COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	8	7	8	8

COMPANY NAME

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

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

3 R D F L O O R M A Z D A M A K A T I
B U I L D I N G , 2 3 0 1 C H I N O R O C E S
A V E N U E , B A R A N G A Y M A G A L L A N E S ,
M A K A T I C I T Y

Form Type	Department requiring the report	Secondary License Type, if applicable
A A F S	C R M D	FINANCING

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS

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

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

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

The following document has been received:

Receiving: JAYSON ALDAY
Receipt Date and Time: April 15, 2024 06:25:24 PM

Company Information

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

Document Information

Document ID: OST10415202482201279
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2023
Submission Type: Annual
Remarks: None

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

MAKATI FINANCE
CORPORATION
MORE THAN JUST FINANCING

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Makati Finance Corporation (the "Company")** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

[redacted]	[redacted]	[redacted]
Robert Charles M. Lehmann Chairman of the Board	Maxcy Francisco Jose R. Borromeo President	Marcos E. Larosa Chief Finance Officer

...SCRIBED AND SWORN TO BEFORE ME
...S DAY OF 16 APR 2024
...FIANT EXHIBITED HIS/HER
NO. ________ ISSUED ON ____

Signed this 8th day of April 2024

DOC. NO. 120
PAGE NO. 25
BOOK NO. LXX
SERIES OF 2024

ATTY. RENE MA. M. VILLA
Notary Public of Makati City
Appointment No. M-111
Until December 31, 2024
PTR No. MKT 10073904; 01-02 2024; Makati City
IBP Lifetime No. 013595; 12-27-2013; LC
Roll No. 37226
MCLE Compliance No. VII-0024195; 02-15-2022
Ground Floor, Makati Terraces Condominium
3650 Davila St., Brgy. Tejeros, Makati City 1204

Subject: Your BIR AFS eSubmission uploads were received
From: eafs@bir.gov.ph
Date: 15/04/2024, 5:57 PM
To: WPFUNDAN@MAKATIFINANCE.COM.PH
CC: MLAROSA@MAKATIFINANCE.COM.PH

Hi MAKATI FINANCE CORPORATION,

Valid files

- EAFS000473966AFSTY122023.pdf
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Transaction Code: **AFS-0-2X1YRRZX0QSS3V12TMVWWYPZM0AD7CA6HK**
Submission Date/Time: **Apr 15, 2024 05:57 PM**
Company TIN: **000-473-966**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Our Opinion

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

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as of December 31, 2023 and 2022;
- the statements of comprehensive income for the years ended December 31, 2023 and 2022;
- the statements of changes in equity for the years ended December 31, 2023 and 2022;
- the statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the financial statements, including material accounting policy information.

Basis for Opinion

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

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

Independence

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

Other Matter

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

Our Audit Approach

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

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

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses (ECL) on loans and other receivables We focused on this account because of the complexity involved in the estimation process, and the significant judgments that management makes in ascertaining the expected credit loss on loans and other receivables. The calculation of expected credit loss is inherently judgmental for any financing company. Key areas of judgment include defining default, identifying exposures with significant deterioration in credit quality, identification of credit impaired loans, and estimation of expected realizable value of any collateral held supporting the calculation of individually assessed provisions; and the application of appropriate impairment models for the collectively assessed accounts. This includes the use of key assumptions in the impairment models (i.e., staging of accounts, forward-looking information), the exposure at default (EAD), the probability of default (PD) and the loss given default (LGD).	Our work over the impairment losses of loans and other receivables included: • assessment of the methodology applied by the Company in the development of its expected credit loss (ECL) model vis-à-vis the requirements of PFRS 9, *'Financial Instruments';* • testing of the accuracy of the loan aging schedule to determine appropriateness of staging of loan accounts including those identified as default accounts by recalculating from the last date of payment to the reporting date; • testing of key assumptions in the ECL models such as PD, LGD, EAD built from historical data through validation of the accuracy and completeness of data inputs in the ECL models and in the ECL calculation by comparing them with the information obtained from the current and historical loan portfolio (i.e. aging schedule) which provides information about the classification of credit exposures, age of the receivables, collection experience and existence of collateral, among others; • independent comparison and assessment of reasonableness of economic information used as the forward-looking information as basis of calculation of ECL to available macro-economic data; • for a sample of individually assessed loans identified as default (i.e. credit-impaired), examined relevant supporting documents such as valuation of collateral used as a basis in estimating the recoverable amount and measuring the loan loss allowance; and

Key Audit Matter	How our audit addressed the Key Audit Matter
(cont'd.) As at December 31, 2023, the total ECL allowance on loans and other receivables amounted to P156.89 million while the provision for credit losses recognized in profit or loss for the year amounted to P32.18 million. Refer to Note 3, Note 17 and Note 19 in the financial statements.	• recalculation of the expected credit loss for selected accounts and portfolios for collective assessment at reporting date using the ECL methodology adopted by Company.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 20 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

[redacted]

Zaldy D. Aguirre
Partner
CPA Cert [redacted]
P.T.R[redacted], issued on January 12, 2024, Makati City
TI[redacted]
BIR A.N.[redacted] 2023, issued on December 22, 2023; effective until December 21, 2026
BOA/PRC[redacted] effective until November 14, 2025

Makati City
April 15, 2024

Statement Required by Rule 68
Securities Regulation Code (SRC)

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

We have audited the financial statements of Makati Finance Corporation as at and for the year ended December 31, 2023, on which we have rendered the attached report dated April 15, 2024.

The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration, Financial Soundness Indicators and the Map of the Group of Companies within which Makati Finance Corporation belongs as at December 31, 2023, as additional components required by Part I, Section 5 of the Revised SRC Rule 68, and Schedules A, B, C, D, E, F and G, as required by Part II, Section 7 of the Revised SRC Rule 68, are presented for purposes of filing with the Securities and Exchange Commission and are not a required parts of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with the Revised SRC Rule 68.

Isla Lipana & Co.

[redacted]
Zaldy D. Aguirre
Partner
CPA Cert [redacted]
P.T.[redacted], issued on January 12, 2024, Makati City
TI[redacted]
BIR A.N. [redacted] 2023, issued on December 22, 2023; effective until December 21, 2026
BOA/PRC [redacted] effective until November 14, 2025

Makati City
April 15, 2024

Statement Required by Rule 68
Securities Regulation Code (SRC)

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

We have audited in accordance with Philippine Standards on Auditing the financial statements of Makati Finance Corporation (the "Company") as at and for the year ended December 31, 2023, and have issued our report thereon dated April 15, 2024. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised SRC Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at and for the year ended December 31, 2023 and no material exceptions were noted.

Isla Lipana & Co.

[redacted]

Zaldy D. Aguirre
Partner
CPA Ce[redacted]
P.T.R. [redacted] issued on January 12, 2024, Makati City
TIN [redacted]
BIR A.[redacted]7- 2023, issued on December 22, 2023; effective until December 21, 2026
BOA/PR[redacted] effective until November 14, 2025

Makati City
April 15, 2024

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, www.pwc.com/ph

Makati Finance Corporation

Statement of Financial Position
As at December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Assets			
Current assets			
Cash	2	23,102,110	34,051,506
Loans and other receivables, net	3,18	441,452,515	476,372,353
Other assets, net	4	104,855,751	108,457,610
Total current assets		569,410,376	618,881,469
Non-current assets			
Loans and other receivables, net	3,18	369,399,529	338,928,285
Property and equipment, net	5	5,669,637	6,276,492
Investment properties	6	153,312,587	90,801,000
Right-of use asset, net	16	16,531,808	18,730,644
Deferred tax assets, net	13	41,559,313	40,530,674
Total non-current assets		586,472,874	495,267,095
Total assets		1,155,883,250	1,114,148,564
Liabilities and Equity			
Current liabilities			
Current portion of Notes payable	9,18	484,652,041	419,496,400
Accounts payable		22,964,740	40,392,497
Accrued expenses	8	17,909,501	20,587,598
Lease liabilities	16,18	9,527,935	6,493,544
Income tax payable	13	3,417,997	1,529,041
Total current liabilities		538,472,214	488,499,080
Non-current liabilities			
Notes payable	9,18	26,222,222	42,052,330
Lease liabilities	16,18	9,887,494	15,019,195
Retirement benefit obligation, net	14	10,225,288	5,478,727
Total non-current liabilities		46,335,004	62,550,252
Total liabilities		584,807,218	551,049,332
Equity			
Capital stock	10	271,961,630	269,283,709
Additional paid-in capital		5,803,922	5,803,922
Retained earnings		285,327,520	277,759,900
Remeasurement gain on retirement benefit obligation	14	7,982,960	10,251,701
Total equity		571,076,032	563,099,232
Total liabilities and equity		1,155,883,250	1,114,148,564

(The notes on pages 1 to 36 are an integral part of these financial statements.)

Makati Finance Corporation

Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(With comparative figures for the year ended December 31, 2021)
(All amounts in Philippine Peso)

	Notes	2023	2022	2021
Interest income	2,3,7	175,174,176	158,979,539	174,717,502
Interest expense	9,7	(34,653,048)	(33,125,884)	(35,883,274)
Net interest margin		140,521,128	125,853,655	138,834,228
Other income				
Service charges	11	8,428,924	4,681,392	6,102,222
Fair value adjustment on investment properties	6	4,817,734	24,602,534	4,430,491
Miscellaneous	12	26,403,922	10,157,904	17,408,069
Total other income		39,650,580	39,441,830	27,940,782
Total operating income		180,171,708	165,295,485	166,775,010
Operating expenses				
Salaries and employee benefits		56,752,510	60,608,488	59,458,056
Provision for credit losses	3	32,176,691	18,840,356	16,318,563
Taxes and licenses		14,992,634	13,696,781	14,667,754
Occupancy costs		4,451,052	12,310,518	13,515,015
Depreciation and amortization	4,5,16	16,879,761	9,473,494	12,023,567
Travel and transportation		5,138,614	7,664,302	5,374,796
Management and professional fees		7,152,343	7,037,544	6,321,676
Commission		3,267,254	1,097,649	931,758
Provision for impairment loss of repossessed assets	4	7,495,767	377,146	927,711
Entertainment, amusement and recreation		558,787	375,368	260,209
Miscellaneous	12	14,044,270	10,407,838	11,979,309
Total operating expenses		162,909,683	141,889,484	141,778,414
Income before income tax		17,262,025	23,406,001	24,996,596
Income tax expense	13	4,338,476	5,552,903	15,292,190
Net income		12,923,549	17,853,098	9,704,406
Other comprehensive (loss) income		(2,268,741)	4,210,913	3,144,085
Total comprehensive income for the year		10,654,808	22,064,011	12,848,491
Basic and diluted earnings per share	10	0.05	0.07	0.04

(The notes on pages 1 to 36 are an integral part of these financial statements.)

Makati Finance Corporation

Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(With comparative figures for the year ended December 31, 2021)
(All amounts in Philippine Peso)

	Capital stock (Note 10)	Additional paid-in capital	Retained earnings	Remeasurement gain (loss) on retirement benefit obligation	Total equity
Balances at January 1, 2021	266,204,047	5,803,922	256,361,909	2,896,703	531,266,581
Transactions with owners					
Stock dividends	1,624,051	-	(1,624,051)	-	-
Cash dividends	-	-	(1,624,140)	-	(1,624,140)
Total transactions with owners	1,624,051	-	(3,248,191)	-	(1,624,140)
Comprehensive income					
Net income for the year	-	-	9,704,406	-	9,704,406
Other comprehensive income	-	-	-	3,144,085	3,144,085
Total comprehensive income	-	-	9,704,406	3,144,085	12,848,491
Balances at 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
Transactions with owners					
Stock dividends	2,677,921	-	(2,677,921)	-	-
Cash dividends	-	-	(2,678,008)	-	(2,678,008)
Total transactions with owners	2,677,921		(5,355,929)		(2,678,008)
Comprehensive income					
Net income for the year	-	-	12,923,549	-	12,923,549
Other comprehensive loss	-	-	-	(2,268,741)	(2,268,741)
Total comprehensive income (loss)	-	-	12,923,549	(2,268,741)	10,654,808
Balances at December 31, 2023	271,961,630	5,803,922	285,327,520	7,982,960	571,076,032

(The notes on pages 1 to 36 are an integral part of these financial statements.)

Makati Finance Corporation

Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(With comparative figures for the year ended December 31, 2021)
(All amounts in Philippine Peso)

	Notes	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		17,262,025	23,406,001	24,996,596
Adjustments for:				
Provision for credit losses on loans and other receivables	3	16,377,948	18,840,356	16,318,563
Depreciation and amortization	4,5,16	16,879,761	9,417,435	12,023,566
Fair value change in investment properties	6	(4,817,734)	(24,602,534)	(4,430,491)
Retirement benefits expense	14	2,477,820	3,180,335	3,527,986
Interest expense from lease liabilities	16	1,169,810	1,249,467	1,766,789
Provision for (reversal of) impairment loss of repossessed assets	4	7,495,767	377,146	927,711
Gain from sale of repossessed assets	4	567,701	(463,451)	(2,377,048)
Loss on sale of investment property		-	-	272,612
Lease additions, net of modification		3,451	(86,387)	-
Operating income before working capital changes		57,416,549	31,318,368	53,026,284
Decrease (increase) in:				
Loans and other receivables		(69,623,207)	37,655,324	110,970,271
Other assets		(4,312,634)	10,612,253	(22,059,689)
Increase (decrease) in:				
Accounts payable		(17,427,757)	4,669,740	16,510,663
Accrued expenses		(2,678,097)	(2,243,613)	(18,396,287)
Cash (used in) generated from operations		(36,625,146)	82,012,072	140,051,242
Income taxes paid		(3,478,159)	(3,857,517)	(1,980,754)
Net cash flows (used in) provided by operating activities		(40,103,305)	78,154,555	138,070,488
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment	5	(2,079,327)	(683,956)	(5,925,121)
Additions to software	4	(375,799)	(113,116)	(335,631)
Additions to investment properties	6	-	(3,070,225)	(2,230,309)
Net cash used in investing activities		(2,455,126)	(3,867,297)	(8,491,061)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of notes payable		229,332,325	219,516,745	144,434,268
Settlement of notes payable		(180,006,792)	(322,674,571)	(266,120,713)
Payment of lease liabilities	16	(15,038,490)	(8,737,993)	(7,941,968)
Cash dividends paid	10	(2,678,008)	(1,455,711)	(1,624,140)
Net cash from (used in) financing activities		31,609,035	(113,351,530)	(131,252,553)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(10,949,396)	(39,064,272)	(1,673,126)
Cash and cash equivalents				
January 1		34,051,506	73,115,778	74,788,904
December 31		23,102,110	34,051,506	73,115,778

(The notes on pages 1 to 36 are an integral part of these financial statements.)

Makati Finance Corporation

Notes to the Financial Statements
As at and for the years ended December 31, 2023 and 2022
(With comparative figures and notes as at December 31, 2022 and for the years ended December 31, 2022 and 2021)
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

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, 2002, the Board of Directors (BOD) and shareholders approved the offer of up to 19,560,000 shares from the Company’s unissued common shares through initial common public offering (IPO). The application for the IPO of the Company was approved by the SEC and the Philippine Stock Exchange (PSE) on December 9, 2002 and November 28, 2002, respectively. The Company was listed in the PSE under the Small and Medium Enterprise Board on January 6, 2003, with an offer price of P1.38 per share.

As at December 31, 2023, the Company’s closing price at the PSE amounts to P1.90 per share (2022 - P2.35 per share).

Amalgamated Investment Bancorporation (AIB) (the “Parent Company”) owns 43.41% of the Company as at December 31, 2023 and 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 146 employees as at December 31, 2023 (2022 - 156).

Approval of the financial statements

These financial statements have been approved and authorized for issuance by the Company’s BOD on April 8, 2024. There are no significant subsequent events from April 8, 2024 to April 15, 2024.

2 Cash

This account consists of:

	2023	2022
Cash on hand	907,412	650,871
Cash in banks	22,194,698	33,400,635
	23,102,110	34,051,506

Cash in banks earn interest at the prevailing bank deposit rates which range from 0.05% to 0.25% (2022 - 0.05% to 0.15%). In 2023, interest income on cash in banks amount to P14,033 (2022 - P31,283; 2021 - P50,003).

3 Loans and other receivables, net

The account as at December 31 consist of:

	2023	2022
Consumer	708,725,305	776,014,826
Services	247,349,179	166,711,347
Other receivables	11,666,496	13,085,453
	967,740,980	955,811,626
Allowance for expected credit loss (ECL)	(156,888,936)	(140,510,988)
	810,852,044	815,300,638

Interest rates on loans and other receivables for the year ended December 31, 2023 range from 0.42% to 3.00% (2022 - 1.20% to 3.00%) add-on rate per month plus gross receipts tax. For the year ended December 31, 2023, interest income earned on loans receivables amounts to P175.16 million (2022 - P158.95 million; 2021 - P174.67 million).

Certain motorcycle financing receivables (included in Consumer category above) amounting to P109.73 million (2022 - P175.52 million) were used as collateral on notes payable to banks (see Note 9).

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

	2023	2022
Secured loans		
Chattel mortgage	400,823,972	383,569,862
Real estate mortgage	127,728,010	177,231,108
Other collaterals	69,320,406	31,272,185
Total secured	597,872,388	592,073,155
Unsecured	369,868,592	363,738,471
	967,740,980	955,811,626

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

Movements in allowance for ECL follow:

	December 31, 2023			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	116,168,180	19,877,093	4,465,715	140,510,988
Provision during the year	21,079,112	11,097,579	-	32,176,691
Write-off during the year	(10,860,432)	(4,938,311)	-	(15,798,743)
At December 31	126,386,860	26,036,361	4,465,715	156,888,936

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

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.

4 Other assets, net

This account consists of:

	Note	2023	2022
Repossessed assets, net		95,192,990	99,692,514
Prepaid expenses		4,290,984	3,569,794
Security deposits	16	4,761,292	4,733,792
Software costs		530,485	381,510
Financial asset at fair value through other comprehensive income (FVOCI)		80,000	80,000
		104,855,751	108,457,610

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

The movement in repossessed assets follow:

	2023	2022
Cost		
At January 1	141,497,292	150,809,469
Additions	59,019,279	68,111,860
Disposals	(59,892,665)	(77,424,037)
At December 31	140,623,906	141,497,292
Allowance for impairment losses		
At January 1	41,804,778	41,427,632
Allowance for impairment during the year	7,495,767	377,146
Write-off	(3,869,629)	-
At December 31	45,430,916	41,804,778
Carrying amount	95,192,990	99,692,514

Included in the statement of comprehensive income are the gain from sale of repossessed assets amounting to P567,701 in 2023 (2022 - P463,451). Proceeds from sale amounted to P60.46 million in 2023 (2022 - P77.89 million).

The movement in software costs follow:

	2023	2022
Cost		
At January	6,475,216	6,362,100
Additions	375,799	113,116
At December 31	6,851,015	6,475,216
Accumulated amortization		
At January 1	6,093,706	5,951,260
Amortization for the year	226,824	142,446
Accumulated amortization	6,320,530	6,093,706
Carrying amount	530,485	381,510

5 Property and equipment, net

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

	2023			
	Furniture, fixtures and equipment	Leasehold rights and improvements	Transportation equipment	Total
Cost				
At January 1	19,869,472	10,861,636	10,408,455	41,139,563
Additions	831,944	470,000	777,383	2,079,327
Disposals	-	-	(542,000)	(542,000)
At December 31	20,701,416	11,331,636	10,643,838	42,676,890
Accumulated depreciation				
At January 1	18,801,529	8,370,692	7,690,850	34,863,071
Depreciation	659,008	699,043	1,328,131	2,686,182
Disposals	-	-	(542,000)	(542,000)
At December 31	19,460,537	9,069,735	8,476,981	37,007,253
Carrying amount	1,240,879	2,261,901	2,166,857	5,669,637

	2022			
	Furniture, fixtures and equipment	Leasehold rights and improvements	Transportation equipment	Total
Cost				
At January 1	19,185,516	10,861,636	10,408,455	40,455,607
Additions	683,956	-	-	683,956
At December 31	19,869,472	10,861,636	10,408,455	41,139,563
Accumulated depreciation				
At January 1	17,925,575	7,693,733	6,238,136	31,857,444
Depreciation	875,954	676,959	1,452,714	3,005,627
At December 31	18,801,529	8,370,692	7,690,850	34,863,071
Carrying amount	1,067,943	2,490,944	2,717,605	6,276,492

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 are impaired as at December 31, 2023 and 2022.

6 Investment properties, net

Investment properties consist of land and building amounting to P87,021,301 and P66,291,286 respectively (2022 - P73,858,715 and P16,942,285, respectively).

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

	2023	2022
Beginning of the year	90,801,000	63,128,241
Additions	57,693,853	3,070,225
Fair value adjustment	4,817,734	24,602,534
	153,312,587	90,801,000

In 2023, the Company has acquired a property through a Dacion En Pago arrangement, with a fair market vale of P77.27 million. However, the property has been booked at a value of P57.69 million, net of the share of another lender, reflecting the Company's portion of ownership. Unrealised gain amounting to P13.55 million pertaining to the foreclosure was recognized under miscellaneous income (Note 12).

The Company measures 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 2023.

The fair value of the Company’s investment properties was determined using the Market Approach (Level 2), which is a comparative approach to value that considers sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. In general, a property being valued (a subject property) is compared with sales of similar properties that have been transacted in the market.

Direct operating expenses with regard to investment properties pertain to local property taxes amounting to P76,043 in 2023 (2022 - P76,043).

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:

<u>Rx Cashline Group</u>

The Rx Cashline Group grants loans tailored to medical professionals.

<u>Business loans</u>

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

<u>Motor Vehicles Financing Group</u>

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:

	2023				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and other receivables, net	84,655,159	383,056,833	326,812,153	16,327,899	810,852,044
Results of operation					
Revenue					
Interest income	26,280,234	69,572,943	71,300,955	8,020,044	175,174,176
Other income	2,057,488	27,316,004	3,320,421	6,956,667	39,650,580
Total	28,337,722	96,888,947	74,621,376	14,976,711	214,824,756
Expenses					
Interest expense	5,198,770	13,762,957	14,104,793	1,586,528	34,653,048
Provision for expected credit losses	5,953,023	13,775,932	16,988,116	2,955,387	39,672,458
Operating expenses	12,843,642	45,027,374	58,180,031	7,186,178	123,237,225
	23,995,435	72,566,263	89,272,940	11,728,093	197,562,731
Net operating income (loss)	4,342,287	24,322,684	(14,651,564)	3,248,618	17,262,025
Income tax expense (benefit)	1,088,603	6,091,032	(3,654,912)	813,753	4,338,476
Net Income (loss)	3,253,684	18,231,652	(10,996,652)	2,434,865	12,923,549
Total Assets	96,292,720	572,121,950	460,272,420	27,196,160	1,155,883,250
Total Liabilities	77,142,436	263,756,179	203,138,223	40,770,380	584,807,218
Other segment information					
Capital expenditures	274,286	937,805	722,273	144,962	2,079,326
Depreciation and amortization	2,226,624	7,613,007	5,863,342	1,176,788	16,879,761

	2022				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and other receivables, net	92,081,355	375,575,917	307,852,105	39,791,261	815,300,638
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
	25,216,125	85,418,780	71,020,599	16,765,865	198,421,369
Expenses					
Interest expense	4,524,267	13,364,316	13,417,973	1,819,328	33,125,884
Provision for expected credit losses	3,667,710	9,576,412	1,663,782	4,309,598	19,217,502
Operating expenses	10,650,563	38,673,084	66,792,325	6,556,010	122,671,982
	18,842,540	61,613,812	81,874,080	12,684,936	175,015,368
Net operating income (loss)	6,373,585	23,804,968	(10,853,481)	4,080,929	23,406,001
Income tax expense (benefit)	1,773,788	6,503,111	(4,397,730)	1,673,733	5,552,902
Net Income (loss)	4,599,797	17,301,857	(6,455,751)	2,407,196	17,853,099
Total Assets	103,295,406	510,795,835	459,248,231	40,809,092	1,114,148,564
Total Liabilities	62,264,341	253,960,063	212,168,236	22,656,692	551,049,332
Other segment information					
Capital expenditures	578,303	1,446,460	1,649,089	332,830	4,006,682
Depreciation and amortization	1,392,032	3,481,771	3,969,519	801,158	9,644,480

	2021				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and other receivables, net	94,546,818	380,068,851	347,907,565	49,273,084	871,796,318
Results of operation					
Revenue					
Interest income	21,997,658	67,892,983	77,056,532	7,770,329	174,717,502
Other income	3,218,580	9,933,740	13,651,549	1,136,913	27,940,782
Total	25,216,238	77,826,723	90,708,081	8,907,242	202,658,284
Expenses					
Interest expense	4,517,853	13,943,781	15,825,779	1,595,861	35,883,274
Provision for expected credit losses	2,171,377	6,701,681	7,606,210	767,006	17,246,274
Operating expenses	11,365,248	35,933,418	71,751,120	5,482,354	124,532,140
	18,054,478	56,578,880	95,183,109	7,845,221	177,661,688
Net operating income (loss)	7,161,760	21,247,843	(4,475,028)	1,062,021	24,996,596
Income tax expense (benefit)	2,928,996	8,825,971	2,869,541	667,682	15,292,190
Net Income (loss)	4,232,764	12,421,872	(7,344,569)	394,339	9,704,406
Total Assets	117,365,439	509,938,385	542,360,807	42,636,834	1,212,301,465
Total Liabilities	76,719,670	291,696,693	275,183,329	26,210,841	669,810,533
Other segment information					
Capital expenditures	1,069,060	3,299,518	3,744,855	377,628	8,491,061
Depreciation and amortization	1,513,817	4,672,204	5,302,814	534,732	12,023,567

8 Accrued expenses

This account consists of:

	2023	2022
Accrued rent	4,532,800	4,894,595
Insurance payable	4,205,346	3,981,994
Accrued taxes	4,537,682	3,454,505
Commissions and outside services	441,197	1,776,647
Accrued interest	1,524,719	1,283,054
Accrued administrative expenses	853,779	1,255,443
Accrued management and professional fees	875,480	737,677
Others	938,498	3,203,683
	17,909,501	20,587,598

Others mainly include accrual on utilities and travel and transportation.

9 Notes payable

The account as at December 31 consists of:

	2023	2022
Notes payable to:		
Related parties	382,583,587	257,408,526
Banks	109,733,333	175,517,005
Individuals/corporate	18,557,343	28,623,199
	510,874,263	461,548,730

The current and non-current portion of the account are as follow:

	2023	2022
Current	484,652,041	419,496,400
Non-current	26,222,222	42,052,330
	510,874,263	461,548,730

Interest rates on notes payable range from 5.50% to 9.00% in 2023 (2022 - 5.50% to 8.75%). Interest expenses on these notes payable amount to P33.48 million in 2023 (2022 - P31.47 million; 2021 - P34.12 million).

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

Notes payable to banks have a maturity of up to three (3) years. As at December 31, 2023 and 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):

	2023		2022	
	Carrying amount	Secured notes	Carrying amount	Secured notes
Motorcycle financing receivables	155,789,216	109,733,333	227,613,885	175,517,005

10 Equity

On July 27, 2023, the BOD and stockholders approved the declaration of 0.99% stock dividends in the amount of P2.68 million to stockholders of record as at August 24, 2023 with distribution date not later than September 20, 2023. Fractional shares of 43.70 shall be paid in cash. The actual stock dividends to be issued may be less than the above indicated shares of stock due to the resulting fractional shares. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to P2.68 million.

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

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

As at December 31, 2023, the Company has 271,961,630 (2022 – 269,283,709) common shares issued and outstanding which are owned by 112 (2022 – 111) shareholders.

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

	2023		2022		2021	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Authorized - 300,000,000 shares; P1 par value						
At January 1	269,283,709	269,283,709	267,828,098	267,828,098	266,204,047	266,204,047
Stock dividends	2,677,921	2,677,921	1,455,611	1,455,611	1,624,051	1,624,051
At December 31	271,961,630	271,961,630	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:

	2023	2022	2021
Net income for the year	12,923,549	17,853,098	9,704,406
Weighted average number of outstanding common shares	270,435,582	268,555,904	266,610,060
Basic and diluted earnings per share	0.05	0.07	0.04

11 Service charges

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

	2023	2022	2021
Processing fees	7,261,796	4,011,154	3,494,270
Late payment charges	1,158,691	661,681	2,592,064
Others	8,437	8,557	15,888
	8,428,924	4,681,392	6,102,222

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.

Others pertain to the convenience fee charged by the Company.

12 Miscellaneous

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

	2023	2022	2021
Unrealised gain on foreclosure (Note 6)	13,549,615	-	-
Penalties	7,978,395	6,053,470	7,776,978
Others	4,875,912	4,104,434	9,631,091
	26,403,922	10,157,904	17,408,069

Others mainly consist of gain on sale of motorcycle units.

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

	2023	2022	2021
Communication	2,415,785	2,894,069	2,931,713
Stationaries and supplies	2,711,297	2,256,939	2,918,595
Others	8,917,188	5,256,830	6,129,001
	14,044,270	10,407,838	11,979,309

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

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) rate of 1%, instead of 2%, for the period beginning July 1, 2020 until June 30, 2023, on modified gross income and allow net operating loss carry-over (NOLCO). The MCIT and NOLCO may be applied against the Company's income tax liability and taxable income, respectively, over a three-year period from the year of incurrence. Specifically, for taxable years 2021 and 2020, NOLCO can be carried forward for five years.

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

	2023	2022	2021
Current	5,367,115	3,005,907	3,599,704
Deferred	(1,028,639)	2,546,996	11,692,486
	4,338,476	5,552,903	15,292,190

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

	2023	2022	2021
Income before tax	17,262,025	23,406,001	24,996,641
Income tax benefit at statutory income tax rate (25%)	4,315,506	5,851,500	6,249,160
Adjustments for:			
Interest income subjected to final tax	(3,508)	(7,821)	(12,501)
Impact of PFRS 16	25,382	(290,776)	-
Effect of CREATE law	-	-	9,051,635
Non-deductible interest expense	1,096	-	3,896
Change in unrecognized DTA	-	-	-
Effective income tax expense	4,338,476	5,552,903	15,292,190

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

	2023	2022
Deferred tax assets		
Allowance for credit losses	39,163,685	35,069,198
Allowance of repossessed assets write-down	11,357,729	10,451,194
Accrued expenses	1,685,388	1,685,388
Retirement expense	3,020,042	2,400,587
Impairment loss on investment properties	228,988	228,988
Past service costs	40,293	40,294
Others	1,216,006	1,216,006
	56,712,131	51,091,655
Deferred tax liabilities		
Remeasurement gain on defined benefit obligation	3,137,635	3,137,635
Fair value increase in investment properties	12,015,183	7,423,346
	15,152,818	10,560,981
	41,559,313	40,530,674

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

	2023	2022
Beginning of the year	40,530,674	44,481,308
Amounts charged to profit or loss	1,028,639	(2,546,996)
Amounts charged to other comprehensive income	-	(1,403,638)
End of the year	41,559,313	40,530,674

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:

	2023	2022
Present value of benefit obligation	17,524,485	12,587,051
Fair value of plan assets	(7,299,197)	(7,108,324)
Retirement benefit obligation	10,225,288	5,478,727

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

	2023	2022
Current service cost	2,067,594	2,778,358
Net interest cost	410,226	401,977
	2,477,820	3,180,335

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

	2023	2022
At beginning of year	12,587,051	15,085,059
Current service cost	2,067,594	2,778,358
Interest cost	926,407	766,321
Remeasurements		
Loss (Gain) from changes in financial assumptions	2,763,316	(5,264,281)
Gain from experience adjustments	(629,883)	(778,406)
Benefits paid from Plan Assets - excluding settlements	(190,000)	-
At end of year	17,524,485	12,587,051

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

	2023	2022
At beginning of year	7,108,324	7,172,117
Interest income	516,181	364,344
Benefits paid	(190,000)	-
Remeasurements – Plan Assets	(135,308)	(428,137)
At end of year	7,299,197	7,108,324

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

	2023	2022
Cash and cash equivalents	2,014,219	3,793,982
Financial assets at fair value through profit or loss - fixed income	5,273,978	3,313,473
Accrued other receivables	11,000	869
	7,299,197	7,108,324

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

	2023	2022
Discount rate	6.16%	7.36%
Future salary increases	5.00%	5%
Average remaining working life (in years)	24.0	24.7

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, 2023			
Discount rate	100 basis points	(2,345,453)	2,850,482
Salary growth rate	100 basis points	2,855,229	(2,389,579)
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)

There are no expected contributions to the plan for the year ending December 31, 2024.

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.

		2023			2022		
			Outstanding Balances			Outstanding Balances	
Category/Transaction	Ref	Amount of transaction	Due from related parties	Due to related parties	Amount of transaction	Due from related parties	Due to related parties
Parent Company							
Miscellaneous receivables	A	-	181,521	-	-	80,514	-
Notes payable	B	-	-	303,600,000	-	-	191,100,000
Availments		158,600,000	-	-	16,000,000	-	-
Settlements		46,100,000	-	-	92,500,000	-	-
Interest expense		18,506,868	-	-	13,725,831	-	83,855
Entities under common control							
Motor Ace Philippines, Inc.							
Loans Receivable	A	-	-	-	-	2,952,145	-
Availments		-	-	-	4,595,808	-	-
Settlements		-	-	-	1,288,776	-	-
Miscellaneous receivables	A	-	320,703	-	-	342,254	-
Availments		22,599	-	-	77,350	-	-
Settlements		44,150	-	-	42,900	-	-

forward

		2023			2022		
			Outstanding Balances			Outstanding Balances	
Category/Transaction	Ref	Amount of transaction	Due from related parties	Due to related parties	Amount of transaction	Due from related parties	Due to related parties
Accounts payable	D	-	-	15,131,269	-	-	14,456,450
Availments		130,991,997	-	-	71,576,002	-	-
Settlements		130,596,637	-	-	70,969,009	-	-
MAPI Lending Investors, Inc.							
Miscellaneous receivables	A	-	1,477,772	-	-	2,229,436	-
Availments		-	-	-	1,157,245	-	-
Settlements		751,664	-	-	16,492,411	-	-
Accounts payable	D	-	-	78,479	-	-	78,640
Availments		3,268	-	-	3,268	-	-
Settlements		-	-	-	-	-	-
Short term placements	C	-	-	-	-	-	-
Availments		-	-	-	611,209	-	-
Settlements		-	-	-	16,298,384	-	-
Interest income		-	-	-	1,216,597	-	-
HMW Lending Investors, Inc.							
Loans Receivable	A	-	-		-	5,840,453	-
Availments		-	-	-	-	-	-
Settlements		-	-	-	2,725,970	-	-
Honda Motor World, Inc.							
Loans Receivable	A	-	-	-	-	1,269,809	-
Availments		-	-	-	-	-	-
Settlements		-	-	-	739,583	-	-
Miscellaneous receivables	A	-	180,714	-	-	170,673	-
Availments		63,059	-	-	64,325	-	-
Settlements		53,018	-	-	26,250	-	-
Accounts payable	D	-	-	7,586,792	-		2,923,459
Availments		47,559,533	-	-	26,019,931	-	-
Settlements		52,222,866	-	-	24,961,153	-	-
Pikeville Bancshares							
Professional fees		390,320	-	-	1,193,920	-	275,520
MERG Realty Development Corp.							
Miscellaneous receivables	A	-	18,057	-	-	18,057	-
Availments		-	-	-	-	-	-
Settlements		-	-	-	-	-	-

forward

Category/Transaction	Ref	2023 Amount of transaction	2023 Outstanding Balances Due from related parties	2023 Outstanding Balances Due to related parties	2022 Amount of transaction	2022 Outstanding Balances Due from related parties	2022 Outstanding Balances Due to related parties
Notes payable	B	-	-	34,374,826	-	-	32,819,218
Availments		1,555,608	-	-	1,485,210	-	-
Settlements		-	-	-	-	-	-
Interest expense		1,830,127	-	-	1,747,306	-	-
Felibon Realty, Inc.							
Miscellaneous receivables	A	-	18,275	-	-	-	-
Availments		-	-	-	-	-	-
Settlements		-	-	-	-	-	-
Directors and other stockholders							
Notes payable	B	-	-	33,316,111	-	-	14,985,086
Availments		-	-	-	4,565,890	-	-
Settlements		-	-	-	11,873,090	-	-
Interest expense		1,930,553	-	-	919,964	-	-
Professional and other management fees		-	-	-	-	-	2,466,407
TOTAL			2,197,042	394,087,477		12,903,341	259,188,635

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, 2023 and 2022, notes payable and accrued interest payable arising from borrowings from stockholders amounted to P382.58 million and P257.41 million. Interest expense from these borrowings amounted to P33.48 million and P31.47 million in 2023 and 2022, 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.

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

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 2023 and 2022 amounts to P0.78 million and P8.62 million, respectively.

Security deposits arising from these lease agreements amount to P4.76 million and P4.73 million as at December 31, 2023 and 2022, respectively (Note 4).

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

	2023	2022
Less than one year	10,159,271	7,395,583
Between one and five years	10,500,220	17,345,473
	20,659,491	24,741,056

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

	2023	2022
As at January 1	21,512,739	36,256,416
Additions	10,017,940	1,933,757
Lease modification	1,753,430	(9,188,908)
Interest expense	1,169,810	1,249,467
Payments	(15,038,490)	(8,737,993)
As at December 31	19,415,429	21,512,739

Right-of-use assets

	2023	2022
Balance at January 1	18,730,644	32,311,216
Additions	10,017,940	1,933,756
Lease modification	1,749,979	(9,102,520)
Depreciation of right-of-use assets	(13,966,755)	(6,411,808)
Balance at December 31	16,531,808	18,730,644

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.

<u>Critical accounting estimates</u>

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

The Company reviews its loan portfolio to assess impairment on a regular basis. In determining whether an loss should be recorded in profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for loans with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. On the basis of existing knowledge, it is reasonably possible that outcomes within the next financial year, which are different from the assumptions used, may amount to a material difference compared to this year's impairment loss. It is, however, impracticable to estimate the impact of such difference in outcomes.

Based on the Company's assessment, provision for impairment losses is required as at December 31, 2023 amounting to P32.18 million (2022 - P18.84 million). Allowance for impairment of P15.80 million was written off in 2023 (2022 – P7.98 million) after the Company exhausted all efforts and means to collect the amount due.

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 weighted average incremental borrowing rate applied to measure its lease liabilities arising from the lease contracts in 2023 was 4.37%. 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 investment properties (Note 6)

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

As at December 31, 2023, the Company did not recognize any additional impairment loss on its investment properties in the absence of any indicators of impairment.

Recoverability of DIT assets (Note 13)

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

Based on management's assessment, the amount of DIT assets recognized as at December 31, 2023 and 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.

18 Financial risk and capital management

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

18.1 Liquidity risk

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

The amounts disclosed in the table below are the expected undiscounted cash flows of financial instruments, including future interest as applicable, which the Company uses to manage the inherent liquidity risk as at December 31, 2023 and 2022.

	2023		
	Up to one year	Over one year	Total
Financial assets			
Cash	23,102,110	-	23,102,110
Loans and other receivables	441,452,515	369,399,529	810,852,044
Security deposits	4,761,292	-	4,761,292
Financial assets at FVOCI	80,000	-	80,000
Total financial assets	469,395,917	369,399,529	838,795,446
Financial liabilities			
Notes payable	484,652,041	26,222,222	510,874,263
Accounts payable	22,964,740	-	22,964,740
Accrued expenses*	13,371,819	-	13,371,819
Lease liabilities	9,527,935	9,887,494	19,415,429
Total financial liabilities	530,516,535	36,109,716	566,626,251
Total maturity gap	(61,120,618)	333,289,813	272,169,195

**Excluding government payables*

	2022		
	Up to one year	Over one year	Total
Financial assets			
Cash	34,051,506	-	34,051,506
Loans and other receivables, net	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 fair values of financial instruments.

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

Price risk

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

18.3 Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Significant changes in the economy, or financial condition of its counterparty, could result in losses that are different from those provided for at the reporting date. The Company manages credit risk by setting limits for individual borrowers, and groups of borrowers, and industry segments. The Company also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

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

	2023	2022
Cash	22,194,698	33,400,635
Loans and other receivables (net, ECL allowance)	810,852,044	815,300,638
Security deposits	4,761,292	4,733,792
	837,808,034	853,435,065

Cash excludes 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.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with credit worthy counterparties. The security of loans and receivable is disclosed in Note 3.

The following summarizes the credit quality of the Company's Loans and other receivables:

	2023	2022
Neither past due nor impaired	527,201,316	574,400,616
Past due but not impaired	350,964,928	301,240,238
Impaired	89,574,736	80,170,772
	967,740,980	955,811,626

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

The credit quality of the portfolio of loans and other receivables can be assessed by reference to the historical experience of the Company with the borrowers. All loans and other receivables neither past due nor impaired are considered high grade and can withstand weak economic conditions. These pertain to borrowers with strong repayment capacity, have excellent liquidity and low leverage. Mostly, these are the accounts with updated amortization payments. Past due accounts are not considered impaired as these are backed-up by collaterals and considered fully collectible based on management's experience.

18.4 Fair value determination

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

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	23,102,110	23,102,110	34,051,506	34,051,506
Loans and other receivables, net	810,852,044	810,852,044	815,300,638	815,300,638
Security deposits	4,761,292	4,761,292	4,733,792	4,733,792
Financial assets at FVOCI	80,000	80,000	80,000	80,000
	838,795,446	838,795,446	854,165,936	854,165,936
Financial liabilities				
Notes payable	510,874,263	510,874,263	461,548,730	461,548,730
Accounts payable	22,964,740	22,964,740	40,392,497	40,392,497
Accrued expenses	17,909,501	17,909,501	20,587,596	20,587,596
Lease liabilities	19,415,429	19,415,429	21,512,739	21,512,739
	571,163,933	571,163,933	544,041,562	544,041,562

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 main Level 3 inputs used by the Company pertain to marketability and size.

The Company's financial assets at FVOCI are classified under Level 2 of the fair value hierarchy as at December 31, 2023 and 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 2023.

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

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

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

For the years ended December 31, 2023 and 2022, 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.

19 Summary of material accounting policies

The material 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 (PFRS). The term PFRS 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, 2023 and 2022.

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, 2023:

- Amendments to PAS1, *'Presentation of Financial Statements'*, and PFRS Practice Statement 2

  The amendment requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) 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.

  To support this amendment, PFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- 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 12, *'Income Taxes'*

  The amendments require companies to recognise deferred tax 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 deferred tax 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 recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

  • right-of-use assets and lease liabilities, and
  • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

  The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable.

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

The following amendments to existing standards are not mandatory for the December 31, 2023 reporting period and have not been early adopted by the Company.

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

Amendments made to PAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as noncurrent and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

- the carrying amount of the liability
- information about the covenants, and
- facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note.

The amendments must be applied retrospectively in accordance with the normal requirements in PAS 8, *'Accounting Policies, Changes in Accounting Estimates and Errors'*. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

- Amendments to PAS 7, *'Statement of Cash Flows'* and PFRS 7, *'Financial Instruments: Disclosures'*

The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by PAS 7 Statement of Cash Flows and PFRS 7 Financial Instruments: Disclosures falls short of meeting user information needs.

The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following:

The terms and conditions of SFAs.

1. The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.

2. The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers.

3. The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.

4. Non-cash changes in the carrying amounts of financial liabilities in (b).

5. Access to SFA facilities and concentration of liquidity risk with finance providers.

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, 2023 that are relevant or expected to have a material impact on the Company's financial statements.

19.3 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.

19.4 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.
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Investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by management and independent valuation experts based on the "market approach". Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. In determining the carrying amount of investment property under the fair value model, the Company does not double-count assets or liabilities that are recognized as separate assets or liabilities.

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

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

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

19.5 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.

19.5.1 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, 2023 and 2022 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 2023 and 2022.

(d) Impairment of financial assets carried at amortized cost

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

19.5.2 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.

19.6 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).

19.7 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.

19.8 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.

19.9 Income 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.

19.10 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, 2023 and 2022.

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

19.11 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.

19.12 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.

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

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

20.1 Revenue Regulations (RR) No. 15-2010

(a) The Company registered as a percentage taxpayer.

The Company's other taxes and licenses for the year ended December 31, 2023 include the following:

	Amount
Gross receipts tax (GRT)	9,720,139
Documentary stamp taxes (DST)	1,382,451
DST on stock dividends	26,779
License and permit fees	1,587,657
	12,717,026

The above are lodged under "Taxes and Licenses" account in the Company's statement of total comprehensive income. As at December 31, 2023, accrued GRT and DST amounted to P3,130,963 and P34,875, respectively.

(b) Withholding taxes

Withholding taxes incurred and accrued for the year ended December 31, 2023 are as follows:

	Amount
Withholding tax on compensation	2,185,102
Final withholding tax	41,720
Expanded withholding taxes	5,950,398
	8,177,220

No withholding taxes were paid to the BIR for the year ended December 31, 2023.

(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, 2023.

20.2 RR No. 34-2020

On December 18, 2020, BIR issued RR N0. 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.

EXHIBIT I

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2023

Unappropriated Retained Earnings, available for dividends distribution - beginning as previously presented		₱103,034,430
Add:	**Net income actually earned/realized during the year**	
	Net income during the period	12,923,549
Less:	Dividends declared during the year	(5,355,929)
	Fair value change in investment properties	(3,613,301)
RETAINED EARNINGS AVAILABLE FOR DIVIDENDS DISTRIBUTION		**₱106,988,749**

EXHIBIT II

SCHEDULE SHOWING FINANCIAL SOUNDNESS PURSUANT TO SRC RULE 68, AS AMENDED

DECEMBER 31, 2023

	2023	2022
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	105.75%	126.69%
Debt to equity ratio	102.40%	97.86%
Quick ratio	86.27%	104.49%
PROFITABILITY RATIOS		
Return on assets	1.12%	1.60%
Return on equity	2.26%	3.17%
Net profit margin	7.17%	10.80%
ASSET TO EQUITY RATIO	202.40%	197.86%
INTEREST RATE COVERAGE RATIO	1.50	1.71

Computation for the Ratios:

- Current ratio = Current Assets/Current Liabilities
- Debt to Equity Ratio = Total Liabilities/Total Equity
- Quick Ratio = Quick Assets/Current Liabilities
- Return on Assets = Net Income After Tax/Total Assets
- Return on Equity = Net Income After Tax/Total Equity
- Net Profit Margin = Net Income After Tax/Total Income
- Asset to Equity Ratio = Total Assets/Total Equity

EXHIBIT III

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-F
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2023

	2023	2022
Ratio or percentage of total real estate investments to total assets	**13.26%**	8.15%
Total receivables to total assets	**70.15%**	73.18%
Total DOSRI receivables to net worth	**1.10%**	2.31%
Amount of receivables from a single corporation to total receivables:		
Amalgamated Investment Bancorporation (AIB)	**0.02%**	0.01%
Motor Ace Philippines, Inc. (MAPI)	**0.04%**	0.40%
Honda Motor World, Inc. (HMWI)	**0.02%**	0.18%
MAPI Lending Investors, Inc. (MAPILI)	**0.28%**	0.27%
HMW Lending Investors, Inc. (HMWLI)	**0.40%**	0.72%

EXHIBIT IV

SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2023

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Income received and accrued
Cash	23,102,110	23,102,110	14,033
Loans and other receivables, net	967,740,980	810,852,044	175,160,143
Security deposits	4,761,292	4,761,292	-
Financial asset at fair value through other comprehensive income Orchard golf club shares	1	80,000	-

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Honda Motor World, Inc	1,440,482	63,059	1,322,827	-	180,714	-	180,714
Motor Ace Phils, Inc.	3,294,399	22,599	2,996,295	-	320,703	-	320,703
MAPI Lending Investors, Inc.	2,229,436	2,167,518	2,096,370	-	2,300,584	-	2,300,584
HMW Lending Investors, Inc.	5,840,453	-	2,559,334	-	3,281,119	-	3,281,119

Schedule C. Amounts Receivable from Related parties which are eliminated during the consolidation of financial statement

Name and designation of debtor	Balance of beginning period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
NONE	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deduction)	Ending balance
Central Device Encryption - 10Users @ 2780.00	₱14,000	₱ -	₱14,000	₱-	₱ -	₱ -
Sophos XG210 Appliance - Upgrade License Renewal	9,000	-	9,000	-	-	-
Sophos Central Intercept X Advanced with EDR	1,400	-	1,400	-	-	-
Sophos Central Intercept X Advanced for Server	18,767	-	5,331	-	-	13,436
Central Device Encryption - 10Users	20,500	-	20,500	-	-	-
84pcs. GV 25 Tracking Device	6,000	-	4,000	-	-	2,000
Web hosting upgrade	158,300	-	46,650	-	-	111,650
Web hosting upgrade	39,770	-	11,640	-	-	28,130
WEBSITE SECURITY RENEWAL PAYMENT	4,333	-	2,167	-	-	2,166
RENEWAL OF MAKATIFINANCE.PH DOMAIN	9,120	-	1,679	-	-	7,441
RENEWAL OF MAKATIFINANCE.PH DOMAIN	11,052	-	4,835	-	-	6,217
Hostgator, webhosting, web backup/security - makatifinance.ph	12,164	-	7,299	-	-	4,865
SYNC RENEWAL	13,390	-	8,355	-	-	5,035
20PCS GV 25 Tracking Device	8,897	-	5,338	-	-	3,559
GMAIL WORKSPACE - makatifinance.com.ph	41,800	-	8,800	-	-	33,000
71 UNITS FOR DUAL NETWORK SIM FOR GPS TRUCKING	13,017	-	7,100	-	-	5,918
Hostgator, webhosting, web backup/security - makatifinance.ph	-	7,796	2,599	-	-	5,197
QNE Maintenance	-	20,000	3,333	-	-	16,667
Supply and Delivery of SOPHOS Antivirus Renewal	-	335,000	59,942	-	-	275,058
GPS INSTALATION WAREHOUSE TRUCK	-	1,655	965	-	-	690
RENEWAL OF MAKATIFINANCE.PH DOMAIN (2 YEARS)	-	11,348	1,891	-	-	9,456
TOTAL	**₱ 381,510**	**₱ 375,799**	**₱226,824**	**₱ -**	- **₱ -**	**₱530,485**

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “Current portion of long term debt” in related statement of financial position	Amount shown under caption “Long-Term Debt” in statement of financial position
Landbank / PN	₱27,233,333	₱1,011,111	₱26,222,222

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
	₱ -	₱ -

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
NONE	₱ -	₱ -	₱ -	₱ -

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers(Direct & Indirect)	Others
COMMON	77,290,877	77,290,877	-	77,290,877	-	-
COMMON	68,798,067	68,798,067	-	68,798,067	-	-
COMMON	60,286,680	60,286,680	-	40,755,554	-	19,531,126
COMMON	10,115,997	10,115,997	-	-	-	10,115,997
COMMON	9,617,084	9,617,084	-	9,617,084	-	-
COMMON	8,998,726	8,998,726	-	-	8,998,726	-
COMMON	7,584,642	7,584,642	-	-	7,584,642	-
COMMON	6,807,235	6,807,235	-	-	-	6,807,235
COMMON	6,481,207	6,481,207	-	-	-	6,481,207
COMMON	6,222,250	6,222,250	-	-	-	6,222,250
COMMON	2,739,646	2,739,646	-	-	2,739,646	-
COMMON	1,035,573	1,035,573	-	-	-	1,035,573
COMMON	807,546	807,546	-	-	-	807,546
COMMON	549,836	549,836	-	-	-	549,836
COMMON	528,944	528,944	-	-	-	528,944
COMMON	469,927	469,927	-	469,927	-	-
COMMON	324,022	324,022	-	-	-	324,022
COMMON	324,022	324,022	-	-	-	324,022
COMMON	324,022	324,022	-	-	-	324,022
COMMON	324,022	324,022	-	-	-	324,022
COMMON	324,022	324,022	-	-	-	324,022
COMMON	324,022	324,022	-	-	-	324,022
COMMON	324,022	324,022	-	-	-	324,022
COMMON	311,080	311,080	-	-	-	311,080
COMMON	195,649	195,649	-	-	-	195,649
COMMON	113,696	113,696	-	-	37,897	75,799

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers(Direct & Indirect)	Others
COMMON	62,762	62,762	-	-	-	62,762
COMMON	36,760	36,760	-	-	-	36,760
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,992	26,992	-	-	-	26,992
COMMON	26,991	26,991	-	-	-	26,991
COMMON	25,561	25,561	-	-	8,518	17,043
COMMON	25,135	25,135	-	-	-	25,135
COMMON	21,859	21,859	-	-	-	21,859
COMMON	33,823	33,823	-	-	-	33,823
COMMON	20,656	20,656	-	-	-	20,656
COMMON	19,297	19,297	-	-	-	19,297
COMMON	18,731	18,731	-	-	-	18,731
COMMON	17,556	17,556	-	-	-	17,556
COMMON	10,723	10,723	-	-	-	10,723
COMMON	9,166	9,166	-	-	-	9,166
COMMON	7,816	7,816	-	-	-	7,816
COMMON	35,491	35,491	-	-	-	35,491
COMMON	7,778	7,778	-	-	-	7,778

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers(Direct & Indirect)	Others
COMMON	7,692	7,692	-	-	-	7,692
COMMON	6,002	6,002	-	-	-	6,002
COMMON	2,969	2,969	-	-	-	2,969
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	2,550	-
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	2,550	-
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,550	2,550	-	-	-	2,550
COMMON	2,549	2,549	-	-	2,549	-
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,548	2,548	-	-	2,548	-
COMMON	2,549	2,549	-	-	-	2,549

Schedule H. Capital Stock

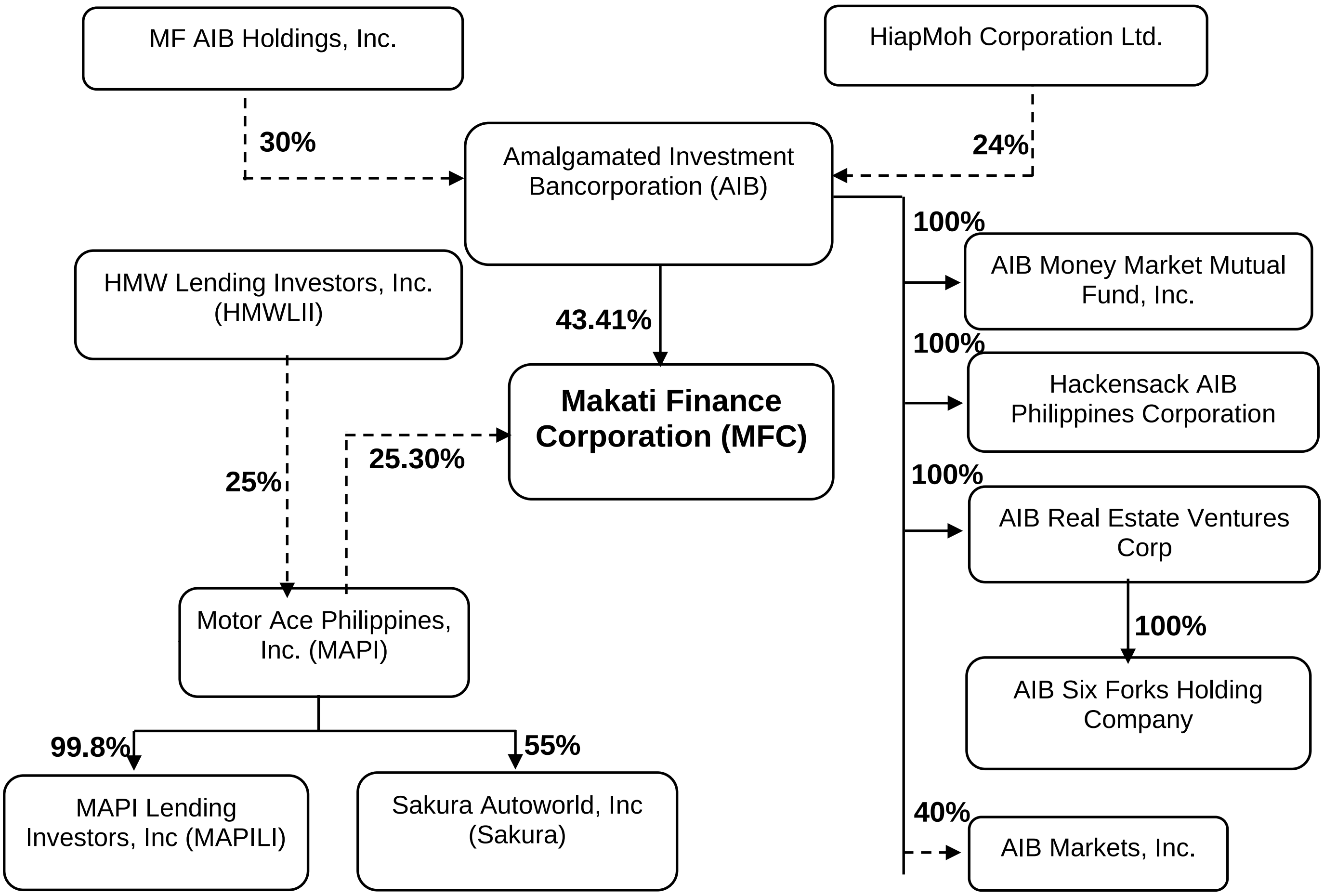
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers(Direct & Indirect)	Others
COMMON	2,549	2,549	-	-	-	2,549
COMMON	2,549	2,549	-	-	-	2,549
COMMON	1,629	1,629	-	-	-	1,629
COMMON	1,413	1,413	-	-	-	1,413
COMMON	1,214	1,214	-	-	-	1,214
COMMON	1057	1057	-	-	-	1057
COMMON	805	805	-	-	-	805
COMMON	547	547	-	-	-	547
COMMON	420	420	-	-	-	420
COMMON	288	288	-	-	-	288
COMMON	224	224	-	-	-	224
COMMON	115	115	-	-	-	115
COMMON	115	115	-	-	-	115
COMMON	115	115	-	-	-	115
COMMON	115	115	-	-	-	115
COMMON	73	73	-	-	-	73
COMMON	34	34	-	-	-	34
COMMON	34	34	-	-	-	34
COMMON	34	34	-	-	-	34
COMMON	34	34	-	-	-	34
COMMON	34	34	-	-	-	34
COMMON	17	17	-	-	-	17
COMMON	17	17	-	-	-	17
COMMON	17	17	-	-	-	17
COMMON	17	17	-	-	-	17
COMMON	14	14	-	-	-	14

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers(Direct & Indirect)	Others
COMMON	1	1	-	-	-	1
COMMON	1	1	-	-	1	-
COMMON	1	1	-	-	1	-
COMMON	1	1	-	-	1	-
COMMON	1	1	-	-	-	1
COMMON	1	1	-	-	-	1
COMMON	1	1	-	-	1	-
COMMON	1	1	-	-	1	-
TOTAL	**271,961,630**	**271,961,630**	-	196,931,509	19,379,631	55,650,490

EXHIBIT V
MAKATI FINANCE CORPORATION

MAP OF THE GROUP OF COMPANIES WITHIN WHICH MAKATI FINANCE CORPORATION BELONGS AT DECEMBER 31, 2023



Legend:

- - - - Associate

——— Subsidiary