COVER SHEET

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S.E.C. Registration Number

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

(Company's Full Name)

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

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

MARCOS E. LAROSA	(02) 7751-8132
Contact Person	Company Telephone Number

1 2	3 1	SEC Form 17-Q 3rd Qtr.2023	0 7	
Month	*Day*	FORM TYPE	*Month*	*Day*

Fiscal Year

2023

Annual Meeting

Every last Thursday of July

Financing

Secondary License Type, If Applicable

M S R D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

112		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2023**

2. Commission identification number **28788**

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

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

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

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

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

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

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
COMMON STOCK	**271,961,630***

**as reported by the stock transfer agent as of Sept. 30, 2023*

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

    Yes [X] No [ ]

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

    _PHILIPPINE STOCK EXCHANGE__ ______Common Stock______

12. Indicate by check mark whether the registrant:

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

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

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PART I--FINANCIAL INFORMATION

Item 1. Financial Statements. (See Annex A)

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

Key Variable and Other Qualitative and Quantitative Indicators

Financial Ratios (For the Quarter Ending September)

	2023	*2022*
NET INTEREST INCOME RATIO	78.85%	79.19%
EBIT MARGIN	38.08%	31.93%
RETURN ON ASSETS (ANNUALIZED)	0.75%	0.31%
DEBT TO EQUITY	102.37%	113.80%
RETURN ON EQUITY (ANNUALIZED)	1.50%	0.68%

The net interest income ratio, as of September 30, 2023 stood at 78.85%, which was lower compared to 79.19% in the same period last year. This is mainly due to increase in interest expense by 3%, from ₱23.4 million in 2022 to ₱24.2 million in 2023 as borrowing rates have continued to rise since the 1st quarter of 2023 up to the present. The Company's Notes Payable amounted to ₱504 million, representing a 9% increase versus December 31, 2022. The increase was due to higher loan releases during the year. Conversely, the EBIT margin, which assesses profitability performance as the annualized net income before interest expenses and taxes divided by the total interest income, ended at 38.08% this year, higher versus 31.93% in 2022. The Return on assets was 0.75% in 2023, higher from 0.31% in 2022, primarily due to increase in Net Income this year. This ratio of annualized net income over the total assets is an indicator of management effectiveness. Furthermore, the return on equity which calculates annualized net income relative to stockholders' equity, was 1.50% in 2023, an increase from 0.68% in the same period last year. The ROE evaluates the return on funds provided by the stockholders. Overall, the income generated steadily grows as the Company's high quality loan portfolio expands.

Liquidity

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

Events that will Trigger Material Direct or Contingent Financial Obligation

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

Material Off-Balance Sheet Transactions, Arrangements or Obligations

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

Material Commitments for Capital Expenditure

The Company is planning to purchase its own office space in 2024.

Results of Operations/Material Changes in Financial Statement Accounts

The company reported a net income of ₱6.4 million as of September 30 2023, representing a 128% increase compared to the same period last year. During the same period, the company incurred total operating expenses amounting to ₱98 million, reflecting a 5% reduction compared to the previous year. The company remains committed to adhering to the newly implemented Accounting Standards for asset valuation and continues to allocate provisions for doubtful accounts within the prescribed limits.

The total assets stood at ₱1,146.98 million as of September 30, 2023, marking a 3% increase from ₱1,114.15 million as of December 31, 2022. Notably, the Loans Receivable portfolio increased by 4%, equivalent to approximately ₱36 million, rising from ₱815.3 million on December 31, 2022, to ₱851.68 million as of September 30, 2023. This growth has been achieved through the company's proactive operations, which prioritize stricter credit controls.

As of September 30, 2023, the total liabilities amounted to ₱580.19 million, reflecting a 5% increase compared to ₱551 million as of December 31, 2022.

Material Events or Uncertainties

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

PART II--OTHER INFORMATION

NOT APPLICABLE.

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

SIGNATURES

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

Issuer...........………........…..….**ROBERT CHARLES M. LEHMANN** ....…...............

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

Date ……November 13, 2023

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

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

Date ……. November 13, 2023

ANNEX A

INTERIM FINANCIAL STATEMENTS

For the Period Ending September 30, 2023
With Comparative Figures for 2022

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

INTERIM STATEMENTS OF FINANCIAL POSITION
FOR THE PERIOD ENDING SEPTEMBER 30, 2023, 2022 AND DECEMBER 31, 2022

	Note	**Sept. 30, 2023 (Unaudited)**	Dec.31, 2022 (Audited)	Sept. 30, 2022 (Unaudited)
ASSETS				
Current assets				
Cash and cash equivalents	2	**21,047,371**	34,051,506	70,135,664
Loans and Other Receivables - net	3	**497,629,501**	476,372,353	480,418,424
Other Assets - net	4	**118,523,799**	108,457,610	114,637,426
Total Current Assets		**₱ 637,200,671**	₱ 618,881,469	₱ 665,191,514
Non-current Assets				
Loans and other receivables, net	3	**354,052,270**	338,928,285	341,806,974
Property and Equipment - net	5	**5,833,380**	6,276,492	6,931,459
Investment Properties - net	6	**90,801,000**	90,801,000	70,710,234
Right-of use asset, net	16	**18,730,644**	18,730,644	32,311,216
Deferred Tax Assets - net	13	**40,360,668**	40,530,674	45,762,509
Total Non-current Assets		**₱ 509,777,962**	₱ 495,267,095	₱ 497,522,392
TOTAL ASSETS		**₱ 1,146,978,633**	**₱ 1,114,148,564**	**₱ 1,162,713,906**
LIABILITIES AND EQUITY				
Current Liabilities				
Notes payable	9	**473,803,443**	419,496,400	483,149,641
Accounts payable		**24,778,973**	40,392,497	14,105,379
Accrued expenses	8	**23,150,414**	20,587,598	26,490,921
Lease liabilities	16	**6,493,544**	6,493,544	6,611,667
Income tax payable	13	**412,022**	1,529,041	-454,902
Total Current Liabilities		**₱ 528,638,396**	₱ 488,499,080	₱ 529,902,706
Non-Current Liabilities				
Notes payable	9	**30,155,555**	42,052,330	50,531,307
Lease liability	16	**15,019,195**	15,019,195	29,644,749
Retirement benefits liability, net	14	**6,378,727**	5,478,727	8,812,942
Total Non-current Liabilities		**₱ 51,553,477**	₱ 62,550,252	₱ 88,988,998
Total Liabilities		**₱ 580,191,873**	₱ 551,049,332	₱ 618,891,704
Equity				
Capital stock	10	**271,961,630**	269,283,709	269,283,709
Additional paid-in capital		**5,803,922**	5,803,922	5,803,922
Retained earnings		**278,769,507**	277,759,900	262,693,783
Remeasurement gains on defined benefit obligation	16	**10,251,701**	10,251,701	6,040,788
Total Equity		**₱ 566,786,760**	₱ 563,099,232	₱ 543,822,202
TOTAL LIABILITIES AND EQUITY		**₱ 1,146,978,633**	**₱ 1,114,148,564**	₱ 1,162,713,906

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

MAKATI FINANCE CORPORATION

(A Subsidiary of Amalgamated Investment Bancorporation)

INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDING SEPTEMBER 30, 2023, 2022 and DECEMBER 31, 2022

	Note	FOR 3 MONTHS ENDING		FOR 9 MONTHS ENDING	
		2023-Sept. 30	2022-Sept. 30	**2023-Sept. 30**	2022-Sept. 30
Interest income	*2.3*	**₱ 37,516,612**	₱ 37,672,020	**₱ 114,372,568**	₱ 112,668,892
Interest expense	*9*	**(8,411,966)**	(8,901,346)	**(24,193,857)**	(23,441,829)
Net Interest Income		₱ 29,104,646	₱ 28,770,674	₱ 90,178,711	₱ 89,227,063
Other income					
Service charges	*11*	2,135,810	1,888,322	**5,862,520**	3,059,287
Miscellaneous	*12*	3,480,892	6,861,726	10,427,494	13,184,722
Total other income		₱ 5,616,702	₱ 8,750,048	₱ 16,290,014	₱ 16,244,009
Total operating income		₱ 34,721,348	₱ 37,520,722	₱ 106,468,725	₱ 105,471,072
Operating expenses					
Salaries and employee benefits		**13,265,765**	14,965,648	**41,159,860**	45,444,981
Provision for credit losses	*3*	**1,993,091**	4,030,009	**7,419,979**	10,178,781
Taxes and licenses		**4,095,145**	3,041,994	**10,874,644**	10,000,173
Occupancy costs		**4,961,274**	5,909,604	**14,655,525**	16,170,534
Depreciation and amortization	*5*	**676,066**	732,609	**2,045,240**	2,421,157
Travel and transportation		**1,293,988**	2,217,741	**4,431,991**	6,129,135
Management and professional fees		**2,051,811**	1,429,334	**5,080,311**	4,503,552
Commission		**539,575**	355,132	**2,170,837**	485,149
Provision for (reversal of) impairment loss of repossessed assets		**0**	0	**0**	(53,976)
Entertainment, amusement and recreation		**158,765**	120,974	**387,445**	276,509
Miscellaneous	*12*	**3,586,035**	2,985,532	**9,759,322**	7,387,339
Total operating expenses		**₱ 32,621,515**	₱ 35,788,577	**₱ 97,985,153**	₱ 102,943,334
Income before tax		**2,099,833**	1,732,145	**8,483,572**	2,527,738
Income tax expense	*13*	**(161,251)**	(575,623)	**2,119,124**	(259,238)
Net income		**₱ 2,261,084**	₱ 2,307,768	**₱ 6,364,448**	₱ 2,786,976
Other comprehensive income		**0**	0	**0**	0
Total comprehensive income		**₱ 2,261,084**	₱ 2,307,768	**₱ 6,364,448**	₱ 2,786,976
Basic and Diluted Earnings Per Share	*10*	**0.01**	0.01	**0.02**	0.01

See Notes to the Financial Statements.

***As of September 30, 2023, December 31, 2022 and September 30, 2022,** there were no shares of stock that have a dilutive effect on the earnings per share of the Company.

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDING SEPTEMBER 30, 2023 AND 2022, AND DECEMBER 31, 2022

	Capital stock (Note 10)	Additional paid-in capital	Retained earnings	Remeasurement gain (loss) on retirement benefit obligation (Note 16)	Total equity
Balances at January 1, 2023	**₱ 269,283,709**	**₱ 5,803,922**	**₱ 277,759,900**	**₱ 10,251,701**	**₱ 563,099,232**
Transactions with owners					
Stock dividends	**2,677,921**	**–**	**(2,677,921)**	**–**	**–**
Cash dividends	**–**	**–**	**(2,678,008)**	**–**	**(2,678,008)**
Total transactions with owners	**–**	**–**	**–**	**–**	**–**
Comprehensive income					
Net income for the year	**–**	**–**	**6,364,448**	**–**	**6,364,448**
Other comprehensive income					
Total comprehensive income			**6,364,448**		**6,364,448**
Balance at September 30, 2023	**₱ 271,961,630**	**₱ 5,803,922**	**₱ 278,769,507**	**₱ 10,251,701**	**₱ 566,786,760**
Balances at January 1, 2022	₱ 267,828,098	₱ 5,803,922	₱ 262,818,124	₱ 6,040,788	₱ 542,490,932
Transactions with owners					
Stock dividends	1,455,611	–	(1,455,611)	–	–
Cash dividends	–	–	(1,455,711)	–	(1,455,711)
Total transactions with owners	1,455,611	–	(2,911,322)	–	(1,455,711)
Comprehensive income					
Net income for the year	–	–	17,853,098	–	17,853,098
Other comprehensive income	–	–	–	4,210,913	4,210,913
Total comprehensive income	–	–	17,853,098	4,210,913	22,064,011
Balances at December 31, 2022	₱ 269,283,709	₱ 5,803,922	₱ 277,759,900	₱ 10,251,701	₱ 563,099,232

)

	Capital stock (Note 10)	Additional paid-in capital	Retained earnings	Remeasurement gain (loss) on retirement benefit obligation (Note 16)	Total equity
Balances at January 1, 2022	₱267,828,098	₱5,803,922	₱262,818,124	₱6,040,788	₱542,490,932
Transactions with owners					
Stock dividends	1,455,611	–	(1,455,611)	–	–
Cash dividends	–	–	(1,455,711)	–	(1,455,711)
Total transactions with owners					
Comprehensive income					
Net income for the year	–	–	2,786,976	–	2,786,976
Other comprehensive loss	–	–	–	–	–
Total comprehensive income (loss)	–	–	2,786,976	–	2,786,976
Balance at September 30, 2022	₱269,283,709	₱5,803,922	₱262,693,783	₱6,040,788	₱543,822,202

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

INTERIM STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDING SEPTEMBER 30, 2023 AND 2022, AND DECEMBER 31, 2022

	Note	**Sept. 31, 2023 (Unaudited)**	Dec. 31, 2022 (Audited)	Sept. 31, 2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**8,483,572**	23,406,001	2,527,738
Adjustments for:				
Provision (recovery) for credit losses on loans and other receivables	*3*	**7,419,979**	18,840,356	10,178,781
Depreciation and amortization	*5,16*	**2,045,240**	9,417,435	2,421,156
Fair value change in investment properties	*6*	**–**	(24,602,534)	–
Retirement benefits expense	*14*	**900,000**	3,180,335	–
Interest expense from lease liabilities	*16*	**–**	1,249,467	–
Provision for (reversal of) impairment loss of repossessed assets	*4*	**(820,298)**	377,146	(53,976)
Gain from sale of repossessed assets	*4*	**–**	(463,451)	–
Operating income before changes in working capital		**18,028,493**	31,404,755	15,073,699
Decrease (increase) in:				
Loans and other receivables		**(43,800,022)**	37,655,324	31,844,338
Other assets		**(9,245,890)**	(67,361,622)	4,309,211
Increase (decrease) in:				
Accounts payable		**(15,613,524)**	4,669,740	(25,267,611)
Accrued expenses		**(503,325)**	(2,243,613)	4,296,019
Net cash flows used in operating activities		**(51,134,268)**	4,124,584	30,255,656
Income taxes paid	*13*	**(3,066,138)**	(3,857,517)	(3,879,732)
Proceeds from sale of repossessed assets		**–**	77,887,488	–
Net cash from operating activities		**(51,134,268)**	78,154,555	30,255,656

Forward

	Note	Sept. 30, 2023 (Unaudited)	Dec. 31, 2022 (Audited)	Sept. 30, 2022 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment	5	**(1,602,127)**	(683,956)	(754,451)
Additions to software		**–**	(113,116)	–
Additions to investment properties	6	**–**	(3,070,225)	–
Net cash used in investing activities		**(1,602,127)**	(3,867,297)	(754,451)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of notes payable		**198,012,503**	219,516,745	200,270,049
Settlement of notes payable		**(155,602,235)**	(322,674,571)	(231,295,657)
Payment of lease liabilities	16	**–**	(8,737,993)	–
Cash dividends paid		**(2,678,008)**	(1,455,711)	(1,455,711)
Net cash from financing activities		**39,732,260**	(113,351,530)	(32,481,319)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(13,004,135)**	(39,064,272)	(2,980,114)
Cash and cash equivalents				
Beginning		**34,051,506**	73,115,778	73,115,778
Ending		**21,047,371**	34,051,506	70,135,664
OPERATIONAL CASH FLOWS FROM INTEREST				
Interest received		**114,372,568**	174,740,291	112,668,892
Interest paid		**24,193,857**	35,996,213	23,441,829

See Notes to the Financial Statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED SEPTEMBER 30, 2023 AND 2022
(WITH COMPARATIVE FIGURES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022)

Note 1 - General information

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

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

On March 11, 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 September 30, 2023, December 31, 2022 and September 30, 2022 the Company's closing price at the PSE amounts to ₱2.00, ₱2.35 and ₱3.12 per share, respectively.

Amalgamated Investment Bancorporation (AIB) (the "Parent Company") owns 43.41%, 43.55% and 43.44% of the Company as at September 30, 2023, December 31, 2022 and September 30, 2022, respectively.

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 142, 156 and 172 employees, as at September 30, 2023, December 31, 2022 and September 30, 2022, respectively.

Note 2 - Cash and cash equivalents

This account consists of:

	30-Sep-23 Unaudited	31-Dec-22 Audited	30-Sep-22 Unaudited
Cash on hand	**₱ 883,978**	₱ 650,870	₱ 561,679
Cash in banks	**20,163,394**	33,400,635	65,923,851
Cash equivalents	–	–	3,650,134
	₱ 21,047,371	₱ 34,051,506	₱ 70,135,664

Cash in banks earn interest at the prevailing bank deposit rates which range from 0.05% to 0.15% as of September 30, 2023 and December 31, 2022. Interest income on cash in banks amounted to ₱ 10,291, ₱31,283, and ₱ 26, 073 as of September 30, 2023, December 31, 2022, and September 30, 2022 respectively.

Note 3 - Loans and other receivables, net

The account consist of:

	30-Sep-23 Unaudited	31-Dec-22 Audited	30-Sep-22 Unaudited
Receivables from customers			
Consumer	**₱1,095,682,746**	₱ 1,031,311,381	₱ 1,030,461,234
Services	**289,045,888**	266,927,819	300,040,031
Other receivables	**12,558,956**	13,085,453	13,918,217
	1,397,287,590	1,311,324,653	1,344,419,482
Unearned interest discounts	**(397,674,851)**	(355,513,027)	(382,361,384)
Allowance for Credit Losses ECL	**(147,930,968)**	(140,510,988)	(139,832,700)
	₱ 851,681,771	₱ 815,300,638	₱ 822,225,398

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

	30-Sep-23 Unaudited	31-Dec-22 Audited	30-Sep-22 Unaudited
Motorcycle financing	**₱ 524,102,398**	₱ 436,806,686	₱ 431,530,115
Business loans	**552,166,707**	525,983,849	495,055,891
Rx cash line	**178,165,746**	179,098,116	172,633,898
Car loans	**50,183,038**	73,851,287	82,600,827
Receivables purchased	**2,022,952**	3,057,353	62,037,415
Corporate salary loans	**3,007,360**	5,467,779	6,744,808
	₱ 1,309,648,201	₱ 1,224,265,070	₱ 1,250,602,954
Personal loans	**34,526,839**	31,624,014	34,861,576
Pension loans	**14,410,816**	14,884,222	14,303,279
Leisure bike loans	**14,224,006**	14,588,482	12,642,811
Accrued interest receivable	**5,918,804**	5,918,804	11,270,801
Housing loans	**6,606,854**	6,958,608	7,085,457
Due from affiliates	**101,007**	554,143	664,039
Miscellaneous receivables	**11,851,063**	12,531,310	12,988,565
	₱ 1,397,287,590	₱ 1,311,324,653	₱ 1,344,419,482

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

Interest rates on loans and other receivables range from 1.2% to 3.0% add-on rate per month plus gross receipts tax. Interest income earned on loans receivables amounted to ₱ 114.37 million, ₱158.95 million, and ₱112.67 million as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively.

Certain financing receivables amounting to ₱ 168.67 million, ₱227.61 million and ₱253.7 million were used as collateral on notes payable to banks as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively. (See Note 9).

The following table shows the breakdown of loans (gross of allowance for ECL) as to collateral as at September 30, 2023 and December 31, 2022:

	30-Sep-23 Unaudited	**%**	31-Dec-22 Audited	%
Secured loans				
Chattel mortgage	**₱ 413,604,502**	**41.38%**	₱ 383,569,862	40.13%
Real estate mortgage	**158,327,106**	**15.84%**	177,231,108	18.54%
Other collaterals*	**36,124,915**	**3.61%**	31,272,185	3.27%
Total secured	**₱ 608,056,523**	**60.83%**	₱ 592,073,155	61.94%
Unsecured	**₱ 391,556,216**	**39.17%**	₱ 363,738,471	38.06%
	₱ 999,612,739	**100.00%**	₱ 955,811,626	100.00%

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

Movements in allowance for ECL follows:

	September 30, 2023 (Unaudited)			
	Receivable from Customers			
	Consumer	**Services**	**Others**	**Total**
At January 1	**₱ 116,168,180**	**₱ 19,877,093**	**₱ 4,465,715**	**₱ 140,510,989**
Provision during the year	**4,457,234**	**2,962,745**	**–**	**7,419,979**
Write-off during the year	**–**	**–**	**–**	**–**
At September 30	**₱ 120,625,414**	**₱ 22,839,838**	**₱ 4,465,715**	**₱ 147,930,968**

	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 (recovery) during the year	14,530,224	4,310,132	–	18,840,356
Write-off during the year	(7,983,288)	–	–	(7,983,288)
At December 31	₱116,168,180	₱19,877,093	₱4,465,715	₱140,510,988

	September 30, 2022 (Unaudited)			
	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	7,654,415	2,524,365	–	10,178,780
At September 30	₱ 117,275,659	₱ 18,091,326	₱ 4,465,715	₱ 139,832,700

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

Note 4 - Other Assets, net

This account consists of:

	30-Sep-23 Unaudited	31-Dec-22 Audited	30-Sep-22 Unaudited
Repossessed assets, net	**₱ 97,122,971**	₱ 99,692,514	₱ 104,622,349
Prepaid securities	**15,923,231**	3,569,794	4,794,702
Security deposits	**4,761,292**	4,733,792	4,731,292
Software costs	**636,305**	381,510	409,083
Financial asset at fair value through other comprehensive income (FVOCI)	**80,000**	80,000	80,000
	₱ 118,523,799	₱ 108,457,610	₱ 114,637,426

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

The movement in repossessed assets follow:

	30-Sep-23 Unaudited	31-Dec-22 Audited	30-Sep-22 Unaudited
Cost			
At January 1	**₱ 141,497,292**	₱ 150,809,469	₱ 150,890,469
Additions	**38,853,629**	68,111,860	53,335,139
Disposals	**(41,423,172)**	(77,424,037)	(58,208,836)
At Sept 30 and Dec 31	**₱ 138,927,749**	₱ 141,497,292	₱ 146,016,772
Allowance for impairment losses			
At January 1	**₱ 41,804,778**	₱ 41,427,632	₱ 41,427,632
Allowance for (reversal of) impairment during the year	—	377,146	-197,193
Write-off	—	—	—
At Sept 30 and Dec 31	**₱ 41,804,778**	₱ 41,804,778	₱ 41,230,439
Carrying amount	**₱ 97,122,971**	₱ 99,692,514	₱ 104,786,333

The movement in software costs follow:

	30-Sep-23 Unaudited	31-Dec-21 Audited	30-Sep-22 Unaudited
Cost			
At January 1	**6,475,216**	6,362,100	6,362,101
Additions	**375,801**	113,116	98,916
Reclassification	—	—	—
At Sept 30 and Dec. 31	**6,851,017**	6,475,216	6,461,017
Accumulated amortization			
At January 1	**6,093,706**	5,951,260	5,951,260
Amortization for the year	**121,006**	142,446	100,674
Reclassification	—	—	—
Accumulated Amortization	**6,214,712**	6,093,706	6,051,934
Carrying amount at Sept. 30 and Dec.31	**636,305**	381,510	409,083

Note 5 - Property and equipment, net

The movements in the account as of September 30 2023 and 2023, and December 31, 2022 are summarized below:

	September 30, 2023 (Unaudited)			
	Furniture, Fixtures and Equipment	**Leasehold Rights and Improvements**	**Transportation Equipment**	**Total**
Cost				
At January 1	**₱ 19,869,473**	**₱ 10,861,636**	**₱ 10,408,455**	**₱ 41,139,564**
Additions	**533,385**	**170,000**	**777,660**	**1,481,046**
Retirement	**—**	**—**	**(542,322)**	**(542,322)**
At September 30	**₱ 20,402,858**	**₱ 11,031,636**	**₱ 10,643,793**	**₱ 42,078,288**
Accumulated Depreciation				
At January 1	**₱ 18,801,529**	**₱ 8,370,692**	**₱ 7,690,850**	**₱ 34,863,071**
Depreciation	**486,788**	**508,970**	**928,078**	**1,923,836**
Retirement	**—**	**—**	**(541,999)**	**(541,999)**
At September 30	**₱ 19,288,317**	**₱ 8,879,662**	**₱ 8,076,929**	**₱ 36,244,908**
Carrying amount	**₱ 1,114,541**	**₱ 2,151,974**	**₱ 2,566,864**	**₱ 5,833,380**

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

	September 30, 2022 (Unaudited)			
	Furniture, Fixtures and Equipment	**Leasehold Rights and Improvements**	**Transportation Equipment**	**Total**
Cost				
At January 1	**₱19,185,517**	**₱ 10,861,636**	**₱ 10,408,455**	**₱ 40,455,608**
Additions	**653,778**		**–**	**653,778**
Retirement	**–**	**–**	**–**	**–**
At September 30	**₱19,839,295**	**₱10,861,636**	**₱10,408,455**	**₱ 41,109,386**
Accumulated Depreciation				
At January 1	**17,925,576**	**7,693,732**	**6,238,137**	**31,857,445**
Depreciation	**669,407**	**507,720**	**1,143,355**	**2,320,482**
Retirement	**–**	**–**	**–**	**–**
At September 30	**₱18,594,983**	**₱ 8,201,452**	**₱ 7,381,492**	**₱ 34,177,927**
Carrying amount	**₱ 1,244,312**	**₱ 2,660,184**	**₱ 3,026,963**	**₱ 6,931,459**

As at September 30, 2023, December 31, 2022, and September 30, 2022, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱ 4.67 million, ₱25.68 million, and ₱23.33 million, respectively.

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

Management believes that there are no indicators that the Company's property and equipment is impaired as at September 30, 2023, December 31, 2022, and September 30, 2022.

Note 6 - Investment properties, net

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

	Sept. 30, 2023 (Unaudited)	Dec. 31, 2022 (Audited)	Sept. 30, 2022 (Unaudited)
Beginning of the year	₱ 90,801,000	₱ 63,128,241	₱ 67,327,006
Additions	—	3,070,225	3,383,228
Disposals	—	—	—
Fair value adjustment	—	24,602,534	—
	₱ 90,801,000	₱ 90,801,000	₱ 70,710,234

Investment properties consist of land and building amounting to ₱73,858,715 and ₱16,942,285, respectively.

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

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

Direct operating expenses with regard to investment properties pertain to local property taxes amounted to ₱ 76,043, ₱76,043 and ₱ 73,134 as at September 30, 2023, December 31, 2022 and September 30, 2022 respectively.

Note 7 - Segment information

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

Rx Cashline Group

The Rx Cashline Group grants loans tailored to medical professionals. Business loans
This group grants loans to finance business owners who wishes to expand its business or for the purpose of starting capital.

MFC Factors Group

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

Motor Vehicles Financing Group

The MC Financing Group grants loans to motorcycle buyers.

Other segments

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

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

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

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

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

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

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

Financial information about operating segments follows:

	September 30, 2023 (Unaudited)				
	Rx Cash Line	**Business Loans and Factoring**	**Motor Vehicles Financing**	**Others**	**Total**
Loans and Other Receivables	**₱178,165,746**	**₱554,189,659**	**₱594,428,246**	**₱ 70,503,939**	**₱ 1,397,287,590**
Results of operation					
Revenues					
Interest Income	**16,365,633**	**23,829,738**	**60,763,016**	**13,414,181**	**114,372,568**
Other Income	**2,436,225**	**4,576,081**	**3,886,977**	**5,390,731**	**16,290,014**
Total	**18,801,858**	**28,405,819**	**64,649,993**	**18,804,912**	**130,662,582**
Expenses					
Interest expense	**3,084,917**	**9,595,724**	**10,292,450**	**1,220,767**	**24,193,857**
Provision for credit losses	**400,000**	**2,565,198**	**3,303,888**	**1,150,894**	**7,419,979**
Operating Expenses	**13,107,023**	**13,492,664**	**48,364,489**	**15,600,998**	**90,565,174**
	16,591,940	**25,653,586**	**61,960,827**	**17,972,659**	**122,179,010**
Net operating income(loss)	**2,209,918**	**2,752,233**	**2,689,166**	**832,255**	**8,483,572**
Less: Income tax expense	**386,794**	**942,498**	**511,816**	**278,016**	**2,119,124**
Net Income(loss)	**₱ 1,823,124**	**₱1,809,735**	**₱ 2,177,350**	**₱ 554,239**	**₱6,364,448**
Statement of Financial Position					
Total Assets	**₱100,356,604**	**₱452,768,932**	**₱484,893,318**	**₱108,959,779**	**₱1,146,978,633**
Total Liabilities	**₱61,216,342**	**₱220,694,904**	**₱232,619,194**	**₱65,661,433**	**₱580,191,873**
Other segment information					
Capital expenditures	**229,249.00**	**333,806.00**	**851,166.00**	**187,906.00**	**1,602,127.00**
Depreciation and amortization	**₱ 96,739.00**	**₱140,860.00**	**₱359,176.00**	**₱79,291.00**	**₱676,066.00**

	December 31, 2022 (Audited)				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and Other Receivables	₱179,098,116	₱529,041,202	₱531,165,259	₱72,020,076	₱1,311,324,653
Results of operation					
Revenue					
Interest income	22,946,252	57,393,493	65,433,531	13,206,263	158,979,539
Other income	2,269,873	28,025,287	5,587,068	3,559,602	39,441,830
Total	25,216,125	85,418,780	71,020,599	16,765,865	198,421,369
Expenses					
Interest expense	4,524,267	13,364,316	13,417,973	1,819,328	33,125,884
Provision for losses	3,667,710	9,576,412	1,663,782	4,309,598	19,217,502
Operating expenses	10,650,563	38,673,084	66,792,325	6,556,010	122,671,982
	18,842,540	61,613,812	81,874,080	12,684,936	175,015,368
Net operating income (loss)	6,373,585	23,804,968	(10,853,481)	4,080,929	23,406,001
Less: Income tax expense (benefit)	1,773,788	6,503,111	(4,397,730)	1,673,733	5,552,902
Net Income (loss)	₱4,559,797	₱17,301,857	₱ (6,455,751)	₱2,407,196	₱17,853,099
Statement of Financial Position					
Total Assets	₱103,295,406	₱510,795,835	₱459,248,231	₱40,809,092	₱1,114,148,564
Total Liabilities	₱62,264,341	₱253,960,063	212,168,236	₱22,656,692	₱551,049,332
Other segment information					
Capital expenditures	578,303	1,446,460	1,649,089	332,830	4,006,682
Depreciation and amortization	₱1,392,032	₱3,481,771	₱3,969,519	₱801,158	₱9,644,480

	September 30, 2022 (Unaudited)				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and Other Receivables	₱ 173,530,070	₱557,093,306	₱ 536,882,769	₱76,913,337	₱ 1,344,419,482
Results of operation					
Revenue					
Interest income	17,708,278	36,001,426	53,346,692	5,612,496	112,668,892
Other income	2,096,85	6,731,105	6,486,912	929,309	16,244,009
Total	19,804,963	42,732,531	59,833,602	6,541,805	128,912,901
Expenses					
Interest expense	3,684,375	7,490,437	11,099,284	1,167,734	23,441,829
Provision for losses	1,599,809	3,252,456	4,819,470	507,047	10,178,781
Operating expenses	12,579,894	29,641,333	45,922,346	4,620,980	92,764,553
	17,864,078	40,384,226	61,841,100	6,295,761	126,385,163
Net operating income (loss)	1,940,885	2,348,305	(2,007,497)	246,044	2,527,738
Less: Income tax expense (benefit)	662,037	146,547	(969,212)	(98,610)	(259,238)
Net Income (loss)	1,278,848	2,201,758	(1,038,285)	344,654	2,786,976
Statement of Financial Position					
Total Assets	₱ 111,892,828	₱ 517,385,462	₱ 491,243,751	₱ 42,191,865	₱ 1,162,713,906
Total Liabilities	₱ 71,104,148	₱ 28,4176,593	₱ 238,709,457	₱ 24,901,506	₱ 618,891,704
Other segment information					
Capital expenditures	284,138	577,661	855,975	25,642	1,807,830
Depreciation and amortization	₱ 380,36	₱ 773,639	₱1,146,374	₱ 90,056	₱ 2,421,157

Note 8 - Accrued expenses

This account consists of:

	30-Sep-23 Unaudited	31-Dec-22 Audited	30-Sep-22 Unaudited
Accrued rent	**₱ 5,210,862**	₱ 4,894,595	₱ 3,536,077
Accrued insurance payable	**672,669**	3,981,994	2,477,825
Accrued taxes	**3,018,259**	3,454,505	2,365,707
Accrued commissions and outside services	**426,087**	1,776,647	1,810,830
Accrued interest	**2,073,363**	1,283,054	5,635,792
Accrued administrative expenses	**5,642,144**	1,255,443	5,884,895
Accrued management and professional fees	**806,657**	737,677	2,090,760
Others	**5,300,373**	3,203,683	2,689,035
	₱ 23,150,414	₱ 20,587,598	₱ 26,490,921

Others mainly include accrual on utilities and travel and transportation.

Note 9 - Notes payable

The account as at September 30, 2023, December 31, 2022 and September 30, 2022 consists of:

	30-Sep-23 Unaudited	31-Dec-22 Audited	30-Sep-22 Unaudited
Related parties	**₱ 279,100,000**	₱ 257,408,526	₱ 265,535,029
Banks	**130,066,667**	175,517,005	240,395,919
Individuals/corporate	**94,792,332**	28,623,199	27,750,000
	₱ 503,958,998	₱ 461,548,730	₱ 533,680,948

Interest rates on notes payable range from 5.5% to 9% per annum in September 30, 2023 and December 31, 2022.

Interest expenses on these notes payable amounted to ₱24.19 million, ₱31.47 million, and ₱23.44 million as at September 30, 2023, December 31, 2022 and September 30, 2022, respectively.

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

Notes payable to banks have a maturity of up to three (3) years. As at September 30, 2023 and December 31, 2022, the notes payable to banks are secured by certain motorcycle financing receivables. Under the agreements with the bank creditors, the notes payable are subject to Deed of Assignment on summary list of loans receivables (with 50% to 85% loanable value) on per availment basis.

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

	30-Sept-23 Unaudited		31-Dec-22 Audited		30-Sept-22 Unaudited	
	Carrying amount	**Secured notes**	Carrying amount	Secured notes	Carrying amount	Secured notes
Financing receivables	**168,672,997**	**130,066,667**	227,613,885	175,517,005	311,750,129	311,750,129

Note 10 - Equity

As of September 30, 2023, the Company has 271,961,630 common shares issued and outstanding which are owned by 112.

On July 27 2023, the BOD and stockholders approved the declaration of 0.99 % stock dividends in the amount of ₱ 2.68 million to stockholders of record as at August 24, 2023 with distribution date not later than September 20, 2023. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to ₱ 2.68 million.

On July 28 2022, the BOD and stockholders approved the declaration of 0.54% stock dividends in the amount of ₱1.46 million to stockholders of record as at August 26, 2022 with distribution date not later than September 21, 2022. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to ₱1.46 million.

On July 29, 2021, the BOD and stockholders approved the declaration of 0.61% stock dividends in the amount of ₱1.62 million to stockholders of record as at August 26, 2021 with distribution date not later than September 21, 2021. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to ₱1.62 million.

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

	30-Sep-23		31-Dec-22		30-Sep-22	
	Unaudited		Audited		Unaudited	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Authorized - 300,000,000 shares; 1 par value						
At January 1	**269,283,709**	**269,283,709**	267,828,098	267,828,098	267,828,098	267,828,098
Stock dividends	**2,677,921**	**2,677,921**	1,455,611	1,455,611	1,455,611	1,455,611
At Sept 30 and December 31	**271,961,630**	**271,961,630**	269,283,709	269,283,709	269,283,709	269,283,709

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:

	Sept. 30, 2023 (Unaudited)	Dec. 31, 2022 (Audited)	Sept. 30, 2022 (Unaudited)
Net income for the year	**₱ 6,364,448**	₱ 17,853,098	₱ 2,786,976
Weighted average number of outstanding common shares	**270,622,670**	268,555,904	268,555,903
Basic and diluted earnings per share	**0.02**	0.07	0.01

Note 11 - Service charges

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

	Sept. 30, 2023 (Unaudited)	December 31, 2022 (Audited)	Sept. 30, 2022 (Unaudited)
Processing fees	**₱ 5,196,652**	₱ 4,011,154	₱ 2,628,264
Late payment charges	**659,713**	661,681	424,278
Others - Service Charge	**6,155**	8,557	6,745
	₱ 5,862,520	₱ 4,681,392	₱ 3,059,287

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

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

Note 12 - Miscellaneous

Miscellaneous income consists of the following items:

	30-Sep-23 Unaudited	31-Dec-22 Audited	30-Sep-22 Unaudited
Penalties	**₱ 6,264,879**	₱ 6,053,470	₱ 4,831,647
Fair value adjustment	**–**	24,602,534	3,816,874
Others - Miscellaneous Inc.	**4,162,616**	4,104,434	4,536,200
	₱ 10,427,495	₱ 34,760,438	₱ 13,184,721

Miscellaneous expense consists of the following items:

	30-Sep-23 Unaudited	31-Dec-22 Audited	30-Sep-22 Unaudited
Communication	**₱ 1,784,206**	₱ 2,894,069	₱ 2,283,246
Stationeries and supplies	**2,109,957**	2,256,939	1,710,984
Others - miscellaneous exp.	**5,865,159**	5,256,830	3,393,109
	₱ 9,759,322	₱ 10,407,838	₱ 7,387,339

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

Note 13 – Income Taxes

Current tax regulations provide that the regular corporate income tax rate applicable to the Company is 25%. The regulations also provide for minimum corporate income tax (MCIT) of 1% on modified gross income and allow net operating loss carry-over (NOLCO). The MCIT and NOLCO may be applied against the Company's income tax liability and taxable income, respectively, over a three-year period from the year of incurrence. Specifically, for taxable years 2021 and 2020, NOLCO can be carried forward for five years.

The components of the Company's income tax expense as at September 30, 2023, December 31, 2022 and September 30, 2022 are as follows:

	30-Sep-23 Unaudited	31-Dec-22 Audited	30-Sep-22 Unaudited
Current	**₱ 1,949,119**	₱ 3,005,907	₱ 1,044,179
Deferred	**170,005**	2,546,996	(1,303,417)
	₱ 2,119,124	₱ 5,552,903	₱ (259,238)

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

	30-Sep-23 (Unaudited)	31-Dec-22 (Audited)	30-Sep-22 (Unaudited)
Income before tax	**₱ 8,483,572**	₱ 23,406,001	₱ 2,527,744
Income tax benefit at statutory income tax rate (25%)	**2,120,893**	5,851,500	631,936
Adjustments for:			
Interest income subjected to final tax	**(1,769)**	(7,821)	(6,029)
Impact of PFRS 16	**–**	(290,776)	2,487
Effect of CREATE law	**–**	–	–
Effective income tax expense	**₱ 2,119,124**	₱ 5,552,903	₱ 628,394

The components of deferred tax assets- net follows:

	30-Sep-23 Unaudited	31-Dec-22 Audited	30-Sep-22 Unaudited
Deferred tax assets on:			
Allowance of repossessed assets write-down	**₱ 35,069,198**	₱ 35,069,198	₱ 10,356,908
Allowance for credit losses	**10,281,188**	10,451,194	33,636,132
Accrued expenses	**1,685,388**	1,685,388	1,685,388
Retirement expense	**2,400,587**	2,400,587	1,605,504
Impairment loss on investment properties	**228,988**	228,988	228,987
Past service costs	**40,294**	40,294	40,294
Others	**1,216,006**	1,216,006	1,216,006
	₱ 50,921,649	₱ 51,091,655	₱ 48,769,219
Deferred tax liabilities			
Remeasurement gain on defined benefit obligation	**3,137,635**	3,137,635	1,733,997
FV increase in investment property	**7,423,346**	7,423,346	1,272,713
	₱ 10,560,981	₱ 10,560,981	₱ 3,006,710
	₱ 40,360,668	₱ 40,530,674	₱ 45,762,509

In addition, the current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses, allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of an entity engaged in the sale of services. EAR expenses amounted to P0.37 million and P0.26 million 2022 and 2021, respectively.

Below are the movements in income tax payable:

	30-Sep-23 Unaudited	31-Dec-22 Audited	30-Sep-22 Unaudited
Balance, January 1	**₱ 1,529,041**	₱ 2,380,651	₱ 2,380,651
Provision for income tax - current	**1,949,119**	3,005,907	1,044,179
Income tax paid during the year	**(3,066,138)**	(3,857,517)	(3,879,732)
Effect of CREATE law	**–**	–	–
Balance	**₱ 412,022**	₱ 1,529,041	₱ (454,902)

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

	Sept. 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning of the year	**₱ 40,530,674**	₱ 44,481,308
Amounts charged to profit or loss	**(170,006)**	(2,546,996)
Amounts charged to other comprehensive income	**–**	(1,403,638)
End of the year	**₱ 40,360,668**	₱ 40,530,674

Note 14 - Retirement benefits

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

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

Net benefit cost is included in the Company's profit or loss under 'Salaries and employee benefits'

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

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

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

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

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

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

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

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

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

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

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

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

Discount rate sensitivity

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

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

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

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

Note 15 - Related party transaction

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

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

Forward

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

Forward

Category/Transacton	Ref	2022 Amount of Transaction	2022 Outstanding Balance: Due from related parties	2022 Outstanding Balance: Due to related parties	2021 Amount of Transaction	2021 Outstanding Balance: Due from related parties	2021 Outstanding Balance: Due to related parties	2020 Amount of Transaction	2020 Outstanding Balance: Due from related parties	2020 Outstanding Balance: Due to related parties
Notes payable	B	-	-	32,819,218	-	-	31,334,008	-	-	29,916,009
Availments		1,485,210	-	-	1,417,998	-	-	1,357,368	-	-
Settlements		-	-		-	-	-	-	-	
Interest expense		1,747,306	-		1,668,2 33	-	-	1,596,904	-	-
Directors and other stockholders										
Notes payable	B	-	-	14,985,086	-	-	-	-	-	34,919,791
Availments		4,565,890	-	-	4,687,646	-	-	13,417,368	-	-
Settlements		11,873,090	-	-	132,000	-	-	8,166,310	-	-
Interest expense		919,964	-	-	1,099,070	-	-	1,880,705	-	8,403
Professional and other management fees		-	-	2,466,407	-	-	-	3,333,611	-	-
TOTAL			₱12 903 341	₱259 188 635		₱388 318	₱338 258 880		₱28 881 083	₱423 309 434

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

A. This includes various receivables from the Parent Company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement (Note 3).

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

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

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

Note 16 - Leases

The Company as Lessee

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

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

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

Security deposits arising from these lease agreements amount to ₱4.76 million, ₱4.73 million and ₱4.73 million as at September 30, 2023, December 31, 2022 and September 30, 2022, respectively (Note 4).

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Less than one year	**₱ 7,395,583**	₱7,395,583
Between one and five years	**17,345,473**	17,345,473
	₱ 24,741,056	₱ 24,741,056

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
As at January 1	**₱ 21,512,739**	₱36,256,416
Additions	**–**	1,933,757
Lease modification	**–**	(9,188,908)
Interest expense	**–**	1,249,467
Payments	**–**	(8,737,993)
As at December 31	**₱ 21,512,739**	₱21,512,739

Right-of-use assets

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at January 1	**₱18,730,644**	₱32,311,216
Additions	**–**	1,933,756
Lease modification	**–**	(9,102,520)
Depreciation of right-of-use assets	**–**	(6,411,808)
Balance at December 31	**₱ 18,730,644**	₱18,730,644

Note 17 - Critical accounting estimates and judgements

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

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

Critical accounting estimates

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

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

The carrying balance of loans and other receivables amounts to ₱851,681,771, ₱815,300,638 and ₱822,225,398, net of allowance for ECL of ₱147,930,968, ₱140,510,988 and ₱139,832,700 as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively.

Estimated useful life of property and equipment (Note 5)

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

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

The carrying value of the Company's property and equipment, net amounts to ₱5,833,380, ₱6,276,492 and ₱6,931,459 as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively.

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

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

Fair value of investment properties as at September 30, 2023 December 31, 2022 and September 30, 2022 amounted to ₱90,801,000, ₱90,801,000 and ₱65,064,603, respectively.

Estimation of retirement benefit obligation (Note 14)

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

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

Determining the incremental borrowing rates (Note 16)

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

Critical accounting judgments

Impairment of property and equipment (Note 5)

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

As at September 30, 2023, December 31, 2022 and September 30, 2022, management believes that there are no indications of impairment or changes in circumstances indicating that the carrying value of the Company's property and equipment may not be recoverable.

Impairment of investment properties (Note 6)

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

As at September 30, 2023, December 31, 2022 and September 30, 2022, the Company did not recognize any additional impairment loss on its investment properties in the absence of any indicators of impairment.

Recoverability of DIT assets (Note 13)

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

Based on management's assessment, the amount of DIT assets recognized as at September 30, 2023, December 31, 2022 and September 30, 2022 is fully recoverable and realizable.

Determining the lease term (Note 16)

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

Note 18 - Financial risk and capital management

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

18.1 Liquidity risk

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

The amounts disclosed in the table below are the expected undiscounted cash flows of financial instruments, including future interest as applicable, which the Company uses to manage the inherent liquidity risk as at September 30, 2023 and December 31, 2022.

	September 30, 2023 Unaudited		
	Up to one year	**Over one year**	**Total**
Financial assets			
Cash and cash equivalents	**21,047,371**	**0**	**21,047,371**
Loans and other receivables	**497,629,501**	**354,052,270**	**851,681,771**
Security deposits	**4,761,292**	**-**	**4,761,292**
Financial assets at FVOCI	**80,000**	**-**	**80,000**
Total financial assets	**523,518,164**	**354,052,270**	**877,570,434**
Financial liabilities			
Notes payable	**473,803,443**	**30,155,555**	**503,958,998**
Accounts payable	**24,778,973**	**-**	**24,778,973**
Accrued expenses*	**20,132,154**	**-**	**20,132,154**
Lease liabilities	**6,493,544**	**15,019,195**	**21,512,739**
Total financial liabilities	**525,208,115**	**45,174,750**	**570,382,865**
Total maturity gap	**(1,689,951)**	**308,877,520**	**307,187,569**

Excluding government payables

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

**Excluding government payables*

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

18.2 Market risk

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

Foreign exchange risk

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

Interest rate risk

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

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

Price risk

The Company is not exposed to price risk as it does not have equity instruments and securities that aresubject 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 Sept. 30, 2023 and December 31, 2022:

	Sept. 30, 2023 (Unaudited)	Dec 31, 2022 (Audited)
Cash and cash equivalents	**₱ 20,163,394**	₱ 33,400,635
Loans and other receivables (gross of allowance for ECL)	**999,612,739**	955,811,626
Security deposits	**4,761,292**	4,733,792
	₱ 1,024,537,425	₱ 993,946,053

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

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

The Company also focuses on markets and borrowers that have a relatively better capability to repay their loans. One example of this is the medical professional market where most doctors are able to pay because of their higher disposable income.

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

18.4 Fair value determination

The table below summarizes the carrying amount and fair value of financial assets and liabilities at Sept. 30, 2023 and December 31, 2022:

	Sept. 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Carrying Amount	**Fair value**	Carrying Amount	Fair value
Financial assets				
Cash and cash equivalents	**21,047,371**	**21,047,371**	34,051,506	34,051,506
Loans and other receivables, net	**851,681,771**	**851,681,771**	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
	₱ 877,570,434	**₱ 877,570,434**	₱ 854,165,936	₱ 854,165,936
Financial liabilities				
Notes payable	**503,958,998**	**503,958,998**	461,548,730	461,548,730
Accounts payable	**24,778,973**	**24,778,973**	40,392,497	40,392,497
Accrued expenses	**23,150,414**	**23,150,414**	20,587,598	20,587,598
Lease liabilities	**21,512,739**	**21,512,739**	21,512,739	21,512,739
	₱ 573,401,124	**₱ 573,401,124**	₱ 544,041,564	₱ 544,041,564

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

The Company's financial assets at FVOCI are classified under Level 2 of the fair value hierarchy as at September 30, 2023 and December 31, 2022.

18.5 Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital, excluding remeasurement gains on defined benefit liability. No changes were made in the objectives, policies or procedures in 2022.

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

(a) minimum paid-up capital of ₱10.00 million; and

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

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

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

Note 19 - Summary of significant accounting policies

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

19.1 Basis of preparation

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

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

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

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

19.2 Changes in accounting policies and disclosures

(a) Amendments to existing standards adopted by the Company

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

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

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

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

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

- Annual Improvements to PFRSs 2018-2020.

  The following improvements were finalized in May 2020:

  i. PFRS 9,'Financial Instruments', clarifies which fees should be included in the 10% test for derecognition of financial liabilities
  ii. PFRS 16,*'Leases'*, includes amendment to remove the illustration of payments from the lessor relating to leasehold improvements to remove any confusion about the treatment oflease incentives.

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

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

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

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

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

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

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

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

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

- Amendments to PAS 12,'Income Taxes'

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

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

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

19.3 Current versus non-current classification

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

19.4 Cash and cash equivalents

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

19.5 Other assets

Other assets mainly consist of repossessed assets and prepaid expenses.

Repossessed assets are stated at cost less impairment in value. Repossessed assets are recognized initially at fair value. In determining the recoverability of the repossessed assets, management considers whether those assets are damaged or if the selling prices have declined. Likewise, management also considers the estimated costs to be incurred to make the sale. Repossessed assets are derecognized upon sale and any resulting gain or loss is reflected in profit or loss.

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

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

19.6 Property and equipment, net

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

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

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

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

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

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

19.7 Investment properties

Investment properties primarily consist of foreclosed real estate properties. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including any borrowing costs, as applicable

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

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

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

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

19.8 Financial instruments

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

19.8.1 Financial assets

(a) Classification of financial assets

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

The Company's financial assets as at September 30, 2023 and December 31, 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 September 30, 2023 and December 31, 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.

AGING OF RECEIVABLES

AS September 30, 2023

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS	TOTAL
A. Trade Receivables							
Loans Receivable (Principal Value)*	740,834,958	7,080,079	4,081,700	3,133,030	68,421,480	164,071,043	987,622,290
SUB-TOTAL	740,834,958	7,080,079	4,081,700	3,133,030	68,421,480	164,071,043	987,622,290
Less: Allowance for Doubtful Accounts**						147,930,968	147,930,968
Net Trade Receivables	740,834,958	7,080,079	4,081,700	3,133,030	68,421,480	16,140,075	839,691,322
*Principal Value=Gross PN less Unearned Interest and Clients' Equity							
**Allowance for doubtful accounts is for principal only.							
CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS	TOTAL
B. Non-Trade Receivables							
Due from Subsidiaries/Affiliates							
Loans Receivable (Principal Value)*	11,990,449	-	-	-	-	-	11,990,449
SUB-TOTAL	11,990,449	-	-	-	-	-	11,990,449
Less: Allowance for Doubtful Accounts		-	-	-	-		
Net Non-Trade Receivables	11,990,449	-	-	-	-	-	11,990,449
NET RECEIVABLES	752,825,407	7,080,079	4,081,700	3,133,030	68,421,480	16,140,075	851,681,771

19.8.2 Financial liabilities

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

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

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

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

19.9 Notes payable

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

19.10 Accounts payable and accrued expenses

Accounts payable and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

19.11 Offsetting of financial instruments

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

As at September 30, 2023 and December 31, 2022, there are no financial assets and liabilities that have been offset.

19.12 Fair value measurement

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

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

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

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

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

Financial assets and financial liabilities

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

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

Non-financial assets

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

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

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

19.13 Impairment of non-financial assets

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

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In assessing value-in- use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less cost to sell, recent market transactions are taken into account. If no such transaction can be identified, an appropriate valuation model is used. Non-financial assets that are impaired are reviewed for possible reversal of impairment at each reporting date.

19.14 Capital stock; Additional paid-in capital

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

19.15 Retained earnings

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

19.16 Dividend distribution

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

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

19.17 Earnings per share (EPS)

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

19.18 Revenue recognition

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

Interest income

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

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

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

Gain or loss on sale of repossessed assets

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

Other income

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

19.19 Cost and expense recognition

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

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

19.20 Employee benefits and retirement benefit obligation

Short term employee benefits

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

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

Retirement benefit obligation (asset)

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

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

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

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

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

Remeasurement gains or losses are charged or credited to equity in the period in which they arise. Past service costs are recognized immediately in profit or loss.
Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. There are no termination benefits paid by the Company as at September 30, 2023 and December 31, 2022.

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

19.21 Leases

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

i.Measurement of lease liabilities

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

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

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

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

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

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

ii. Measurement of right-of-use assets

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

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

iii. Extension and termination options

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

iv. Short-term leases

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

19.22 Income taxes

Current income tax

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

DIT

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

DIT liabilities are recognized for all taxable temporary differences, except where the DIT liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

19.23 Provisions

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

19.24 Contingencies

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

19.25 Segment reporting

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

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

19.26 Related party relationships and transactions

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

19.27 Reclassification

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

19.28 Events after the end of reporting period

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

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

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

Revenue Regulations (RR) No. 15-2010

(a) The Company registered as a percentage taxpayer.

The Company's other taxes and licenses as of September 30, 2023 and December 31, 2022 include the following:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Gross receipts tax (GRT)	**₱ 6,775,245**	₱ 8,395,474
Documentary stamp taxes (DST)	**1,191,883**	1,271,521
License and permit fees	**1,320,414**	1,764,632
	₱ 9,287,542	₱ 11,431,627

The above are lodged under "Taxes and Licenses" account in the Company's statement of total comprehensive income. As at September 30, 2023, accrued GRT and DST amounted to ₱ 2,173,944 and ₱ 334,819, respectively. On the other hand, as at December 31, 2022, accrued GRT and DST amounted to ₱2,461,902 and ₱61,625, respectively.

(b) Withholding taxes

Withholding taxes incurred and accrued as of September 30, 2023 and ended December 31, 2022 are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Creditable withholding taxes	**₱ 17,831**	₱ 11,847
Expanded withholding taxes	**421,6326**	5,207,037
	₱ 4,234,157	₱ 5,218,884

(c) Tax Cases

As at September 30, 2023, the Company has no pending tax court cases.

(d) Tax Assessment

As at September 30, 2023, the Company has a pending tax assessment for the year 2022.

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.

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

	30-Sept-23 (Unaudited)	31-Dec-22 (Audited)	30-Sept-22 (Unaudited)
SOLVENCY AND LIQUIDITY RATIOS			
Current ratio	**120.54%**	126.69%	157.01%
Debt to equity ratio	**102.37%**	97.86%	113.80%
Quick ratio	**98.12%**	104.49%	113.59%
PROFITABILITY RATIOS			
Return on assets	**0.24%**	1.60%	0.24%
Return on equity	**0.51%**	3.17%	0.51%
Net profit margin	**5.98%**	10.80%	2.64%
ASSET TO EQUITY RATIO	**202.37%**	197.86%	213.80%
INTEREST RATE COVERAGE RATIO	**1.80**	1.71	1.53
OTHER RELEVANT RATIOS			
Ratio or percentage of total real estate investments to total assets	**7.92%**	8.15%	6.08%
Total receivables to total assets	**74.25%**	73.18%	70.72%
Total DOSRI receivables to net worth	**0.04%**	2.31%	0.71%
Amount of receivables from a single corporation to total receivables:			
Motor Ace Philippines, Inc. (MAPI)	**0.04%**	0.40%	0.04%
Honda Motor World, Inc. (HMWI)	**0.02%**	0.18%	0.02%
Amalgamated Investment Bancorporation	**0.01%**	0.01%	0.01%
MAPI Lending Investors, Inc.	**0.18%**	0.27%	0.25%

LIQUIDITY RATIOS measure the business ability to pay short-term debt.

- Current ratio – computed as current assets divided by current liabilities
- Quick ratio – computed as cash and cash equivalents divided by current liabilities

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.

- Debt to equity ratio – computed as interest bearing loans and borrowings divided by total stockholders' equity
- Interest-bearing debt to total capitalization ratio – computed as interest-bearing debt divided by interest-bearing debt plus stockholders' equity attributable to the company's shareholders.

PROFITABILITY RATIOS

- Net Profit Margin – computed as net profit divided by revenues
- Return on Assets – computed as net profit divided by average total assets
- Return on Equity – computed as net profit attributable to the company's shareholders divided by average stockholders' equity attributable to the company's shareholders.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders' equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments. It is computed as earnings before income tax and interest expense (EBIT) divided by interest payments