



MAKATI FINANCE
CORPORATION
MORE THAN JUST FINANCING

May 15, 2023

via electronic mail

ictsubmission@sec.gov.ph

SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307

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

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

Attention: **Ms. Alexandra D. Tom Wong**
OIC, Disclosure Department

Gentlemen:

We are sending herewith the Quarterly Report for the period ended March 31, 2023 (SEC Form 17-Q) of Makati Finance Corporation.

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

MAKATI FINANCE CORPORATION
Registrant

By:



MARCOS E. LAROSA
Chief Finance Officer/CIO

COVER SHEET

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 S.E.C. Registration Number

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(Company's Full Name)

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

MARCOS E. LAROSA
 Contact Person

(02) 7751-8132
 Company Telephone Number

1	2
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 Month

3	1
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 Day

Fiscal Year

2023

SEC Form 17-Q
 1st Qtr. 2023
 FORM TYPE

Secondary License Type, If Applicable

0	7
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 Month

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 Day

Annual Meeting

Every last Thursday of July

Financing

M	S	R	D
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Dept. Requiring this Doc.

Amended Articles Number/Section

111

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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 File Number

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 Document I.D.

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STAMPS

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2023**

2. Commission identification number **28788**

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

MAKATI FINANCE CORPORATION

4. Exact name of issuer as specified in its charter

MAKATI CITY, PHILIPPINES

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

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

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

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
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COMMON STOCK	269,283,709*
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**as reported by the stock transfer agent as of March 31, 2023*

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

Yes No

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

PHILIPPINE STOCK EXCHANGE Common Stock

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes No

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [/] No []

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Signature

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements. (See Annex A)

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

Key Variable and Other Qualitative and Quantitative Indicators

Financial Ratios (For the Quarter Ending March)

	2023	2022
NET INTEREST INCOME RATIO	80.20%	82.13%
EBIT MARGIN	36.83%	44.03%
RETURN ON ASSETS (ANNUALIZED)	0.90%	1.71%
DEBT TO EQUITY	98.90%	122.42%
RETURN ON EQUITY (ANNUALIZED)	1.80%	3.81%

The net interest income ratio, as of March 31, 2023 stood at 80.20%, which was lower compared to 82.13% in the same period last year. This is mainly due to increase in interest expense by 5%, from ₱7.31 million in 2022 to ₱7.67 million in 2023 as borrowing rates have continued to rise since the 1st quarter of 2022 up to the present. The Company's Notes Payable amounted to ₱469 million, representing a 15% decrease versus the same period last year. This reduction was due to the utilization of internally generated excess cash by the Company for net settlements, resulting in savings in interest payments during the 1st quarter this year. Conversely, the EBIT margin, which assesses profitability performance as the annualized net income before interest expenses and taxes divided by the total interest income, ended at 36.83% this year, lower versus 44.03% in 2022. The Return on assets was 0.90% in 2023, down from 1.71% in 2022, primarily due to a decrease in Net Income this year. This ratio of annualized net income over the total assets is an indicator of management effectiveness. Furthermore, the return on equity which calculates annualized net income relative to stockholders' equity, was 1.80% in 2023, a decline from 3.81% in the same period last year. The ROE evaluates the return on funds provided by the stockholders. Overall, the income generated steadily grows as the Company's high quality loan portfolio expands.

Liquidity

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

Events that will Trigger Material Direct or Contingent Financial Obligation

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

Material Off-Balance Sheet Transactions, Arrangements or Obligations

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

Material Commitments for Capital Expenditure

The Company is planning to purchase its own office space in 2023.

Results of Operations/Material Changes in Financial Statement Accounts

The company reported a net income of ₱2.54 million for the first quarter of 2023, representing a 5% decrease compared to the same period last year. As of March 2023, the company incurred total operating expenses amounting to ₱32.53 million, reflecting a 2.78% increase compared to the same period last year. This increase is attributed to the company's heightened aggressiveness as overall business operations return to normal following the post-pandemic period. The company remains committed to adhering to the newly implemented Accounting Standards for asset valuation and continues to allocate provisions for doubtful accounts within the prescribed limits.

The total assets stood at ₱1,125.06 million as of March 2023, marking a 0.98% increase from ₱1,114.15 million as of December 31, 2022. The Loans Receivable portfolio experienced a 2% growth, equivalent to approximately ₱20 million, rising from ₱815.3 million on December 31, 2022, to ₱835.15 million as of March 31, 2023. This growth has been achieved through the company's proactive operations, which prioritize stricter credit controls.

As of March 31, 2023, the total liabilities amounted to ₱559.4 million, reflecting a 1.52% increase compared to ₱551 million as of December 31, 2022.

Material Events or Uncertainties

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

PART II--OTHER INFORMATION

NOT APPLICABLE.

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

SIGNATURES

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



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

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

DateMay 15, 2023



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

Signature and Title.....**Chief Finance Officer/Compliance Officer**...

Date May 15, 2023

ANNEX A

INTERIM FINANCIAL STATEMENTS For the Period Ending March 31, 2023 With Comparative Figures for 2022

MAKATI FINANCE CORPORATION*(A Subsidiary of Amalgamated Investment Bancorporation)***INTERIM STATEMENTS OF FINANCIAL POSITION
FOR THE PERIOD ENDING MARCH 31, 2023, 2022 AND DECEMBER 31, 2022**

	Note	March 31, 2023 (Unaudited)	Dec.31, 2022 (Audited)	March 31, 2022 (Unaudited)
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	2	27,561,856	34,051,506	₱97,507,662
Loans and other receivables, net	3	481,609,891	476,372,353	518,080,915
Other assets, net	4	106,575,477	108,457,610	119,557,391
Total Current Assets		₱615,747,224	₱618,881,469	₱735,145,968
Non-current Assets				
Loans and other receivables, net	3	353,542,337	338,928,285	335,098,226
Property and equipment, net	5	5,762,942	6,276,492	7,722,357
Investment properties	6	90,801,000	90,801,000	64,111,081
Right-of use asset, net	16	18,730,644	18,730,644	32,311,216
Deferred tax assets, net	13	40,476,424	40,530,674	43,839,813
Total Non-current Assets		509,313,347	495,267,095	483,082,693
TOTAL ASSETS		₱1,125,060,571	₱1,114,148,564	₱1,218,228,661
<u>LIABILITIES AND EQUITY</u>				
Current Liabilities				
Notes payable	9	420,161,578	419,496,400	511,654,225
Accounts payable		36,243,644	40,392,497	50,754,334
Accrued expenses	8	24,507,888	20,587,598	20,073,551
Lease liabilities	16	6,493,544	6,493,544	6,611,667
Income tax payable	13	2,321,920	1,529,041	3,277,142
Total Current Liabilities		₱489,728,574	₱488,499,080	₱592,370,919
Non-Current Liabilities				
Notes payable	9	48,891,667	42,052,330	40,293,634
Lease liabilities	16	15,019,195	15,019,195	29,644,749
Retirement benefit obligation, net	14	5,778,727	5,478,727	8,212,942
Total Non-current Liabilities		₱69,689,589	₱62,550,252	₱78,151,325
Total Liabilities		₱559,418,163	₱551,049,332	₱670,522,244
Equity				
Capital stock	10	269,283,709	269,283,709	267,828,098
Additional paid-in capital		5,803,922	5,803,922	5,803,922
Retained earnings		280,303,076	277,759,900	268,033,608
Remeasurement gain on retirement benefit obligation	16	10,251,701	10,251,701	6,040,789
Total Equity		₱565,642,408	₱563,099,232	₱547,706,417
TOTAL LIABILITIES AND EQUITY		₱1,125,060,571	₱1,114,148,564	₱1,218,228,661

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

MAKATI FINANCE CORPORATION*(A Subsidiary of Amalgamated Investment Bancorporation)***INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDING MARCH 31, 2023, 2022 and DEC. 31, 2022**

	Note	March 31, 2023 (Unaudited)	Dec.31, 2022 (Audited)	March 31, 2022 (Unaudited)
Interest income	2.3	₱ 38,725,636	₱158,979,539	₱ 40,963,679
Interest expense	9	(7,668,774)	(33,125,884)	(7,319,723)
Net Interest Income		₱31,056,862	₱125,853,655	₱33,643,956
Other income				
Service charges	11	2,122,836	4,681,392	909,350
Miscellaneous	12	2,564,782	34,760,438	3,645,551
Total other income		₱4,687,618	₱39,441,830	₱4,554,901
Total operating income		₱35,744,480	₱165,295,485	₱38,198,857
Operating expenses				
Salaries and employee benefits		13,858,528	60,608,488	14,724,372
Provision for credit losses	3	2,883,000	18,840,356	1,488,000
Taxes and licenses		3,204,627	13,696,781	3,995,292
Occupancy costs		4,781,663	12,310,518	5,104,585
Depreciation and amortization	5	692,917	9,473,494	1,094,636
Travel and transportation		1,696,879	7,664,302	1,912,749
Management and professional fees		1,448,369	7,037,544	1,596,790
Commission		824,130	1,097,649	(64,322)
Provision for (reversal of) impairment loss of repossessed assets		-	377,146	(53,976)
Entertainment, amusement and recreation		140,510	375,368	53,587
Miscellaneous	12	2,823,552	10,407,838	1,627,867
Total operating expenses		₱32,354,175	₱141,889,484	₱31,479,580
Income before tax		₱3,390,305	₱23,406,001	₱6,719,277
Income tax expense	13	(847,129)	(5,552,903)	(1,503,793)
Net income		₱2,543,176	₱17,853,098	₱ 5,215,484
Other comprehensive income		-	4,210,913	-
Total comprehensive income		₱2,543,176	₱22,064,011	₱ 5,215,484
Basic and Diluted Earnings Per Share	10	0.01	0.07	₱0.02

See Notes to the Financial Statements.

*As of March 31, 2023, December 31, 2022 and March 31, 2022, there were no shares of stock that have a dilutive effect on the earnings per share of the Company.

MAKATI FINANCE CORPORATION*(A Subsidiary of Amalgamated Investment Bancorporation)***STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDING MARCH 31, 2023 AND 2022, AND DECEMBER 31, 2022**

	Capital stock (Note 10)	Additional paid-in capital	Retained earnings	Remeasurement gain (loss) on retirement benefit obligation (Note 16)	Total equity
Balances at January 1, 2023	269,283,709	5,803,922	277,759,900	10,251,701	563,099,232
Transactions with owners					
Stock dividends	-	-	-	-	-
Cash dividends	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Comprehensive income					
Net income for the year	-	-	2,543,176	-	2,543,176
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	2,543,176	-	2,543,176
Balance at March 31, 2023	269,283,709	5,803,922	280,303,076	10,251,701	565,642,408
Balances at January 1, 2022	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

	Capital stock (Note 10)	Additional paid-in capital	Retained earnings	Remeasurement gain (loss) on retirement benefit obligation (Note 16)	Total equity
Balances at January 1, 2022	₱267,828,098	₱5,803,922	₱262,818,124	₱6,040,788	₱542,490,932
Transactions with owners					
Stock dividends	—	—	—	—	—
Cash dividends	—	—	—	—	—
Total transactions with owners					
Comprehensive income					
Net income for the year	—	—	5,215,484	—	5,215,484
Other comprehensive loss	—	—	—	—	—
Total comprehensive income (loss)	—	—	5,215,484	—	5,215,484
Balance at March 31, 2022	₱267,828,098	₱5,803,922	₱268,033,608	₱6,040,788	₱547,706,417

MAKATI FINANCE CORPORATION*(A Subsidiary of Amalgamated Investment Bancorporation)***INTERIM STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDING MARCH 31, 2023 AND 2022, AND DECEMBER 31, 2022**

	<i>Note</i>	March 31, 2023 (Unaudited)	Dec. 31, 2022 (Audited)	March 31, 2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P3,390,305	P23,406,001	P 6,719,274
Adjustments for:				
Provision (recovery) for credit losses on loans and other receivables	3	2,883,000	18,840,356	1,488,000
Depreciation and amortization	5,16	692,917	9,417,435	1,155,778
Fair value change in investment properties	6	—	(24,602,534)	—
Retirement benefits expense	14	300,000	3,180,335	—
Interest expense from lease liabilities	16	—	1,249,467	—
Provision for (reversal of) impairment loss of repossessed assets	4	—	377,146	247,014
Gain from sale of repossessed assets	4	—	(463,451)	—
Operating income before changes in working capital		P7,266,222	P31,404,755	P9,610,066
Decrease (increase) in:				
Loans and other receivables		(22,733,500)	37,655,324	24,748,285
Other assets		1,882,133	(67,361,622)	137,025
Increase (decrease) in:				
Accounts payable		(4,148,853)	4,669,740	26,127,183
Other Payables		—	—	(23,041,015)
Accrued expenses		3,919,199	(2,243,613)	2,219,347
Net cash flows used in operating activities		(P13,814,799)	P4,124,584	P39,800,891
Income taxes paid	13	—	(3,857,517)	—
Proceeds from sale of repossessed assets		—	77,887,488	—
Net cash from operating activities		(P13,814,799)	P78,154,555	P39,800,891

Forward

		March 31, 2023	Dec. 31, 2022	March 31, 2022
	Note	(Unaudited)	(Audited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment	5	(179,366)	(683,956)	(129,974)
Additions to software		—	(113,116)	—
Additions to investment properties	6	—	(3,070,225)	—
Net cash used in investing activities		(P179,366)	(P3,867,297)	(P129,974)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of notes payable		70,740,749	219,516,745	29,580,459
Settlement of notes payable		(63,236,234)	(322,674,571)	(42,339,155)
Payment of lease liabilities	16	—	(8,737,993)	—
Cash dividends paid		—	(1,455,711)	—
Net cash from financing activities		P7,504,515	(P113,351,530)	(P12,758,696)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS				
		(6,489,650)	(39,064,272)	24,391,884
Cash and cash equivalents				
January 1		34,051,506	73,115,778	73,115,778
December 31		P27,561,856	P34,051,506	P 97,507,662
OPERATIONAL CASH FLOWS FROM INTEREST				
Interest received		P38,725,636	P174,740,291	P40,963,679
Interest paid		P4,421,430	P35,996,213	P7,319,723

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION

(A Subsidiary of Amalgamated Investment Bancorporation)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD ENDED MARCH 31, 2023 AND 2022

(WITH COMPARATIVE FIGURES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022)

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 March 31, 2023, December 31, 2022 and March 31, 2022 the Company’s closing price at the PSE amounts to 2.10, P2.35 and 2.20 per share, respectively.

Amalgamated Investment Bancorporation (AIB) (the “Parent Company”) owns 42.89% of the Company as at March 31, 2023, December 31, 2022 and March 31, 2022.

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 150,156 and 171 employees, as at March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

Note 2 - Cash and cash equivalents

This account consists of:

	31-Mar-23 Unaudited	31-Dec-21 Audited	31-Mar-22 Unaudited
Cash on hand	P 949,372	P650,871	P 580,108
Cash in banks	26,612,484	33,400,635	80,934,775
Cash equivalents	-	-	15,992,779
	P 27,561,856	P34,051,506	P 97,507,662

Cash in banks earn interest at the prevailing bank deposit rates which range from 0.05% to 0.15% as of March 31, 2023 and December 31, 2022. Interest income on cash in banks amounted to P3,044, P31,283, and P 2,659 as of March 31, 2023, December 31, 2022, and March 31, 2022 respectively.

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 consist of:

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-Mar-22 Unaudited
Receivables from customers			
Consumer	P1,073,974,885	P1,031,311,381	P1,075,454,721
Services	273,698,424	266,927,819	294,309,910
Other receivables	12,808,586	13,085,453	13,284,068
	1,360,481,895	1,311,324,653	1,383,048,699
Unearned interest discounts	(381,935,679)	(355,513,027)	(398,727,638)
Allowance for Credit Losses ECL	(143,393,988)	(140,510,988)	(131,141,920)
	P 835,152,228	P 815,300,638	P 853,179,141

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

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-Mar-22 Unaudited
Motorcycle financing	482,127,794	P 436,806,686	P444,244,587
Business loans	538,445,884	525,983,849	493,453,688
Rx cash line	178,226,744	179,098,116	182,598,778
Car loans	64,465,756	73,851,287	100,872,784
Receivables purchased	3,057,353	3,057,353	67,494,591
Corporate salary loans	4,448,796	5,467,779	7,580,942
	P1,270,772,327	P1,224,265,070	P1,296,245,370
Personal loans	35,017,238	31,624,014	27,846,075
Pension loans	14,656,042	14,884,222	13,914,919
Leisure bike loans	14,448,799	14,588,482	13,398,886
Accrued interest receivable	5,918,804	5,918,804	11,270,801
Housing loans	6,860,099	6,958,608	7,354,193
Due from affiliates	101,007	554,143	101,007
Sales contract receivable	-	-	168,200
Advances to officers and employees	513,555	-	734,263
Miscellaneous receivables	12,194,024	12,531,310	12,014,985
	P1,360,481,895	P1,311,324,653	P1,383,048,699

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

Interest rates on loans and other receivables range from 1.2% to 3.0% add-on rate per month plus gross receipts tax. Interest income earned on loans receivables amounted to P38.73 million, P158.95 million, and P40.96 million as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

Certain motorcycle financing receivables amounting to P186.23 million, P227.61 million and P234.22 million were used as collateral on notes payable to banks as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively (see Note 9).

The following table shows the breakdown of loans (gross of allowance for ECL) as to collateral as at March 31, 2023 and December 31, 2022:

	31-Mar-23 Unaudited	%	31-Dec-22 Audited	%
Secured loans				
Chattel mortgage	396,400,255	40.51%	383,569,862	40.13%
Real estate mortgage	177,221,093	18.11%	177,231,108	18.54%
Other collaterals*	34,409,681	3.52%	31,272,185	3.27%
Total secured	P608,031,029	62.14%	P592,073,155	61.94%
Unsecured	370,515,188	37.86%	363,738,471	38.06%
	P978,546,217	100.00%	P955,811,626	100.00%

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

Movements in allowance for ECL follows:

	March 31, 2023 (Unaudited)			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	P116,168,180.00	P 19,877,093.00	P 4,465,715.00	P140,510,988.00
Provision during the year	2,483,000.00	400,000.00	-	2,883,000.00
Write-off during the year	-	-	-	-
At March 31	P118,651,180.00	P 20,277,093.00	P4,465,715.00	P143,393,988.00

	December 31, 2022			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	P109,621,244	P15,566,961	P4,465,715	P129,653,920
Provision (recovery) 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	P116,168,180	P19,877,093	P4,465,715	P140,510,988

	March 31, 2022 (Unaudited)			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	109,621,244	15,566,961	4,465,715	129,653,920
Provisions during the year	1,008,000	480,000	-	1,488,000
At March 31	P110,629,244	P16,046,961	P4,465,715	P131,141,920

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:

	31-Mar-22 Unaudited	31-Dec-21 Audited	31-Mar-21 Unaudited
Repossessed assets, net	P 96,492,704	P 99,692,514	P 109,262,844
Prepaid securities	4,576,699	3,569,794	6,105,403
Security deposits	4,733,792	4,733,792	3,731,292
Software costs	692,282	381,510	377,852
Financial asset at fair value through other comprehensive income (FVOCI)	80,000	80,000	80,000
	P 106,575,477	P 108,457,610	P 119,557,391

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

The movement in repossessed assets follow:

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-March-22 Unaudited
Cost			
At January 1	P 141,497,296	P 150,809,469	P 150,890,469
Additions	11,540,392	68,111,860	230,217
Disposals	(14,740,202)	(77,424,037)	(376,234)
At March 31 and December 31	138,297,482	141,497,292	150,744,452
Allowance for impairment losses			
At January 1	41,804,778	41,427,632	41,427,632
Allowance for (reversal of) impairment during the year	-	377,146	53,976
Write-off	-	-	-
At March 31 and December 31	41,804,778	41,804,778	41,481,608
Carrying amount	P 96,492,704	P 99,692,514	P 109,262,844

Included in the statement of total comprehensive income are the gain from sale of repossessed assets amounting to P271,231, P463,451, and P302,554 as at March 31, 2023, December 31, 2022 and March 31, 2022, respectively. Proceeds from sale amounted to P14.74 million, P77.89 million, and P 0.37 million as at March 31, 2023, December 31, 2022, and March 31, 2022, respectively.

The movement in software costs follow:

	31-Mar-23 Unaudited	31-Dec-21 Audited	31-Mar-22 Unaudited
Cost			
At January 1	P6,475,216	P 6,362,100	P6,362,101
Additions	355,000	113,116	-
Reclassification	-	-	-
At March 31 and December 31	P6,830,216	P 6,475,216	P6,362,101
Accumulated amortization			
At January 1	6,093,706	P 5,951,260	P5,951,260
Amortization for the year	44,228	142,445	32,989
Reclassification	-	-	-
Accumulated Amortization	P6,137,934	P 6,093,706	P5,984,249
Carrying amount at March 31 and Dec.31	P692,282	P 381,510	P377,852

Note 5 - Property and equipment, net

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

	March 31, 2023 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	P19,869,472	P10,861,636	P10,408,455	P41,139,563
Additions	60,062	75,000	-	135,062
Retirement	-	-	-542,322	-542,322
At March 31	P19,929,534	P10,936,636	P9,866,133	P40,732,303
Accumulated Depreciation				
At January 1	P18,801,529	P8,370,692	P7,690,850	P34,863,071
Depreciation	168,440	170,490	-232,640	106,290
Retirement	-	-	-	-
At March 31	P18,969,969	P8,541,182	P7,458,210	P34,969,361
Carrying amount	P959,565	P2,395,454	P2,407,923	P5,762,942

	December 31, 2022 (Audited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	P19,185,516	P10,861,636	P10,408,455	P40,455,607
Additions	683,957	-	-	683,956
At December 31	P19,869,473	P10,861,636	P10,408,455	P41,139,563
Accumulated Depreciation				
At January 1	P17,925,575	P7,693,733	P6,238,136	P31,857,444
Depreciation	875,954	676,959	1,452,714	3,005,627
At December 31	P18,801,529	P8,370,692	P7,690,850	P34,863,071
Carrying amount	P1,067,944	P2,490,944	P2,717,605	P6,276,493

	March 31, 2022 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	P19,185,516	P 10,861,636	P 10,408,455	P 40,455,608
Additions	28,683	-	-	28,683
Retirement	-	-	-	-
At March 31	P19,214,199	P10,861,636	P10,408,455	P 40,484,291
Accumulated Depreciation				
At January 1	P17,925,576	P7,693,732	P6,238,137	P31,857,445
Depreciation	235,110	169,240	500,138	904,488
Retirement	-	-	-	-
At March 31	P18,160,686	P 7,862,972	P 6,738,275	P 32,761,933
Carrying amount	P 1,053,513	P 2,998,664	P 3,670,180	P 7,722,358

As at March 31, 2023, December 31, 2022, and March 31, 2022, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱25.68 million, ₱25.68 million, and ₱23.33 million, respectively.

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

Management believes that there are no indicators that the Company's property and equipment is impaired as at March 31, 2023, December 31, 2022, and March 31, 2022.

Note 6 - Investment properties, net

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

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Beginning of the year	₱90,801,000	₱63,128,241	₱67,327,006
Additions	-	3,070,225	1,140,000
Disposals	-	-	-
Fair value adjustment	-	24,602,534	-
	₱90,801,000	₱90,801,000	₱68,467,006

Investment properties consist of land and building amounting to ₱73,858,715 and ₱16,942,285, 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 amounted to ₱76,043, ₱76,043 and ₱73,134 as at March 31, 2023, December 31, 2022 and March 31, 2022 respectively.

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:

	March 31, 2023 (Unaudited)				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and Other Receivables	P 178,226,744	P541,503,237	P566,961,153	P73,790,762	P1,360,481,896
Results of operation					
Revenue					
Interest income	4,572,668	10,694,499	19,224,871	4,233,598	38,725,636
Other income	614,090	1,865,780	1,953,497	254,251	4,687,618
Total	P 5,186,758	P12,560,279	P 21,178,368	P4,487,849	P 43,413,254
Expenses					
Interest expense	1,004,630	3,052,349	3,195,851	415,944	7,668,774
Provision for losses	200,000	1,175,198	700,000	807,802	2,883,000
Operating expenses	2,960,802	6,730,209	18,181,686	1,598,478	29,471,175
Total	P 4,165,432	P10,957,756	P22,077,537	P2,822,224	P 40,022,949
Net operating income (loss)	1,021,326	1,602,523	(899,169)	1,665,625	3,390,305
Less: Income tax expense (benefit)	220,174	495,264	(407,822)	539,513	847,129
Net Income (loss)	P 801,152	P1,107,259	(P491,347)	P1,126,112	P2,543,176
Statement of Financial Position					
Total Assets	100,439,990	509,196,837	474,393,339	41,030,405	1,125,060,571
Total Liabilities	P 60,684,540	P 253,714,702	P222,265,866	P22,751,966	P 559,417,074
Other segment information					
Capital expenditures	P 21,179.00	P49,534.00	P 89,044.00	P19,609.00	P179,366.00
Depreciation and amortization	P81,819.00	P191,356.00	P343,990.00	P75,752.00	P692,917.00
	December 31, 2022 (Audited)				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and Other Receivables	P179,098,116	P529,041,202	P531,165,259	P72,020,076	P1,311,324,653
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	P25,216,125	P85,418,780	P71,020,599	P16,765,865	P198,421,369
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
Total	P18,842,540	P61,613,812	P81,874,080	P12,684,936	P175,015,368
Net operating income (loss)	6,373,585	23,804,968	(10,853,481)	4,080,929	23,406,001
Less: Income tax expense (benefit)	1,773,788	6,503,111	(4,397,730)	1,673,733	5,552,902
Net Income (loss)	P4,559,797	P17,301,857	(P6,455,751)	P2,407,196	P17,853,099
Statement of Financial Position					
Total Assets	P103,295,406	P510,795,835	P459,248,231	P40,809,092	P1,114,148,564
Total Liabilities	P62,264,341	P253,960,063	P212,168,236	P22,656,692	P551,049,332
Other segment information					
Capital expenditures	P578,303	P1,446,460	P1,649,089	P332,830	P4,006,682
Depreciation and amortization	P1,392,032	P3,481,771	P3,969,519	P801,158	P9,644,480

	March 31, 2022 (Unaudited)				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and Other Receivables	P 183,494,950	P587,757,548	P 568,625,273	P69,980,197	P 1,409,857,968
Results of operation					
Revenue					
Interest income	5,715,225	14,728,479	18,696,376	1,834,508	40,974,588
Other income	553,449	1,772,766	1,715,061	211,071	4,252,347
Total	P6,268,674	P16,501,245	P20,411,437	P2,045,579	P45,226,935
Expenses					
Interest expense	1,020,971	2,631,103	3,339,931	327,718	7,319,723
Provision for losses	207,549	534,867	678,962	66,622	1,488,000
Operating expenses	4,142,612	10,675,761	13,551,844	1,329,721	29,699,938
Total	P5,371,132	P13,841,731	P17,570,737	P1,724,061	P38,507,661
Net operating income (loss)	897,542	2,659,514	2,840,700	321,518	6,719,274
Less: Income tax expense (benefit)	199,833	601,605	629,856	72,499	1,503,793
Net Income (loss)	P697,709	P2,057,909	P2,210,844	P249,019	P5,215,481
Statement of Financial Position					
Total Assets	P 121,652,064	P 522,981,453	P 532,862,350	P 40,732,794	P 1,218,228,661
Total Liabilities	P 78,040,068	P 298,174,418	P 268,335,266	P 25,972,492	P 670,522,244
Other segment information					
Capital expenditures	P18,129	P46,719	P59,306	P5,819	P129,973
Depreciation and amortization	P 152,682	P 393,471	P 499,474	P 49,009	P 1,094,636

Note 8 - Accrued expenses

This account consists of:

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-Mar-22 Unaudited
Accrued rent	2,639,637	4,894,595	P4,439,219
Accrued insurance payable	4,058,252	3,981,994	2,278,381
Accrued taxes	2,829,195	3,454,505	2,728,244
Accrued commissions and outside services	1,425,840	1,776,647	2,027,893
Accrued interest	4,530,397	1,283,054	1,187,388
Accrued administrative expenses	3,503,942	1,255,443	2,902,122
Accrued management and professional fees	1,505,534	737,677	1,645,437
Advances from customers	—	—	941,848
Accrued utilities	284,077	—	208,353
Accrued travel and transportation	179,840	—	132,427
Others	3,551,174	3,203,683	1,582,239
	P24,507,888	P20,587,598	P20,073,551

Others mainly include accrual on utilities and travel and transportation.

Note 9 - Notes payable

The account as at March 31, 2023, December 31, 2022 and March 31, 2022 consists of:

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-Mar-22 Unaudited
Related parties	241,700,000	P257,408,526	P343,584,538
Banks	128,641,270	175,517,005	180,613,321
Individuals/corporate	98,711,975	28,623,199	27,750,000
	P469,053,245	P461,548,730	P551,947,859

Interest rates on notes payable range from 5.50% to 8.75% per annum in March 31, 2023 and December 31, 2022.

Interest expenses on these notes payable amounted to P7.67 million, P31.47 million, and P7.32 million as at March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

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 March 31, 2023 and December 31, 2022, 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):

	31-Mar-23 Unaudited		Dec-22 Audited		31-Mar-22 Unaudited	
	Carrying amount	Secured notes	Carrying amount	Secured notes	Carrying amount	Secured notes
Motorcycle financing receivables	186,226,054	128,641,270	227,613,885	175,517,005	234,222,887	180,613,321

Note 10 - Equity

On July 28 2022, the BOD and stockholders approved the declaration of 0.54% stock dividends in the amount of ₱1.46 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 ₱1.46 million.

On July 29, 2021, the BOD and stockholders approved the declaration of 0.61% stock dividends in the amount of ₱1.62 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 ₱1.62 million.

On July 29, 2020, the BOD and stockholders approved the declaration of 1.24% stock dividends in the amount of ₱3.26 million to stockholders of 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 ₱3.26 million

The Company has 269,283,709 common shares issued and outstanding which are owned by 111 shareholders as of March 31, 2023.

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

	31 March 2023 Unaudited		31 December 2022 Audited		31 March 22 Unaudited	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Authorized - 300,000,000 shares; ₱1 par value						
At January 1	269,283,709	269,283,709	267,828,098	267,828,098	267,828,098	267,828,098
Stock dividends	-	-	1,455,611	1,455,611	-	-
At March 31 and December 31	269,283,709	₱269,283,709	269,283,709	₱269,283,709	267,828,098	₱267,828,098

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:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Net income for the year	₱2,543,176	₱17,853,098	₱9,704,406
Weighted average number of outstanding common shares	269,283,709	268,555,904	266,610,060
Basic and diluted earnings per share	0.01	0.07	0.04

Note 11 - Service charges

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

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Processing fees	1,894,009	4,011,154	759,231
Late payment charges	227,347	661,681	147,361
Others	1,480	8,557	2,758
	₱2,122,836	₱4,681,392	₱ 909,350

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 consists of the following items:

	31-Mar-23 Unaudited	31-Dec-21 Audited	31-Mar-22 Unaudited
Penalties	1,750,722	6,053,470	2,320,203
Fair value adjustment	-	24,602,534	-
Others	814,060	4,104,434	1,325,348
	₱2,564,782	₱34,760,438	₱3,645,550

Others mainly consist of gain on sale of motorcycle units.

Miscellaneous income consists of the following items:

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-Mar-22 Unaudited
Communication	523,096	2,894,069	843,026
Stationeries and supplies	678,085	2,256,939	624,595
Others	1,622,371	5,256,830	160,249
	₱ 2,823,552	₱ 10,407,838	₱ 1,627,867

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 components of the Company's income tax expense as at March 31, 2023, December 31, 2022 and March 31, 2022 are as follows:

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-Mar-22 Unaudited
Current	792,879	₱3,005,907	₱ 862,299
Deferred	54,250	2,546,996	641,494
	₱847,129	₱5,552,903	₱1,503,793

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

	31-Mar-2023 (Unaudited)	31-Dec-2022 (Audited)	31-Mar-2022 (Unaudited)
Income before tax	₱3,390,305	₱23,406,001	₱6,719,274
Income tax benefit at statutory income tax rate (25%)	847,576	5,851,500	1,679,819
Adjustments for:			
Interest income subjected to final tax	-447	-7,821	-1,027
Impact of PFRS 16	-	-290,776	-
Effect of CREATE law	-	-	-174,999
Effective income tax expense	₱847,129	₱5,552,903	₱1,503,793

The components of deferred tax assets- net follows:

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-Mar-22 Unaudited
Deferred tax assets on:			
Allowance of repossessed assets write-down	P 35,069,198	P 35,069,198	P 10,356,908
Allowance for credit losses	10,396,944	10,451,194	31,713,436
Accrued expenses	1,685,388	1,685,388	1,685,388
Retirement expense	2,400,587	2,400,587	1,605,504
Impairment loss on investment properties	228,988	228,988	228,987
Past service costs	40,294	40,294	40,294
Others	1,216,006	1,216,006	1,216,006
	P 51,037,405	P 51,091,655	P 46,846,523
Deferred tax liabilities			
Remeasurement gain on defined benefit obligation	3,137,635	3,137,635	1,733,997
FV increase in investment property	7,423,346	7,423,346	1,272,713
	10,560,981	10,560,981	3,006,710
	P		
	40,476,424.00	P40,530,674	P43,839,813

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:

	31-Mar-23 Unaudited	31-Dec-22 Audited	31-Mar-22 Unaudited
Balance, January 1	1,529,041	2,380,651	P2,380,651
Provision for income tax - current	792,879	3,005,907	896,491
Income tax paid during the year	-	(3,857,517)	-
Effect of CREATE law	-	-	-
Balance, December 31	P2,321,920	P1,529,041	P3,277,142

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

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning of the year	40,530,674	44,481,308
Amounts charged to profit or loss	(54,250)	(2,546,996)
Amounts charged to other comprehensive income	-	(1,403,638)
End of the year	P40,476,424	P40,530,674

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.

Category/Transaction	Ref	Amount of Transaction	2022 Outstanding Balance		Amount of Transaction	2021 Outstanding Balance		Amount of Transaction	2020 Outstanding Balance	
			Due from related parties	Due to related parties		Due from related parties	Due to related parties		Due from related parties	Due to related parties
<i>Parent Company</i>										
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
<i>Entities under common control</i>										
<i>Motor Ace Philippines, Inc.</i>										
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	-	-
<i>Forward</i>										

Category/Transaction	Ref	2022			2021			2020		
		<u>Outstanding Balances</u>			<u>Outstanding Balances</u>			<u>Outstanding Balances</u>		
		Amount of Transaction	Due from related parties	Due to related parties	Amount of Transaction	Due from related parties	Due to related parties	Amount of Transaction parties	Due from related parties	Due to related
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	-	-
<i>MAPI Lending Investors, Inc.</i>										
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	-	-	-	-	-	-	-	-
<i>HMW Lending Investors, Inc.</i>										
Loans Receivable	A	-	5,840,453	-	-	-	-	-	-	-
Availments		-	-	-	-	-	-	-	-	-
Settlements		2,725,970	-	-	-	-	-	-	-	-
<i>Honda Motor World, Inc.</i>										
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	-	-
<i>Pikeville Bancshares</i>										
Professional fees		1,193,920	-	275,520	1,193,920	-	-	1,193,920	-	156,128
<i>MERG Realty Development Corp.</i>										
Miscellaneous receivables	A	-	18,057	-	18,057	-	-	-	18,057	-
Availments		-	-	-	-	-	-	-	-	-
Settlements		-	-	-	-	-	-	-	-	-

Forward

Category/Transaction	Ref	2022			2021			2020		
		Amount of Transaction	Outstanding Balance		Amount of Transaction	Outstanding Balance		Amount of Transaction	Outstanding Balance	
			Due from related parties	Due to related parties		Due from related parties	Due to related parties		Due from related parties	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	-	-
<i>Directors and other stockholders</i>										
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 P 257.41 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:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Less than one year	7,395,583	7,395,583
Between one and five years	17,345,473	17,345,473
	₱24,741,056	₱24,741,056

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

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
As at January 1	36,256,416	36,256,416
Additions	1,933,757	1,933,757
Lease modification	(9,188,908)	(9,188,908)
Interest expense	1,249,467	1,249,467
Payments	(8,737,993)	(8,737,993)
As at December 31	₱21,512,739	₱21,512,739

Right-of-use assets

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at January 1	32,311,216	32,311,216
Additions	1,933,756	1,933,756
Lease modification	(9,102,520)	(9,102,520)
Depreciation of right-of-use assets	(6,411,808)	(6,411,808)
Balance at December 31	₱18,730,644	₱18,730,644

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 amounts to P835,152,228, P815,300,638 and P853,179,141, net of allowance for ECL of P143,393,988, P140,510,988 and P131,141,920 as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

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 amounts to P5,762,942, P6,276,492 and P7,722,357 as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

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 March 31, 2023 December 31, 2022 and March 31, 2022 amounted to P90,801,000, P90,801,000 and P64,111,081, respectively.

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 March 31, 2023, December 31, 2022 and March 31, 2022, 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 March 31, 2023, December 31, 2022 and March 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 March 31, 2023, December 31, 2022 and March 31, 2022 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 March 31, 2023 and December 31, 2022.

	March 31, 2023		
	Unaudited		
	Up to one year	Over one year	Total
Financial assets			
Cash and cash equivalents	27,561,856	-	27,561,856
Loans and other receivables	481,609,891	353,542,337	835,152,228
Security deposits	4,733,792	-	4,733,792
Financial assets at FVOCI	80,000	-	80,000
Total financial assets	₱513,985,539	₱353,542,337	₱867,527,876
Financial liabilities			
Notes payable	420,161,578	48,891,667	469,053,245
Accounts payable	36,243,644	-	36,243,644
Accrued expenses*	24,507,888	-	24,507,888
Lease liabilities	6,493,544	15,019,195	21,512,739
Total financial liabilities	₱487,406,654	₱63,910,862	₱551,317,516
Total maturity gap	₱26,578,885	₱289,631,475	₱316,210,360

*Excluding government payables

	December 31, 2022 (Audited)		
	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

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 fairvalues 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:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash and cash equivalents	26,906,507	33,400,635
Loans and other receivables (gross of allowance for ECL)	978,546,217	955,811,626
Security deposits	4,733,792	4,733,792
	₱1,010,186,516	₱993,946,053

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:

	March 31, 2023		December 31, 2022	
	(Unaudited)		(Audited)	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Financial assets				
Cash and cash equivalents	27,561,856	27,561,856	34,051,506	34,051,506
Loans and other receivables, net	835,152,228	835,152,228	815,300,638	815,300,638
Security deposits	4,733,792	4,733,792	4,733,792	4,733,792
Financial assets at FVOCI	80,000	80,000	80,000	80,000
	₱867,527,876	₱867,527,876	₱854,165,936	₱854,165,936
Financial liabilities				
Notes payable	469,053,245	469,053,245	461,548,730	461,548,730
Accounts payable	36,243,644	36,243,644	40,392,498	40,392,498
Accrued expenses	24,506,799	24,506,799	20,587,596	20,587,596
Lease liabilities	21,512,739	21,512,739	21,512,739	21,512,739
	₱551,316,427	₱551,316,427	₱544,041,563	₱544,041,563

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 March 31, 2023 and December 31, 2022.

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

For the years ended 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 or 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.

AGING OF RECEIVABLES

AS MARCH 31, 2023

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS	TOTAL
A. Trade Receivables							
Loans Receivable (Principal Value)*	695,220,972	69,054,372	6,359,597	4,981,880	24,595,661	166,343,288	966,555,769
SUB-TOTAL	695,220,972	69,054,372	6,359,597	4,981,880	24,595,661	166,343,288	966,555,769
Less: Allowance for Doubtful Accounts**						143,393,989	143,393,989
Net Trade Receivables	695,220,972	69,054,372	6,359,597	4,981,880	24,595,661	22,949,299	823,161,780
*Principal Value=Gross PN less Unearned Interest and Clients' Equity							
**Allowance for doubtful accounts is for principal only.							
CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS	TOTAL
B. Non-Trade Receivables							
Due from Subsidiaries/Affiliates							
Loans Receivable (Principal Value)*	11,990,448	-	-	-	-	-	11,990,448
SUB-TOTAL	11,990,448	-	-	-	-	-	11,990,448
Less: Allowance for Doubtful Accounts		-	-	-	-	-	
Net Non-Trade Receivables	11,990,448	-	-	-	-	-	11,990,448
NET RECEIVABLES	707,211,419	69,054,372	6,359,597	4,981,880	24,595,661	22,949,299	835,152,228

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 as of March 31, 2023 and December 31, 2022 include the following:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Gross receipts tax (GRT)	429,195	8,395,474
Documentary stamp taxes (DST)	2,158,950	1,271,521
License and permit fees	376,482	1,764,632
	P2,964,627	P11,431,627

The above are lodged under "Taxes and Licenses" account in the Company's statement of total comprehensive income. As at March 31, 2023, accrued GRT and DST amounted to P2,158,948 and P327,375, respectively. On the other hand, 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 as of March 31, 2023 and ended December 31, 2022 are as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Creditable withholding taxes	-	11,847
Expanded withholding taxes	761,621	5,207,037
	P761,621	P5,218,884

(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.