	11,979,309	10,298,341

Other expenses include insurance, repairs and maintenance, training and development fees, meetings and conference fees, claims fees, advertising costs, donations and membership dues.

Note 13 - Income taxes

Current tax regulations provide that the regular corporate income tax rate applicable to the Company is 25%. The regulations also provide for minimum corporate income tax (MCIT) of 1% on modified gross income and allow net operating loss carry-over (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. Specifically, for taxable years 2021 and 2020, NOLCO can be carried forward for five years.

The following are the components of income tax expense for the years ended December 31:

	2022	2021	2020
Current	3,005,907	3,599,704	1,941,341
Deferred	2,546,996	11,692,486	4,802,952
	5,552,903	15,292,190	6,744,293

A reconciliation between the income tax expense at the statutory tax rate and income tax expense at effective tax rate follows:

	2022	2021	2020
Income before tax	23,406,001	24,996,641	17,571,596
Income tax benefit at statutory income tax rate (25%)	5,851,500	6,249,160	5,271,479
Adjustments for:			
Interest income subjected to final tax	(7,821)	(12,501)	(18,760)
Impact of PFRS 16	(290,776)	-	-
Effect of CREATE law	-	9,051,635	-
Non-deductible interest expense	-	3,896	7,738
Change in unrecognized DTA	-	-	1,483,836
Effective income tax expense	5,552,903	15,292,190	6,744,293

The components of the Company's deferred tax assets and liabilities as at December 31 are as follows:

	2022	2021
Deferred tax assets		
Allowance of repossessed assets write-down	35,069,198	10,356,908
Allowance for credit losses	10,451,194	32,354,931
Accrued expenses	1,685,388	1,685,388
Retirement expense	2,400,587	1,605,504
Impairment loss on investment properties	228,988	228,987
Past service costs	40,294	40,294
Others	1,216,006	1,216,006
	51,091,655	47,488,018
Deferred tax liabilities		
Remeasurement gain on defined benefit obligation	3,137,635	1,733,997
Fair value increase in investment properties	7,423,346	1,272,713
	10,560,981	3,006,710
	40,530,674	44,481,308

In addition, the 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 an entity engaged in the sale of services. EAR expenses amounted to P0.37 million and P0.26 million 2022 and 2021, respectively.

Below are the movements in income tax payable:

	2022	2021
Balance, January 1	2,380,651	761,701
Provision for income tax - current	3,005,907	4,085,039
Income tax paid during the year	(3,857,517)	(1,980,754)
Effect of CREATE law	-	(485,335)
Balance, December 31	1,529,041	2,380,651

Movements in net deferred income tax (DIT) assets are summarized as follows:

	2022	2021
Beginning of the year	44,481,308	57,221,822
Amounts charged to profit or loss	(2,546,996)	(11,692,486)
Amounts charged to other comprehensive income	(1,403,638)	(1,048,028)
End of the year	40,530,674	44,481,308

Note 14 - Retirement benefits

The Company has a funded, 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'

Details of the retirement benefit obligation recognized in the statement of financial position as at December 31 are as follows:

	2022	2021
Present value of benefit obligation	12,587,051	15,085,059
Fair value of plan assets	(7,108,324)	(7,172,117)
Retirement benefit obligation	5,478,727	7,912,942

Details of the retirement benefit expense recognized in profit or loss for the years ended December 31 are as follows:

	2022	2021
Current service cost	2,778,358	3,189,191
Net interest cost	401,977	338,795
	3,180,335	3,527,986

The movements in the present value of retirement benefit obligation are as follows:

	2022	2021
At beginning of year	15,085,059	15,768,727
Current service cost	2,778,358	3,189,191
Interest cost	766,321	622,865
Remeasurements		
Gain from changes in financial assumptions	(5,264,281)	(3,253,172)
Gain from experience adjustments	(778,406)	(1,237,083)
Gain from changes in demographic assumptions	-	(5,469)
At end of year	12,587,051	15,085,059

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

	2022	2021
At beginning of year	7,172,116	7,191,657
Interest income	364,344	284,070
Benefits paid	(428,137)	(303,611)
At end of year	7,108,324	7,172,116

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

	2022	2021
Cash and cash equivalents	3,793,982	3,358,918
Financial assets at fair value through profit or loss - fixed income	3,313,473	3,793,308
Accrued other receivables	869	19,891
	7,108,324	7,172,117

The principal assumptions used in determining the retirement benefit obligation as at December 31 are as follows:

	2022	2021
Discount rate	7.36%	5.08%
Future salary increases	5%	5%
Average remaining working life (in years)	24.7	25.6

Discount rate sensitivity

The following illustrates the sensitivity to a reasonably possible change in each key assumption, with all other variable held constant, of the Company's retirement benefit obligation. The sensitivity analysis is prepared assuming the fair value of asset does not vary during the period and the methods and assumptions are the same in prior years. A 100 bps increase, or decrease is used when reporting this risk internally to key management personnel and represents management's assessment of the reasonably possible change in discount rate and salary increase. The impact on the Company's retirement benefit obligation follows:

		Impact on retirement benefit obligation	
	Change in basis points	Increase in assumption	Decrease in assumption
December 31, 2022			
Discount rate	100 basis points	(1,662,537)	2,016,802
Salary growth rate	100 basis points	2,045,350	(1,711,189)
December 31, 2021			
Discount rate	100 basis points	(2,290,874)	2,836,751
Salary growth rate	100 basis points	2,809,381	(2,312,239)

There are no expected contributions to the plan for the year ending December 31, 2023.

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

Note 15 - Related party transaction

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.

		2022			2021			2020		
			Outstanding Balances			Outstanding Balances			Outstanding Balances	
Category/Transaction	Ref	Amount of Transaction	Due from related parties	Due to related parties	Amount of Transaction	Due from related parties	Due to related parties	Amount of Transactions	Due from related parties	Due to related parties
Parent Company										
Miscellaneous receivables	A	-	80,514	-	-	80,514	-	-	80,514	-
Notes payable	B	-	-	191,100,000	-	-	267,600,000	-	-	338,600,000
Availments		16,000,000	-	-	-	-	-	24,500,000	-	-
Settlements		92,500,000	-	-	-	-	-	70,900,000	-	-
Interest expense		13,725,831	-	83,855	16,145,583		822,018	20,189,293	-	2,598,976
Entities under common control										
Motor Ace Philippines, Inc.										
Loans Receivable	A	-	2,952,145	-	-	-	-	-	-	-
Availments		4,595,808	-	-	-	-	-	-	-	-
Settlements		1,288,776	-	-	-	-	-	-	-	-
Miscellaneous receivables	A	-	342,254	-	-	307,804	-	-	240,184	-
Availments		77,350	-	-	189,543	-	-	174,490	-	-
Settlements		42,900	-	-	121,922	-	-	88,200	-	-

Forward

Note 15 - Related party transaction

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.

		2022			2021			2020		
			Outstanding Balances			Outstanding Balances			Outstanding Balances	
Category/Transaction	Ref	Amount of Transaction	Due from related parties	Due to related parties	Amount of Transaction	Due from related parties	Due to related parties	Amount of Transactions	Due from related parties	Due to related parties
Parent Company										
Miscellaneous receivables	A	-	80,514	-	-	80,514	-	-	80,514	-
Notes payable	B	-	-	191,100,000	-	-	267,600,000	-	-	338,600,000
Availments		16,000,000	-	-	-	-	-	24,500,000	-	-
Settlements		92,500,000	-	-	-	-	-	70,900,000	-	-
Interest expense		13,725,831	-	83,855	16,145,583		822,018	20,189,293	-	2,598,976
Entities under common control										
Motor Ace Philippines, Inc.										
Loans Receivable	A	-	2,952,145	-	-	-	-	-	-	-
Availments		4,595,808	-	-	-	-	-	-	-	-
Settlements		1,288,776	-	-	-	-	-	-	-	-
Miscellaneous receivables	A	-	342,254	-	-	307,804	-	-	240,184	-
Availments		77,350	-	-	189,543	-	-	174,490	-	-
Settlements		42,900	-	-	121,922	-	-	88,200	-	-

Forward

Category/Transaction	Ref	2022 Amount of Transaction	2022 Outstanding Balances Due from related parties	2022 Outstanding Balances Due to related parties	2021 Amount of Transaction	2021 Outstanding Balances Due from related parties	2021 Outstanding Balances Due to related parties	2020 Amount of Transaction	2020 Outstanding Balances Due from related parties	2020 Outstanding Balances Due to related parties
Accounts payable	D	-	-	14,456,450	-	-	13,849,458	-	-	15,194,978
Availments		71,576,002	-	-	73,871,039	-	-	54,444,011	-	-
Settlements		70,969,009	-	-	75,216,559	-	-	51,426,833	-	-
MAPI Lending Investors, Inc.										
Miscellaneous receivables	A	-	2,229,436	-	1,877,428	-	-	-	2,725,083	-
Availments		1,157,245	-	-	745,819	-	-	343,204	-	-
Settlements		16,492,411	-	-	1,593,475	-	-	554,450	-	-
Accounts payable	D	-	-	78,640	-	-	75,372	-	-	75,372
Availments		3,268	-	-	29,722	-	-	23,191	-	-
Settlements		-	-	-	29,722	-	-	-	-	-
Short term placements	C	-	-	-	15,687,174	-	-	-	25,711,228	-
Availments		611,209	-	-	1,576,792	-	-	2,294,972	-	-
Settlements		16,298,384	-	-	11,600,846	-	-	154,129	-	-
Interest income		1,216,597	-	-	-	-	-	-	-	-
HMW Lending Investors, Inc.										
Loans Receivable	A	-	5,840,453	-	-	-	-	-	-	-
Availments		-	-	-	-	-	-	-	-	-
Settlements		2,725,970	-	-	-	-	-	-	-	-
Honda Motor World, Inc.										
Loans Receivable	A	-	1,269,809	-	-	-	-	-	-	-
Availments		-	-	-	-	-	-	-	-	-
Settlements		739,583	-	-	-	-	-	-	-	-
Miscellaneous receivables	A	-	170,673	-	132,598	-	-	-	106,017	-
Availments		64,325	-	-	109,036	-	-	125,228	-	-
Settlements		26,250	-	-	82,455	-	-	63,753	-	-
Accounts payable	D	-		2,923,459			1,864,681	-	-	1,839,777
Availments		26,019,931	-	-	23,949,667	-	-	16,571,009	-	-
Settlements		24,961,153	-	-	23,924,764	-	-	16,958,716	-	-
Pikeville Bancshares										
Professional fees		1,193,920	-	275,520	1,193,920	-	-	1,193,920	-	156,128
MERG Realty Development Corp.										
Miscellaneous receivables	A	-	18,057	-	18,057	-	-	-	18,057	-
Availments		-	-	-	-	-	-	-	-	-
Settlements		-	-	-	-	-	-	-	-	-

Forward

Category/Transaction	Ref	2022 Amount of Transaction	2022 Outstanding Balances Due from related parties	2022 Outstanding Balances Due to related parties	2021 Amount of Transaction	2021 Outstanding Balances Due from related parties	2021 Outstanding Balances Due to related parties	2020 Amount of Transaction	2020 Outstanding Balances Due from related parties	2020 Outstanding Balances Due to related parties
Notes payable	B	-	-	32,819,218	-	-	31,334,008	-	-	29,916,009
Availments		1,485,210	-	-	1,417,998	-	-	1,357,368	-	-
Settlements		-	-	-	-	-	-	-	-	-
Interest expense		1,747,306	-	-	1,668,233	-	-	1,596,904	-	-
Directors and other stockholders										
Notes payable	B	-	-	14,985,086	-	-	-	-	-	34,919,791
Availments		4,565,890	-	-	4,687,646	-	-	13,417,368	-	-
Settlements		11,873,090	-	-	132,000	-	-	8,166,310	-	-
Interest expense		919,964	-	-	1,099,070	-	-	1,880,705	-	8,403
Professional and other management fees		-	-	2,466,407	-	-	-	3,333,611	-	-
TOTAL			12,903,341	259,188,635		388,318	338,258,880		28,881,083	423,309,434

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

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 3).

B. As at December 31, 2022 and 2021, notes payable and accrued interest payable arising from borrowings from stockholders amounted to P257.41 million and P342.50 million. Interest expense from these borrowings amounted to P31.47 million and P34.12 million in 2022 and 2021, respectively (Note 9).

C. The Company had short-term placements amounting to P15.69 million in 2021 at 8.5% interest rate with maturities ranging from 30 to 120 days. Short-term placements as at December 31, 2021 fully matured in 2022. (see Note 2).

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

Note 16 - Leases

The Company as Lessee

The Company leases various properties where its offices, branches and warehouses are located. The lease terms range from less than a year to 10 years which are renewable subject to certain terms and conditions. The terms of the leases also contain escalation clauses ranging from 5% to 10%.

At the end of the lease term or upon expiration of the renewal period, the ownership of the Company's buildings and improvements thereon shall be retained by the lessor. Under the terms of the lease, the Company cannot sell, assign or sublease, or otherwise dispose of the building and the improvements thereon, without the written consent of the lessor.

Total rent expense for short term leases included under 'Occupancy cost' account in the statement of total comprehensive income incurred in 2022 and 2021 amounts to P8.62 million and P11 million, respectively.

Security deposits arising from these lease agreements amount to P4.73 million and P3.37 million as at December 31, 2022 and 2021, respectively (Note 4).

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

	2022	2021
Less than one year	7,395,583	10,290,321
Between one and five years	17,345,473	32,791,150
	24,741,056	43,081,471

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

	2022	2021
As at January 1	36,256,416	26,899,594
Additions	1,933,757	15,532,001
Lease modification	(9,188,908)	-
Interest expense	1,249,467	1,766,789
Payments	(8,737,993)	(7,941,968)
As at December 31	21,512,739	36,256,416

Right-of-use assets

	2022	2021
Balance at January 1	32,311,216	23,636,443
Additions	1,933,756	15,532,001
Lease modification	(9,102,520)	-
Depreciation of right-of-use assets	(6,411,808)	(6,857,228)
Balance at December 31	18,730,644	32,311,216

Note 17 - Critical accounting estimates and judgements

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's evaluation of relevant facts, historical experience and other factors, including expectations of future events, that are believed to be reasonable as at reporting date. The resulting accounting estimates and judgments will, by definition, seldom equal the related actual results.

The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical accounting estimates

Allowance for ECL of loans and other receivables (Note 3)

The Company applies the requirements of PFRS 9 approach in determining the recoverable amount of its loans and other receivables based on the ECL of the Company's portfolio. An evaluation of receivables designed to identify potential charges to the provision is performed on a continuous basis throughout the year. The carrying value of loans and other receivables at the end of each reporting period and the amount and timing of recorded provision could differ based on actual experience and changes in assumptions made.

The carrying balance of loans and other receivables as at December 31, 2022 amounts to P815,300,638 (2021 - P871,796,318), net of allowance for ECL of P140,510,988 (2021 - P129,653,920).

Estimated useful life of property and equipment (Note 5)

The useful life of each of the Company's property and equipment is estimated based on the period over which these assets are expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates. It is possible however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

The Company considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the estimated useful life of property and equipment.

The carrying value of the Company's property and equipment, net as at December 31, 2022 amounts to P6,276,492 (2021 - P8,598,163).

Valuation of investment properties held at fair value (Note 6)

The Company makes estimates in respect of the fair value of investment properties. The fair values of these properties are reviewed regularly by management with reference to external independent property valuations and market conditions existing as at reporting date, using generally accepted market practices. The assumptions underlying the estimated fair values are those relating to discount rates that reflect current market conditions and current or recent property investment prices. The investment property valuations have been prepared based on the information that is available.

Fair value of investment properties as at December 31, 2022 amount to P90,801,000 (2021 - P63,128,241).

Estimation of retirement benefit obligation (Note 14)

The determination of retirement benefit obligation is dependent on the selection of certain assumptions used by the Company in calculating such amounts. Those assumptions include the determination of discount rate and future salary increases, among others. Due to the long-term nature of the retirement plan, such judgments are subject to significant uncertainty. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are appropriate for the term of the liability of the plan.

While the Company believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and the related obligation. The possible effects of sensitivities surrounding the actuarial assumptions of the Company at the reporting date are disclosed in Note 14.

Determining the incremental borrowing rates (Note 16)

The Company's incremental borrowing rates applied to its lease liabilities arising from the lease contracts entered in 2022 was 6.86%. The rate was determined in reference to the prevailing bank lending rates that are reflective of the Company's own credit risk taking into consideration the nature of the leased asset and other terms and conditions of the lease contracts.

Critical accounting judgments

Impairment of property and equipment (Note 5)

The Company assesses impairment of property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of property and equipment and the amount and timing of recorded provision for any period.

As at December 31, 2022 and 2021, management believes that there are no indications of impairment or changes in circumstances indicating that the carrying value of the Company's property and equipment may not be recoverable.

Impairment of investment properties (Note 6)

The Company assesses whether there are any indicators of impairment on its investment properties at the end of each reporting period. Investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable.

As at December 31, 2022, the Company did not recognize any additional impairment loss on its investment properties in the absence of any indicators of impairment.

Recoverability of DIT assets (Note 13)

The Company reviews its DIT assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the DIT asset to be utilized. Significant management judgment is required to determine the amount of DIT assets that can be recognized, based on the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Company will utilize all or part of its DIT assets. Any DIT asset will be re-measured if it might result to derecognition in cases where the expected tax law to be enacted will impose a possible risk on its realization.

Based on management's assessment, the amount of DIT assets recognized as at December 31, 2022 and 2021 is fully recoverable and realizable.

Determining the lease term (Note 16)

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease.

Note 18 - Financial risk and capital management

The Company's activities expose it to a variety of financial risks: liquidity risk, market risk and credit risk. Risk management is carried out through policies approved by the Company's management to minimize potential adverse effects of these risks on the Company's financial performance.

18.1 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company acknowledges that in order to be able to meet liabilities promptly and without losses, it is essential to effectively manage liquidity risk. In general, liquidity management is a matter of balancing cash flows within forward rolling time bands, so that under normal conditions, the Company is comfortably placed to meet all its payment obligations as they fall due.

The amounts disclosed in the table below are the expected undiscounted cash flows of financial instruments, including future interest as applicable, which the Company uses to manage the inherent liquidity risk as at December 31, 2022 and 2021.

	2022		
	Up to one year	Over one year	Total
Financial assets			
Cash and cash equivalents	34,051,506	-	34,051,506
Loans and other receivables	476,372,353	338,928,285	815,300,638
Security deposits	4,733,792	-	4,733,792
Financial assets at FVOCI	80,000	-	80,000
Total financial assets	515,237,651	338,928,285	854,165,936
Financial liabilities			
Notes payable	419,496,400	42,052,330	461,548,730
Accounts payable	40,392,497	-	40,392,497
Accrued expenses*	17,133,091	-	17,133,091
Lease liabilities	6,493,544	15,019,195	21,512,739
Total financial liabilities	483,515,532	57,071,525	540,587,057
Total maturity gap	31,722,119	281,856,760	313,578,879

**Excluding government payables*

	2021		
	Up to one year	Over one year	Total
Financial assets			
Cash and cash equivalents	73,115,778	-	73,115,778
Loans and other receivables, net	862,444,313	576,056,679	1,438,500,992
Security deposits	3,731,292	-	3,731,292
Financial assets at FVOCI	80,000	-	80,000
Total financial assets	939,371,383	576,056,679	1,515,428,062
Financial liabilities			
Notes payable	522,654,225	42,052,331	564,706,556
Accounts payable	35,722,757	-	35,722,757
Accrued expenses*	18,798,909	-	18,798,909
Lease liabilities	6,611,667	29,644,749	36,256,416
Total financial liabilities	583,787,558	71,697,080	655,484,638
Total maturity gap	355,583,825	504,359,599	859,943,424

**Excluding government payables*

The Company expects to generate sufficient cash flows from its operating activities. In addition, the Parent Company is determined to provide financial support and other assistance to the Company to continue its business operations and meet its financial obligations at least for the next twelve (12) months, if the need arises.

18.2 Market risk

Market risk is the risk of changes in fair value of financial instruments from fluctuation in foreign exchange rates (foreign exchange risk) and market interest rates (fair value, cash flow interest rate risks and price risk).

Foreign exchange risk

The Company is not exposed to foreign exchange risk as it has no financial assets and liabilities denominated in a currency that is not the Company's functional currency.

Interest rate risk

Interest rate risk is the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Company's exposure to interest rate risk pertains to its notes payable which are repriced periodically, based on the prevailing market interest rates (Note 10). The Company follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

Price risk

The Company is not exposed to price risk as it does not have equity instruments and securities that are subject to price fluctuations.

18.3 Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Significant changes in the economy, or financial condition of its counterparty, could result in losses that are different from those provided for at the reporting date. 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.

The maximum exposure to credit risk relates to the following financial assets as at December 31:

	2022	2021
Cash and cash equivalents	33,400,635	72,303,820
Loans and other receivables (gross of allowance for ECL)	955,811,626	1,001,450,238
Security deposits	4,733,792	3,373,492
	993,946,053	1,077,127,550

Cash and cash equivalents exclude cash on hand. To reduce the Company's credit risk, the Company only maintains cash in domestic universal banks with strong financial standing.

Credit applications go through a process of screening using the Company's credit standards to minimize risk. For certain loans receivables, the Company enters into collateral arrangements with counterparties to limit the duration of exposures. The Company's motorcycle financing business has the motorcycle itself as collateral in case the borrower defaults on its loan. Other receivables from customers are secured by real estate and other chattel properties.

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.

Security deposits are made in connection with the lease arrangements (Note 16) with certain lessors.

18.4 Fair value determination

The table below summarizes the carrying amount and fair value of financial assets and liabilities at December 31:

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	34,051,506	34,051,506	73,115,778	73,115,778
Loans and other receivables, net	815,300,638	815,300,638	871,796,318	871,796,318
Security deposits	4,733,792	4,733,792	3,731,292	3,731,292
Financial assets at FVOCI	80,000	80,000	80,000	80,000
	854,165,936	854,165,936	948,723,388	948,723,388
Financial liabilities				
Notes payable	461,548,730	461,548,730	564,706,556	564,706,556
Accounts payable	40,392,498	40,392,498	35,722,757	35,722,757
Accrued expenses	20,587,596	20,587,596	22,831,211	22,831,211
Lease liabilities	21,512,739	21,512,739	36,256,416	36,256,416
	544,041,563	544,041,563	659,516,940	659,516,940

The Company uses Market approach in determining the fair values of its investment properties which uses observable inputs such as prices, broker quotes and other relevant information generated by market transactions involving identical or comparable assets or group of assets. Appropriate adjustments are made to the valuations taking into consideration the specific circumstances of the properties. The fair values of the Company's investment properties as disclosed in Note 6 fall under Level 3 of the fair value hierarchy. The fair value is sensitive to the unobservable input of discount rate. Significant increase (decrease) in discount rate would result in a significantly lower (higher) fair value measurement.

The Company's financial assets at FVOCI are classified under Level 2 of the fair value hierarchy as at December 31, 2022 and 2021.

18.5 Capital management

The primary objectives of the Company's capital management policies and procedures are to ensure that it maintains a strong credit rating and healthy capital ratios 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 procedures in 2022.

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

(a) minimum paid-up capital of P10.00 million; and

(b) additional capital requirements for each branch of P1.00 million for branches established in Metro Manila, P0.50 million for branches established in other classes of cities and P0.25 million for branches established in municipalities.

For the years ended December 31, 2022 and 2021, the Company is compliant with the minimum capital requirements.

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

Note 19 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

19.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS) and interpretations of the Philippine Interpretations Committee, Standing Interpretations Committee and International Financial Reporting Interpretations Committee which have been approved by the Financial and Sustainability Reporting Standards Council (formerly known as the Financial Reporting Standards Council) and adopted by the SEC.

The financial statements have been prepared under the historical cost convention.

The preparation of these financial statements in conformity with PFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving estimates and judgments are disclosed in Note 17.

These financial statements are presented in Philippine Peso, which is the Company's functional currency. The Company has no transactions denominated in foreign currency as at and for the years ended December 31, 2022 and 2021.

19.2 Changes in accounting policies and disclosures

(a) Amendments to existing standards adopted by the Company

The Company has adopted the following amendments to existing standards effective January 1, 2022:

- Amendment to PAS 16, *'Property, Plant and Equipment'*

  The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling the items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

- Amendment to PAS 37, *'Provisions, Contingent Liabilities and Contingent Assets'*

  The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contract. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- Annual Improvements to PFRSs 2018-2020.

  The following improvements were finalized in May 2020:

  i. PFRS 9, *'Financial Instruments'*, clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

ii. PFRS 16, *'Leases'*, includes amendment to remove the illustration of payments from the lessor relating to leasehold improvements to remove any confusion about the treatment of lease incentives.

(b) Amendments to existing standards not yet adopted by the Company

The following amendments to existing standards are not mandatory for the December 31, 2022 reporting period and have not been early adopted by the Company.

- Amendments to PAS 1, *'Presentation of Financial Statements'*

  The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

  In addition, PAS 1 requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

- Amendment to PAS 8, *'Accounting Policies, Changes in Accounting Estimates and Errors'*

  The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

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

  The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is a 'material accounting policy information' and explain how to identify when accounting policy information is material. It further clarifies that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

- Amendments to PAS 12, *'Income Taxes'*

  The amendments require entities to recognize DIT on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional DIT assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize DIT assets (to the extent that it is probable that they can be utilized) and DIT liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate.

The adoption of the above amendments is not expected to have a material impact on the financial statements of the Company.

There are no other new standards, amendments to existing standard or interpretations effective subsequent to December 31, 2022 that are relevant or expected to have a material impact on the Company's financial statements.

19.3 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current and non-current classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. The Company classifies all other assets and liabilities as non-current. Deferred tax assets and liabilities are classified as non-current.

19.4 Cash and cash equivalents

Cash in bank include non-interest bearing deposit which is subject to insignificant risk of changes in value.

19.5 Other assets

Other assets mainly consist of repossessed assets and prepaid expenses.

Repossessed assets are stated at cost less impairment in value. Repossessed assets are recognized initially at fair value. 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 are derecognized upon sale and any resulting gain or loss is reflected in profit or loss.

Prepaid expenses are recognized in the event that payment has been made prior to the service being rendered to the Company and measured at nominal amounts. These are derecognized through amortization over a certain period of time.

Other assets are included in current assets, except when the related benefits are expected to be received longer than twelve (12) months after the reporting period, which are then classified as non-current assets.

19.6 Property and equipment, net

Property and equipment are recognized at cost upon initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the items. Following the initial recognition, all items of property and equipment are recorded at cost less accumulated depreciation and amortization and any provision for impairment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation on property and equipment is computed using the straight-line method to allocate its costs less their residual values over an estimated useful life of three years.

The expected useful lives of property and equipment are as follows:

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

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and the related accumulated depreciation and amortization and any impairment loss are removed in the statement of financial position. Any gains or losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are recognized in profit or loss.

19.7 Investment properties

Investment properties primarily consist of foreclosed real estate properties. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including any borrowing costs, as applicable
.
Investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by management and independent valuation experts based on the "market approach". Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. In determining the carrying amount of investment property under the fair value model, the Company does not double-count assets or liabilities that are recognized as separate assets or liabilities.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Investment properties are derecognized when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15, '*Revenue from Contracts with Customers*'.

Transfers are made to (or from) investment property only when there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party of ending of construction or development.

19.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes a financial instrument in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

19.8.1 Financial assets

(a) Classification of financial assets

The Company classifies its financial assets in the following measurement categories: at fair value through profit or loss (FVTPL), at fair value through other comprehensive income and at amortized cost. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

The Company's financial assets as at December 31, 2022 and 2021 include those that are measured at amortized cost.

Financial assets at amortized cost

These are the Company's assets that are held for collection of contractual cash flows, which represent solely payments of principal and interest, and are measured at amortized cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/losses. Impairment losses are presented as a separate line item in the statement of total comprehensive income.

Financial assets are included in current assets, except for maturities greater than 12 months after the reporting date which are presented as non-current assets. Financial assets measured at amortized cost comprise cash in bank, loans and other receivables, and security deposits.

(b) Initial recognition and subsequent measurement

Regular-way purchases and sales of financial assets are recognized on trade date, the date on which the Company commits to purchase or sell the asset. Financial assets not carried at FVTPL are initially recognized at fair value plus transaction costs.

Financial assets are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment, if any.

(c) Impairment of financial assets carried at amortized cost

The Company assesses the ECL associated with its loans and other receivables measured and classified at amortized cost at each reporting date. The measurement of ECL reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events and current conditions. The Company has identified no macroeconomic variable that can be considered to materially affect the historical loss rates given the nature of its loan portfolio.

The key judgements and assumptions adopted by the Company in addressing the requirements of the standard are discussed below:

Definition of default and determination of significant increase in credit risk

The Company defines loans and receivables as in default when the borrower delays on its contractual payments beyond the grace period allowed. The Company compares the probability of default occurring over its expected life as at the reporting date with the probability of default occurring over its expected life on the date of initial recognition to determine if there is a significant increase in credit risk. Since comparison is made between information at reporting date against initial recognition, the deterioration in credit risk may be triggered by qualitative factors such as confirmation of the existence of the borrower, or adverse trends or developments in the market that may affect the borrower or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics affecting the loan portfolio that may lead to significant losses or may result in the collection of the outstanding loan amount to be highly improbable.

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 recognized 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 recognized a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial assets:

Financial assets are classified as Stage 3 when there is an 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 effective interest rate. ECL is only recognized or released to the extent that there is a subsequent change in the ECL.

Measuring ECL

The ECL is measured on either a 12-month or a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), defined as follows:

- The PD represents the likelihood that the borrower will default (as per “Definition of default” above), either over the next 12 months (12M PD), or over the remaining life (lifetime PD) of the asset.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining life (lifetime EAD).
- LGD represents the Company’s expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default.

The ECL is determined by multiplying the PD, LGD and EAD together for each individual exposure or collective segment. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, if relevant. These assumptions vary on each loan product.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and how collateral values change, are monitored and reviewed regularly.

There have been no significant changes in estimation techniques or significant assumptions made in 2022 and 2021.

(d) Impairment of financial assets carried at amortized cost

Financial assets are derecognized when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership.

19.8.2 Financial liabilities

The Company's financial liabilities are limited to those classified at amortized cost. There are no financial liabilities at FVTPL (including financial liabilities held for trading and those that are designated at fair value).

The Company's financial liabilities at amortized cost comprise of accounts payable, notes payable, accrued expenses (except for accrued taxes) and lease liabilities.

Financial liabilities at amortized cost are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities that are not carried at FVTPL are initially measured at fair value less transaction costs and subsequently measured at amortized cost using the effective interest rate method. They are included in current liabilities, except for maturities greater than twelve (12) months after the reporting date, which are classified as non-current liabilities.

Financial liabilities are derecognized when the obligation is settled, discharged, cancelled or has expired.

19.9 Notes payable

Notes payable are recognized initially at transactions price (i.e. the present value of cash payable to the creditors, including transaction costs). Notes payable are subsequently measured at amortized cost using the effective interest rate method.

19.10 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.

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 suppliers, including amounts due to employees. It is necessary to estimate the amount or timing of accruals; however, the uncertainty is generally much less than as compared to provisions.

19.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or counterparty.

As at December 31, 2022 and 2021, there are no financial assets and liabilities that have been offset.

19.12 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.
The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfil an obligation.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price within the bid-ask spread that is most representative of fair value is used. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Non-financial assets

The fair value of a non-financial asset is measured based on its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

19.13 Impairment of non-financial assets

The Company assesses at each end of the reporting period whether there is an indication that its non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The estimated recoverable amount of an asset is the greater of the asset's fair value less costs to sell and value-in-use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. 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. In determining the fair value less cost to sell, recent market transactions are taken into account. If no such transaction can be identified, an appropriate valuation model is used. Non-financial assets that are impaired are reviewed for possible reversal of impairment at each reporting date.

19.14 Capital stock; Additional paid-in capital

Capital stock represents the par value of shares that have been issued. Capital stock is recognized as issued when the stock is fully paid and is measured at par value. Additional paid-in capital represents the amount in excess of par value.

19.15 Retained earnings

Retained earnings represent the cumulative results of operations, any prior period adjustments or effect of changes in accounting policies and other capital adjustments, net of any dividend declaration.

19.16 Dividend distribution

The Company pays cash dividend as its cash position permits and retains that portion of earnings needed for future development projects and other business requirements. Stock dividends may also be declared as decided upon by the BOD.

Cash dividend distribution to the shareholders is recognized as a liability in the period in which the dividends are approved by the BOD.

19.17 Earnings per share (EPS)

Basic EPS is calculated by dividing net income for the year attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS is computed in the same manner as basic EPS; however, the net income attributable to common shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

19.18 Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

Interest income

Interest income is recognized in profit or loss for all interest-bearing financial instrument using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates cash flows considering the contractual terms of the financial instrument but does not consider future credit losses. The calculation includes fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

For credit-impaired financial assets, the effective interest rate is applied to the gross carrying amount less the allowance for expected credit loss.

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.

Other income

Other income is recognized when earned at a point in time, when the related services have been rendered and the right to receive payment is established.

19.19 Cost and expense recognition

Expenses are decreases in economic benefits during the reporting period in the form of outflows or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when these are incurred, while interest expense is accrued in the appropriate reporting period.

Operating expenses consist of costs associated with the execution of day-to-day operations of the Company. These are generally recognized when the expense arises.

19.20 Employee benefits and retirement benefit obligation

Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and recognized as expense as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement benefit obligation (asset)

Pension benefits are provided to employees through a defined benefit plan.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. Plan assets comprise assets held by the retirement benefit plan which will be used to pay or fund employee benefits.

The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related pension liability.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the defined benefit plan. The amount of defined benefit asset recognized in the books is reduced by the amount of asset ceiling.

Remeasurement gains or losses are charged or credited to equity in the period in which they arise.

Past service costs are recognized immediately in profit or loss.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. There are no termination benefits paid by the Company as at December 31, 2022 and 2021.

Benefits falling due more than twelve (12) months after the reporting period are discounted to present value.

19.21 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

i. Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the implicit borrowing rate in the lease. If that rate cannot be readily determined, which is generally the case for the Company’s leases, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company, where possible, uses recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

ii. Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

iii. Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

iv. Short-term leases

Payments associated with short-term leases are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less.

19.22 Income taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting period. Management periodically evaluates positions taken in the tax returns with respect to situations in which the applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

DIT

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

DIT liabilities are recognized for all taxable temporary differences, except where the DIT 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 income or loss; and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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.

DIT assets are recognized for all deductible temporary differences, carry-forward benefits of unused tax credits from excess MCIT over regular CIT and unused NOLCO, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, and the carry-forward benefits of unused tax credits and unused tax losses can be utilized except:

- where the DIT 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 income nor taxable income or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, DIT assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

DIT assets and liabilities are measured at the tax rates that are expected to apply to 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 end of the reporting period.

19.23 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

19.24 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.

19.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who allocates resources to and assesses the performance of the operating segments of the Company. The Group has determined its President as its chief operating decision maker.

The Company's business is recognized and managed separately according to the nature of the products and services provided, with each segment reporting a strategic business unit that offers different products and serves different markets.

19.26 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprise, or between, and/or among the reporting enterprises and their key management personnel, directors, or their shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

19.27 Reclassification

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. This did not impact the reported total assets, liabilities, equity and net income in the prior period.

19.28 Events after the end of reporting period

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

Note 20 - Supplementary information required by the Bureau of Internal Revenue (BIR)

The following supplementary information is presented for the purposes of filing with the BIR and is not a required part of the basic financial statements.

20.1 Revenue Regulations (RR) No. 15-2010

(a) The Company registered as a percentage taxpayer.

The Company's other taxes and licenses for the year ended December 31, 2022 include the following:

	Amount
Gross receipts tax (GRT)	8,395,474
Documentary stamp taxes (DST)	1,271,521
License and permit fees	1,764,632
	11,431,627

The above are lodged under "Taxes and Licenses" account in the Company's statement of total comprehensive income. As at December 31, 2022, accrued GRT and DST amounted to P2,461,902 and P61,625, respectively.

(b) Withholding taxes

Withholding taxes incurred and accrued for the year ended December 31, 2022 are as follows:

	Amount
Creditable withholding taxes	11,847
Expanded withholding taxes	5,207,037
	5,218,884

No withholding taxes were paid to the BIR for the year ended December 31, 2022.

(c) Tax examinations/Tax cases

There are no tax cases nor litigation and/or prosecution in courts or bodies outside the BIR during the year ended December 31, 2022.

20.2 RR No. 34-2020

On December 18, 2020, BIR issued RR No. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents by providing safe harbors and materiality thresholds. Section 2 of the RR provides the list of taxpayers that are required to file and submit the Related Party Transaction Form, together with the Annual Income Tax Return.

The Company is not covered by the requirements and procedures for related party transactions provided under this RR as it does not meet any criteria of taxpayers prescribed in Section 2 of the RR.