



**MAKATI FINANCE**  
CORPORATION  
MORE THAN JUST FINANCING

November 14, 2024

*via electronic mail*

[ictsubmission@sec.gov.ph](mailto:ictsubmission@sec.gov.ph)

**SECURITIES AND EXCHANGE COMMISSION**

7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City, 1209

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

**The Disclosure Department**

**THE PHILIPPINE STOCK EXCHANGE, INC.**

5th Avenue cor. 28th Street, Bonifacio Global City, Taguig City 1634

Attention: **Atty. Stefanie Ann B. Go**  
OIC, Disclosure Department

Gentlemen:

We are sending herewith the Quarterly Report for the period ended September 30, 2024 (SEC Form 17-Q) of Makati Finance Corporation.

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

**MAKATI FINANCE CORPORATION**

Registrant

By:

**CHARITO S. ESPIRITU**  
Chief Finance Officer/CIO

# COVER SHEET

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

**CHARITO S. ESPIRITU**

Contact Person

**(02) 7751-8132**

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

**2024**

**SEC Form 17-Q**

3<sup>rd</sup> Qtr. 2024

FORM TYPE

0 7

Month

Day

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

**113**

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

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**To be accomplished by SEC Personnel concerned**

File Number

Document I.D.

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**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, 2024**

2. Commission identification number **28788**

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

**MAKATI FINANCE CORPORATION**

4. Exact name of issuer as specified in its charter

**MAKATI CITY, PHILIPPINES**

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

6. Industry Classification Code  (SEC Use Only)

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

**(0632) 7751-8132**

8. Issuer's telephone number, including area code

**NA**

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**

**273,900,122\***

*\*as reported by the stock transfer agent as of September 30, 2024*

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

Yes  No

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

PHILIPPINE STOCK EXCHANGE

Common Stock

12. Indicate by check mark whether the registrant:

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

Yes  No

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

Yes  No

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Signature

## PART I--FINANCIAL INFORMATION

Item 1. Financial Statements. ( See Annex A )

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

Key Variable and Other Qualitative and Quantitative Indicators

Financial Ratios (For the Quarter Ending September)

	2024	2023
NET INTEREST INCOME RATIO	77.41%	78.85%
EBIT MARGIN	30.67%	28.57%
RETURN ON ASSETS (ANNUALIZED)	0.88%	0.74%
DEBT TO EQUITY	97.15%	102.37%
RETURN ON EQUITY (ANNUALIZED)	1.73%	1.50%

The net interest income ratio, as of September 30, 2024 stood at 77.41%, which was lower compared to 78.85% in the same period last year. This is mainly due to an increase in interest expense by 15%, from ₱24.19 million in 2023 to ₱27.8 million in 2024, as borrowing rates have continued to rise. Although, the Company's Notes Payable slightly decreased by 2% from ₱503.9 million to ₱491.7 million. 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 30.67% this year, higher versus 28.57% in 2023. The Return on assets was 0.88% in 2024, an increase from 0.74% in 2023, primarily due to an 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 1.73% in 2024, higher by 15% from 2023 at 1.50%. 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

## **Results of Operations/Material Changes in Financial Statement Accounts**

The company reported a net income of ₱7.4 million for the third quarter of 2024, representing a 17% increase compared to the same period last year. As of September 2024, the company incurred total operating expenses amounting to ₱124.9 million, reflecting a 28% increase compared to the same period last year, the increase is mainly due to a one-off expenses related to the sale of the Company's foreclosed properties. 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 ₱1,136 million as of September 2024, 2% decrease versus December 31, 2023. The Loans Receivable portfolio experienced a 3% growth, equivalent to approximately ₱26.1 million, rising from ₱810.8 million on December 31, 2023, to ₱836.9 million as of September 30, 2024. This growth has been achieved through the company's proactive operations, which prioritize stricter credit controls.

As of September 30, 2024, the total liabilities amounted to ₱560.1 million, reflecting a 4% decrease compared to ₱584.8 million as of December 31, 2023.

## **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 14, 2024



Principal Financial/Accounting Officer/Controller.....

Signature and Title.....**CHARITO S. ESPIRITU**.....

Date .....November 14, 2024..... **Chief Finance Officer/Compliance Officer...**

## **ANNEX A**

### **INTERIM FINANCIAL STATEMENTS** For the Period Ending September 30, 2024 With Comparative Figures for 2023



**MAKATI FINANCE CORPORATION**  
*(A Subsidiary of Amalgamated Investment Bancorporation)*

**INTERIM STATEMENTS OF FINANCIAL POSITION**  
**FOR THE PERIOD ENDING SEPTEMBER 30, 2024, 2023 AND DECEMBER 31, 2023**

	Notes	Sept. 30, 2024 (Unaudited)	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
<b>Assets</b>				
<b>Current assets</b>				
Cash and Cash Equivalents	2	28,025,534	23,102,110	21,047,371
Loans and other receivables, net	3,18	570,295,565	441,452,515	497,629,501
Other assets, net	4	112,655,790	104,855,751	118,523,799
<b>Total current assets</b>		<b>P710,976,889</b>	<b>P569,410,376</b>	<b>P637,200,671</b>
<b>Non-current assets</b>				
Loans and other receivables, net	3,18	266,692,562	369,399,529	354,052,270
Property and equipment, net	5	7,158,837	5,669,637	5,833,380
Investment properties, net	6	94,104,735	153,312,587	90,801,000
Right-of-use Assets, net	16	16,531,808	16,531,808	18,730,644
Deferred tax assets, net	13	41,302,713	41,559,313	40,360,668
<b>Total non-current assets</b>		<b>P425,790,655</b>	<b>P586,472,874</b>	<b>P509,777,962</b>
<b>Total assets</b>		<b>P1,136,767,544</b>	<b>P1,155,883,250</b>	<b>P1,146,978,633</b>
<b>Current liabilities</b>				
Current portion of Notes payable	9,18	491,730,450	484,652,041	473,803,443
Accounts payable		9,286,728	22,964,740	24,778,973
Accrued expenses	8	27,893,820	17,909,501	23,150,414
Lease liabilities	16,18	9,527,935	9,527,935	6,493,544
Income tax payable	13	711,286	3,417,997	412,022
<b>Total current liabilities</b>		<b>P539,150,219</b>	<b>P538,472,214</b>	<b>P528,638,396</b>
<b>Non-current liabilities</b>				
Notes payable	9,18	-	26,222,222	30,155,555
Lease liabilities	16,18	9,887,494	9,887,494	15,019,196
Retirement benefit obligation, net	14	11,125,288	10,225,288	6,378,727
<b>Total non-current liabilities</b>		<b>21,012,782</b>	<b>P46,335,004</b>	<b>P51,553,478</b>
<b>Total liabilities</b>		<b>P560,163,001</b>	<b>P584,807,218</b>	<b>P580,191,874</b>
<b>Equity</b>				
Capital stock	10	273,900,122	271,961,630	271,961,630
Additional paid-in-capital		5,803,922	5,803,922	5,803,922
Retained earnings		288,917,539	285,327,520	278,769,507
Remeasurement gain on retirement benefit obligation	14	7,982,960	7,982,960	10,251,701
<b>Total equity</b>		<b>P576,604,543</b>	<b>P571,076,032</b>	<b>P566,786,760</b>
<b>Total liabilities and equity</b>		<b>P1,136,767,544</b>	<b>P1,155,883,250</b>	<b>P1,146,978,633</b>

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

**MAKATI FINANCE CORPORATION**  
(A Subsidiary of Amalgamated Investment Bancorporation)

**INTERIM STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDING SEPTEMBER 30, 2024, 2023 AND DECEMBER 31, 2023**

	Note	FOR 3 MONTHS ENDING		FOR 9 MONTHS ENDING	
		2024-Sept 30	2023-Sept 30	2024-Sept 30	2023-Sept 30
Interest income	2,3,7	<b>₱40,122,484</b>	₱37,516,612	<b>₱123,276,034</b>	₱114,372,568
Interest expense	9,7	<b>(9,415,833)</b>	(8,411,966)	<b>(27,851,527)</b>	(24,193,857)
Net interest margin		<b>₱30,706,651</b>	₱29,104,646	<b>₱95,424,507</b>	₱90,178,711
Other income					
Service charges	11	<b>2,551,121</b>	2,135,810	<b>6,268,030</b>	5,862,520
Fair value adjustment on investment properties	6	<b>0</b>	0	<b>0</b>	0
Miscellaneous	12	<b>15,334,722</b>	3,480,892	<b>33,241,522</b>	10,427,495
Total other income		<b>17,885,843</b>	5,616,702	<b>39,509,552</b>	16,290,015
Total operating income		<b>₱48,592,494</b>	₱34,721,348	<b>₱134,934,059</b>	₱106,468,725
Operating expenses					
Salaries and employee benefits		<b>16,649,978</b>	13,265,765	<b>45,491,629</b>	41,159,860
Provision for credit losses	3	<b>10,130,256</b>	1,993,091	<b>13,467,345</b>	7,419,979
Taxes and licenses		<b>3,899,166</b>	4,095,145	<b>16,660,543</b>	10,874,644
Occupancy costs		<b>4,999,176</b>	4,961,274	<b>15,178,655</b>	14,655,525
Depreciation and amortization	4,5,16	<b>887,311</b>	676,066	<b>2,374,407</b>	2,045,240
Travel and transportation		<b>1,601,094</b>	1,293,988	<b>4,097,532</b>	4,431,991
Management and professional fees		<b>1,886,483</b>	2,051,811	<b>5,740,227</b>	5,080,311
Commission		<b>1,757,413</b>	539,575	<b>3,100,983</b>	2,170,837
Provision for impairment loss of repossessed assets	4	<b>(367,549)</b>	—	<b>1,016,124</b>	—
Entertainment, amusement and recreation		<b>296,283</b>	158,765	<b>668,149</b>	387,445
Miscellaneous expense	12	<b>3,317,639</b>	3,586,035	<b>17,178,768</b>	9,759,322
Total operating expenses		<b>₱45,057,250</b>	₱32,621,515	<b>₱124,974,362</b>	₱97,985,153
Income before tax		<b>₱3,535,244</b>	₱2,099,833	<b>₱9,959,697</b>	₱8,483,572
Income tax expense	13	<b>₱454,644</b>	₱-161,251	<b>₱2,492,613</b>	₱2,119,124
Net income		<b>₱3,080,600</b>	₱2,261,084	<b>₱7,467,084</b>	₱6,364,448
Other comprehensive (loss) income		—	—	—	—
Total comprehensive income for the year		<b>₱3,080,600</b>	₱2,261,084	<b>₱7,467,084</b>	₱6,364,448
Basic and Diluted earnings per share	10	<b>0.01</b>	0.01	<b>0.03</b>	0.02

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

**MAKATI FINANCE CORPORATION**  
*(A Subsidiary of Amalgamated Investment Bancorporation)*

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDING SEPTEMBER 30, 2024, 2023 AND DECEMBER 31, 2023**

	Capital stock (Note 10)	Additional paid-in capital	Retained earnings	Remeasurement gain (loss) on retirement benefit obligation	Total equity
<b>Balances at January 1, 2022</b>	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	269,283,709	-	(2,911,322)	-	(1,455,611)
<b>Comprehensive income</b>					
Net income for the year	-	-	17,853,098	-	17,853,098
Other comprehensive loss	-	-	-	4,210,913	4,210,913
Total comprehensive income (loss)	-	-	17,853,098	4,210,913	10,654,808
<b>Balances at December 31, 2022</b>	269,283,709	5,803,922	277,759,900	10,251,701	563,099,232
Transactions with owners					-
Stock dividends	2,677,921	-	(2,677,921)	-	-
Cash dividends	-	-	(2,678,008)	-	(2,678,008)
Total transactions with owners	2,677,921	-	(5,355,929)	-	(2,678,008)
<b>Comprehensive income</b>					
Net income for the year	-	-	12,923,549	-	12,923,549
Other comprehensive loss	-	-	-	(2,268,741)	(2,268,741)
Total comprehensive income (loss)	-	-	12,923,549	(2,268,741)	10,654,808
<b>Balances at December 31, 2023</b>	271,961,630	5,803,922	285,327,520	7,982,960	571,076,032
Transactions with owners					-
Stock dividends	1,938,492	-	(1,938,492)	-	-
Cash dividends	-	-	(1,938,572)	-	(1,938,572)
Total transactions with owners	273,900,122	-	(3,877,065)	-	(1,938,572)
<b>Comprehensive income</b>					
Net income for the year	-	-	7,467,084	-	7,467,084
Other comprehensive loss	-	-	-	-	-
Total comprehensive income (loss)	-	-	7,467,084	-	7,467,084
<b>Balances at September 30, 2024</b>	<b>P273,900,122</b>	<b>P5,803,922</b>	<b>P288,917,539</b>	<b>P7,982,960</b>	<b>P576,604,543</b>

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

**MAKATI FINANCE CORPORATION**  
*(A Subsidiary of Amalgamated Investment Bancorporation)*

**INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDING SEPTEMBER, 2024 AND 2023, AND DECEMBER 31, 2023**

	Notes	Sept. 30, 2024 (Unaudited)	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		<b>9,959,697</b>	17,262,025	8,483,572
Adjustments for:				
Provision for credit losses on loans and other receivables	3	<b>13,467,345</b>	16,377,948	7,419,979
Depreciation and amortization	4,5,16	<b>2,374,407</b>	16,879,761	2,045,240
Fair value change in investment properties	6		(4,817,734)	-
Retirement benefits expense	14	<b>900,000</b>	2,477,820	900,000
Interest expense from lease liabilities	16		1,169,810	-
Provision for (reversal of) impairment loss of repossessed assets	4	<b>1,016,124</b>	7,495,767	(820,298)
Gain from sale of repossessed assets	4	-	567,701	-
Loss on sale of investment property		-	-	-
Lease additions, net of modification		-	3,451	-
Operating income before working capital changes		<b>27,717,573</b>	57,416,549	18,028,493
Decrease (increase) in:				
Loans and other receivables		<b>(2,895,576)</b>	(69,623,207)	(43,800,022)
Other assets		<b>(8,816,162)</b>	(4,312,634)	(9,245,890)
Increase (decrease) in:				
Accounts payable		<b>(13,678,053)</b>	(17,427,757)	(15,613,524)
Other Payable		<b>6,566,321</b>		
Accrued expenses			(2,678,097)	2,562,813
Cash (used in) generated from operations		<b>8,894,103</b>	(36,625,146)	(48,068,130)
Income taxes paid		<b>(1,524,727)</b>	(3,478,159)	(2,961,811)
Net cash flows (used in) provided by operating activities		<b>7,369,376</b>	(40,103,305)	(51,134,268)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of property and equipment	5	<b>(3,863,607)</b>	(2,079,327)	(1,602,127)
Additions to software	4	-	(375,799)	-
Disposals of investment properties	6	<b>22,500,000</b>	-	-
Net cash from (used in) investing activities		<b>18,636,393</b>	(2,455,126)	(1,602,127)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Availment of notes payable		<b>43,250,789</b>	229,332,325	198,012,503
Settlement of notes payable		<b>(62,394,602)</b>	(180,006,792)	(155,602,235)
Payment of lease liabilities	16	-	(15,038,490)	-
Cash dividends paid	10	<b>(1,938,532)</b>	(2,678,008)	(2,678,008)
Net cash from (used in) financing activities		<b>(21,082,345)</b>	31,609,035	39,732,260
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>4,923,424</b>	(10,949,396)	(13,004,135)
Cash and cash equivalents				
01-Jan		<b>23,102,110</b>	34,051,506	34,051,506
30-Jun		<b>28,025,534</b>	23,102,110	21,047,371

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

**MAKATI FINANCE CORPORATION**  
*(A Subsidiary of Amalgamated Investment Bancorporation)*

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**AS AT AND FOR THE PERIOD ENDED SEPTEMBER 30, 2024 AND 2023**  
**(WITH COMPARATIVE FIGURES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023)**

**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 ₱1.38 per share.

As at September 30, 2024, December 31, 2023, and September 30, 2023 the Company's closing price at the PSE amounts to ₱1.80, ₱1.90, and ₱2.00 per share, respectively.

Amalgamated Investment Bancorporation (AIB) (the "Parent Company") owns 43.30%, 43.41%, and 43.41% of the Company as at September 30, 2024, December 31, 2023, and September 30, 2023, 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 148, 146 and 142 employees as at September 30, 2024, December 31, 2023 and September 30, 2023, respectively.

**2 Cash**

This account consists of:

	<b>Sept. 30, 2024</b> <b>(Unaudited)</b>	<b>Dec. 31, 2023</b> <b>(Audited)</b>	<b>Sept. 30, 2023</b> <b>(Unaudited)</b>
Cash on hand	<b>1,109,803</b>	907,412	883,977
Cash in bank	<b>26,915,732</b>	22,194,698	20,163,394
	<b>28,025,534</b>	23,102,110	21,047,371

Cash in banks earn interest at the prevailing bank deposit rates which range from 0.05% to 0.25% as of September 30, 2024, December 31, 2023, and September 30, 2023. Interest income on cash in banks amount to ₱15,643, ₱14,033, and ₱ 10,291 as of September 30, 2024, December 31, 2023, and September 30, 2023, respectively.

### 3 Loans and other receivables, net

The account as at September 30 and December 31 consist of:

	Sept. 30, 2024 (Unaudited)	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Consumer	707,621,514	708,725,305	802,454,488
Services	277,644,223	247,349,179	184,774,313
Other receivables	22,078,671	11,666,496	12,383,938
	<b>1,007,344,408</b>	967,740,980	999,612,739
Allowance for expected credit loss (ECL)	<b>(170,356,281)</b>	(156,888,936)	(147,930,968)
	<b>836,988,127</b>	810,852,044	851,681,771

Interest rates on loans and other receivables range from 0.42% to 3.00% add-on rate per month plus gross receipts tax. Interest income earned on loans receivables amounts to ₱123.28 million, ₱175.16 million, and ₱ 114.37 million as at September 30, 2024, December 31, 2023, and September 30, 2023, respectively.

Certain motorcycle financing receivables (included in Consumer category above) amounting to ₱123.83 million, ₱155.79 million, and ₱168.67 million as of September 30, 2024, December 31, 2023, and September 30, 2023 were used as collateral on notes payable to banks (see Note 9), respectively.

The following table shows the breakdown of loans and other receivables (gross of allowance for ECL) as to collateral as at September 30, 2024, December 31, 2023, and September 30, 2023:

	Sept. 30, 2024 (Unaudited)	Dec.31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Secured loans			
Chattel mortgage	404,005,022	400,823,972	413,604,502
Real estate mortgage	137,749,682	127,728,010	160,060,782
Other collaterals	110,963,642	69,320,406	49,522,856
Total secured	652,718,346	597,872,388	623,188,141
Unsecured	354,626,061	369,868,592	376,424,598
	<b>1,007,344,408</b>	967,740,980	999,612,739

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

Movements in allowance for ECL follow:

	Sept. 30, 2024			
	Receivable from Customers			
	Consumer	Services	Others	Total
At January 1	143,526,271	15,863,433	4,465,715	163,855,420
Provision during the year	4,260,538	2,240,323	-	6,500,861
Write-off during the year	-	-	-	-
At September 30	147,786,809	18,103,756	4,465,715	170,356,281

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

Sept. 30, 2023				
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

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

#### 4 Other assets, net

This account consists of:

Note	Sept. 30, 2024 (Unaudited)	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Repossessed assets, net	<b>100,745,455</b>	95,192,990	97,122,971
Prepaid expenses	<b>5,855,804</b>	4,290,984	15,923,231
Security deposits	<b>4,733,792</b>	4,761,292	4,761,292
Software costs	<b>1,240,740</b>	530,485	636,305
Financial asset at fair value through other comprehensive income (FVOCI)	<b>80,000</b>	80,000	80,000
	<b>112,655,790</b>	104,855,751	118,523,799

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

The movement in repossessed assets follow:

	Sept. 30, 2024 (Unaudited)	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Cost			
At January 1	<b>140,623,906</b>	141,497,292	141,497,292
Additions	<b>48,794,460</b>	59,019,279	38,853,629
Disposals	<b>(52,341,018)</b>	(59,892,665)	(41,423,172)
At Sept 30 and Dec 31	<b>137,077,348</b>	140,623,906	138,927,749
Allowance for impairment losses			
At January 1	<b>45,430,916</b>	41,804,778	41,804,778
Allowance for impairment during the year	<b>(9,099,023)</b>	7,495,767	—
Write-off	<b>—</b>	(3,869,629)	—
At Sept 30 and Dec 31	<b>36,331,893</b>	45,430,916	41,804,778
Carrying amount	<b>100,745,455</b>	95,192,990	97,122,971

Included in the statement of comprehensive income are the gain from sale of repossessed assets amounting to ₱498,606, ₱567,701, and ₱250,709 as at September 30, 2024, December 31, 2023, and September 30, 2023, respectively.

The movement in software costs follow:

	<b>Sept. 30, 2024 (Unaudited)</b>	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
<b>Cost</b>			
At January	<b>6,851,015</b>	6,475,216	6,475,216
Additions	<b>885,017</b>	375,799	375,801
At September 30 and December 31	<b>7,736,034</b>	6,851,015	6,851,017
<b>Accumulated amortization</b>			
At January 1	<b>6,320,530</b>	6,093,706	6,093,706
Amortization for the year	<b>174,763</b>	226,824	121,006
Accumulated amortization	<b>6,495,294</b>	6,320,530	6,214,712
Carrying amount At September 30 and December 31	<b>₱ 1,240,740</b>	<b>₱ 530,485</b>	<b>₱ 636,305</b>

## 5 Property and equipment, net

The movements in the account for the period ended September 30, 2024, December 31, 2023, and September 30, 2023 are summarized below:

<b>Sept. 30, 2024 (Unaudited)</b>				
	Furniture, fixtures and equipment	Leasehold rights and improvements	Transportation equipment	Total
<b>Cost</b>				
At January 1	20,701,416	11,331,636	10,643,838	42,676,890
Additions	2,262,586	-	1,575,258	3,837,844
Disposals	-	-	(2,988,998)	(2,988,998)
At September 30	22,964,002	11,331,636	9,230,098	43,525,736
<b>Accumulated depreciation</b>				
At January 1	19,460,537	9,069,735	8,476,981	37,007,253
Depreciation	938,523	348,637	1,134,848	2,422,008
Disposals	(142,112)	-	(2,920,250)	(3,062,362)
At September 30	20,256,948	9,418,372	6,691,579	36,366,899
Carrying amount	2,707,054	1,913,264	2,538,519	7,158,837
<b>Dec. 31, 2023 (Audited)</b>				
	Furniture, fixtures and equipment	Leasehold rights and improvements	Transportation equipment	Total
<b>Cost</b>				
At January 1	19,869,472	10,861,636	10,408,455	41,139,563
Additions	831,944	470,000	777,383	2,079,327
Disposals	-	-	(542,000)	(542,000)
At December 31	₱ 20,701,416	₱ 11,331,636	₱ 10,643,838	₱ 42,676,890
<b>Accumulated depreciation</b>				
At January 1	18,801,529	8,370,692	7,690,850	34,863,071
Depreciation	659,008	699,043	1,328,131	2,686,182
Disposals	-	-	(542,000)	(542,000)
At December 31	₱ 19,460,537	₱ 9,069,735	₱ 8,476,981	₱ 37,007,253
Carrying amount	₱ 1,240,879	₱ 2,261,901	₱ 2,166,857	₱ 5,669,637



Sept. 30, 2023 (Unaudited)				
	Furniture, fixtures and equipment	Leasehold rights and improvements	Transportation equipment	Total
<b>Cost</b>				
At January 1	19,869,473	10,861,636	10,408,455	41,139,564
Additions	245,421	170,000	777,660	1,193,081
Disposals	-	-	(542,321)	(542,321)
<b>At September 30</b>	<b>₱20,114,894</b>	<b>₱11,031,636</b>	<b>₱10,643,794</b>	<b>₱41,790,324</b>
<b>Accumulated depreciation</b>				
At January 1	18,801,530	8,370,691	7,690,851	34,863,072
Depreciation	327,709	339,730	76,719	744,158
<b>At September 30</b>	<b>₱19,129,239</b>	<b>₱8,710,421</b>	<b>₱7,767,570</b>	<b>₱35,607,230</b>
<b>Carrying amount</b>	<b>₱985,655</b>	<b>₱2,321,215</b>	<b>₱2,876,224</b>	<b>₱6,183,094</b>

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

Management believes that there are no indicators that the Company's property and equipment are impaired as at September 30, 2024, December 31, 2023, and September 30, 2023, respectively.

## 6 Investment properties, net

Investment properties as of September 30, 2024 consist of land and building amounting to ₱85,761,301 and ₱ 8,343,434, respectively (2023 - ₱87,021,301 and ₱66,291,286, respectively).

The movements in the account for the period ended September 30, 2024, December 31, 2023, and September 30, 2023 are summarized below:

	<b>Sept. 30, 2024</b> <b>(Unaudited)</b>	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Beginning of the year	<b>153,312,587</b>	90,801,000	63,128,241
Additions	-	57,693,853	3,070,225
Fair value adjustment	-	4,817,734	24,602,534
Disposals	<b>(59,207,852)</b>	-	-
	<b>₱ 94,104,735</b>	₱ 153,312,587	₱ 90,801,000

In 2023, the Company has acquired a property through a Dacion En Pago arrangement, with a fair market value of ₱77.27 million. However, the property has been booked at a value of ₱57.69 million, net of the share of another lender, reflecting the Company's portion of ownership. Unrealised gain amounting to ₱13.55 million pertaining to the foreclosure was recognized under miscellaneous income. (Note 12). This property was sold in May 2024 for ₱ 90 million.

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

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

Direct operating expenses with regard to investment properties pertain to local property taxes amounting to ₱95,130, ₱76,043, and ₱76,043 as at September 30, 2024, December 31, 2023 and September 30, 2023, respectively.

## **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.

### 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 collectability exposure contributed by each product line.

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

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

Segment assets and liabilities comprise all of the assets and liabilities, measured in a manner consistent with that shown in the 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:

**Sept. 30, 2024 (Unaudited)**

	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and other receivables	P96,013,615	P375,850,674	P326,040,263	P39,083,575	P836,988,127
Results of operation					
Revenue					
Interest income	14,526,510	38,331,251	69,174,623	1,243,650	123,276,034
Other income	1,752,550	27,710,047	3,359,742	6,687,213	39,509,552
<b>Total</b>	<b>P16,279,060</b>	<b>P66,041,298</b>	<b>P72,534,365</b>	<b>P7,930,863</b>	<b>P162,785,586</b>
Expenses					
Interest expense	3,281,948	8,660,109	15,628,495	280,976	27,851,527
Provision for credit losses	(475,716)	10,698,920	1,267,886	1,976,256	13,467,345
Operating expenses	9,990,883	39,674,881	58,993,242	2,848,012	111,507,018
	12,797,114	59,033,910	75,889,623	5,105,243	152,825,890
Net operating income (loss)	3,481,946	7,007,388	(3,355,258)	2,825,620	9,959,696
Income tax expense (benefit)	871,426	1,753,739	(839,720)	707,168	2,492,613
<b>Net Income (Loss)</b>	<b>2,610,520</b>	<b>5,253,649</b>	<b>(2,515,538)</b>	<b>2,118,452</b>	<b>7,467,083</b>
Statement of Financial Positions					
Total Assets	P107,346,655	P524,603,954	P469,907,173	P34,909,761	P,136,767,544
Total Liabilities	P64,258,110	P259,867,490	P218,488,732	P17,548,669	P560,163,001
Other segment information					
Capital expenditures	P440,251	P1,780,430	P1,496,932	P120,231	P3,837,844
Depreciation and amortization	P272,376	P1,101,521	P926,125	P74,385	P2,374,407

**Dec. 31, 2023  
(Audited)**

	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and other receivables, net	84,655,159	383,056,833	326,812,153	16,327,899	810,852,044
Results of operation					
Revenue					
Interest income	26,280,234	69,572,943	71,300,955	8,020,044	175,174,176
Other income	2,057,488	27,316,004	3,320,421	6,956,667	39,650,580
<b>Total</b>	<b>P 28,337,722</b>	<b>P 96,888,947</b>	<b>P 74,621,376</b>	<b>P 14,976,711</b>	<b>P 214,824,756</b>
Expenses					
Interest expense	5,198,770	13,762,957	14,104,793	1,586,528	34,653,048
Provision for expected credit losses	5,953,023	13,775,932	16,988,116	2,955,387	39,672,458
Operating expenses	12,843,642	45,027,374	58,180,031	7,186,178	123,237,225
	P 23,995,435	P 72,566,263	P 89,272,940	P 11,728,093	P 197,562,731
Net operating income (loss)	4,342,287	24,322,684	(14,651,564)	3,248,618	17,262,025
Income tax expense (benefit)	1,088,603	6,091,032	(3,654,912)	813,753	4,338,476
<b>Net Income (loss)</b>	<b>3,253,684</b>	<b>18,231,652</b>	<b>(10,996,652)</b>	<b>2,434,865</b>	<b>12,923,549</b>
Total Assets	P96,292,720	P572,121,950	P460,272,420	P27,196,160	P1,155,883,250
Total Liabilities	P 77,142,436	P263,756,179	P 203,138,223	P40,770,380	P584,807,218
Other segment information					
Capital expenditures	P274,286	P937,805	P722,273	P144,962	P2,079,326
Depreciation and amortization	P2,226,624	P7,613,007	P5,863,342	P1,176,788	P16,879,761

	Sept. 30, 2023 (Unaudited)				
	Rx Cash Line	Business Loans and MFC Factors	Motor Vehicles Financing	Others	Total
Loans and other receivables, net	92,081,355	375,575,917	307,852,105	39,791,261	815,300,638
Results of operation					
Revenue					
Interest income	4,572,668	10,694,499	19,224,871	4,233,598	38,725,636
Other income	614,090	1,865,780	1,953,497	254,251	4,687,618
	<b>₱ 5,186,758</b>	<b>₱12,560,279</b>	<b>₱ 21,178,368</b>	<b>₱4,487,849</b>	<b>₱ 43,413,254</b>
Expenses					
Interest expense	1,004,630	3,052,349	3,195,851	415,944	7,668,774
Provision for expected credit losses	200,000	1,175,198	700,000	807,802	2,883,000
Operating expenses	2,960,802	6,730,209	18,181,686	1,598,478	29,471,175
	<b>₱ 4,165,432</b>	<b>₱10,957,756</b>	<b>₱22,077,537</b>	<b>₱2,822,224</b>	<b>₱ 40,022,949</b>
Net operating income (loss)	1,021,326	1,602,523	(899,169)	1,665,625	3,390,305
Income tax expense (benefit)	220,174	495,264	(407,822)	539,513	847,129
Net Income (loss)	<b>₱ 801,152</b>	<b>₱1,107,259</b>	<b>(₱491,347)</b>	<b>₱1,126,112</b>	<b>₱2,543,176</b>
Total Assets	100,439,990	509,196,837	474,393,339	41,030,405	1,125,060,571
Total Liabilities	<b>₱ 60,684,540</b>	<b>₱ 253,714,702</b>	<b>₱222,265,866</b>	<b>₱22,751,966</b>	<b>₱ 559,417,074</b>
Other segment information					
Capital expenditures	₱ 21,179.00	₱49,534.00	₱ 89,044.00	₱19,609.00	₱179,366.00
Depreciation and amortization	₱81,819.00	₱191,356.00	₱343,990.00	₱75,752.00	₱692,917.00

## 8 Accrued expenses

This account consists of:

	Sept. 30, 2024 (Unaudited)	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Accrued rent	4,701,012	4,532,800	5,210,862
Insurance payable	758,244	4,205,346	672,669
Accrued taxes	3,168,592	4,537,682	3,018,259
Commissions and outside services	180,636	441,197	426,087
Accrued interest	5,541,416	1,524,719	2,073,363
Accrued administrative expenses	8,738,426	853,779	5,642,144
Accrued management and professional fees	1,436,663	875,480	806,657
Others	3,368,830	938,498	5,300,373
	<b>₱27,893,820</b>	<b>₱17,909,501</b>	<b>₱23,150,414</b>

Others mainly include accrual on utilities and travel and transportation.

## 9 Notes payable

The account as at September 30, 2024, December 31, 2023, and September 30, 2023 consists of:

	Sept. 30, 2024 (Unaudited)	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Notes payable to:			
Related parties	351,252,531	382,583,587	279,100,000
Banks	85,665,022	109,733,333	130,066,667
Individuals/corporate	54,812,897	18,557,343	94,792,331
	<b>₱491,730,450</b>	<b>₱510,874,263</b>	<b>₱503,958,998</b>

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

	<b>Sept. 30, 2024 (Unaudited)</b>	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Current	<b>491,730,450</b>	484,652,041	473,803,443
Non-current	-	26,222,222	30,155,555
	<b>₱ 491,730,450</b>	<b>₱ 510,874,263</b>	<b>₱ 503,958,998</b>

Interest rates on notes payable range from 5.50% to 9.00% and 5.50% to 8.75% in September 30, 2024, December 31, 2023, and September 30, 2023, respectively. Interest expenses on these notes payable amount to ₱27.85 million, ₱33.48 million, and ₱24.19 million as at September 30, 2024, December 31, 2023, and September 30, 2023, 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 December 31, 2023 and 2022, the notes payable to banks are secured by certain 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):

	<b>Sept. 30, 2024 (Unaudited)</b>		Dec. 31, 2023 (Audited)		Sept. 30, 2023 (Unaudited)	
	<b>Carrying amount</b>	<b>Secured notes</b>	Carrying amount	Secured notes	Carrying amount	Secured notes
Motorcycle financing receivables	<b>123,831,520</b>	<b>85,665,022</b>	155,789,216	109,733,333	168,672,997	130,066,667

## 10 Equity

On July 25, 2024, the BOD and stockholders approved the declaration of 0.71% stock dividends in the amount of ₱1.94 million to stockholders of record as at August 22, 2024 with distribution date not later than September 18, 2024. Fractional shares of 40.35 shall be paid in cash. The actual stock dividends to be issued may be less than the above indicated shares of stock due to the resulting fractional shares. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to ₱1.94 million.

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. Fractional shares of 43.70 shall be paid in cash. The actual stock dividends to be issued may be less than the above indicated shares of stock due to the resulting fractional shares. On the same date, the BOD also approved the declaration and payment of cash dividends amounting to ₱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.

As at September 30, 2024, December 31, 2023, and September 30, 2023, the Company has 271,961,630, 271,961,630, and 269,283,709 common shares issued and outstanding which are owned by 113, 112, and 111 shareholders.

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

	Sept. 30, 2024 (Unaudited)		Dec. 31, 2023 (Audited)		Sept. 30, 2023 (Unaudited)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
<i>Authorized - 300,000,000 shares; P1 par value</i>						
At January 1	271,961,630	271,961,630	269,283,709	269,283,709	269,283,709	269,283,709
Stock dividends	1,938,492	1,938,492	2,677,921	2,677,921	2,677,921	2,677,921
At December 31	273,900,122	273,900,122	271,961,630	271,961,630	271,961,630	271,961,630

*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 period ended September 30, 2024, December 31, 2023, and September 30, 2023 follow:

	Sept. 30, 2024 (Unaudited)	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Net income for the year	7,467,084	12,923,549	6,364,448
Weighted average number of outstanding common shares	272,519,278	270,435,582	270,622,670
Basic and diluted earnings per share	0.03	0.05	0.02

## 11 Service charges

The account for the period ended September 30, 2024, December 31, 2023, and September 30, 2023 consists of the following:

	Sept. 30, 2024 (Unaudited)	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Processing fees	5,326,170	7,261,796	5,196,652
Late payment charges	935,126	1,158,691	659,713
Others	6,734	8,437	6,155
	<b>P6,268,030</b>	<b>P8,428,924</b>	<b>P5,862,520</b>

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

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

Others pertain to the convenience fee charged by the Company.

## 12 Miscellaneous

Miscellaneous income for the period ended September 30, 2024, December 31, 2023, and September 30, 2023 consists of the following items:

	<b>Sept. 30, 2024</b> <b>(Unaudited)</b>	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Unrealised gain on foreclosure (Note 6)	-	13,549,615	-
Gain on sale on foreclosure	<b>21,616,169</b>	-	-
Penalties	<b>5,285,478</b>	7,978,395	6,264,879
Others	<b>6,339,876</b>	4,875,912	4,162,616
	<b>₱33,241,522</b>	₱26,403,922	₱10,427,495

Others mainly consist of gain on sale of motorcycle units.

Miscellaneous expenses for the period ended September 30, 2024, December 31, 2023, and September 30, 2023 consist of the following items:

	<b>Sept. 30, 2024</b> <b>(Unaudited)</b>	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Communication	<b>1,787,028</b>	2,415,785	1,784,206
Stationaries and supplies	<b>1,889,516</b>	2,711,297	2,109,957
Others	<b>13,502,226</b>	8,917,188	5,865,159
	<b>₱17,178,769</b>	₱14,044,270	₱9,759,322

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

## 13 Income taxes

Current tax regulations provide that the regular corporate income tax rate applicable to the Company is 25%. The regulations also provide for minimum corporate income tax (MCIT) rate of 1%, instead of 2%, for the period beginning July 1, 2020 until September 30, 2023, on modified gross income and allow net operating loss carry-over (NOLCO). The MCIT and NOLCO may be applied against the Company's income tax liability and taxable income, respectively, over a three-year period from the year of incurrence. Specifically, for taxable years 2021 and 2020, NOLCO can be carried forward for five years.

The following are the components of income tax expense for the period ended September 30, 2024, December 31, 2023, and September 30, 2023:

	<b>Sept. 30, 2024</b> <b>(Unaudited)</b>	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Current	<b>2,236,053</b>	5,367,115	1,949,119
Deferred	<b>256,560</b>	(1,028,639)	170,005
	<b>₱2,492,613</b>	₱4,338,476	₱2,119,124

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

	<b>Sept. 30, 2024</b> <b>(Unaudited)</b>	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Income before tax	<b>9,959,697</b>	17,262,025	8,483,572
Income tax benefit at statutory income tax rate (25%)	<b>2,489,924</b>	4,315,506	2,120,893
Adjustments for:			
Interest income subjected to final tax	<b>(3,911)</b>	(3,508)	-
Impact of PFRS 16	-	25,382	(1,769)
Effect of CREATE law	-	-	-
Non-deductible interest expense	<b>1,222</b>	1,096	-
Change in unrecognized DTA	<b>5,377</b>	-	-
Effective income tax expense	<b>₱ 2,492,613</b>	₱4,338,476	₱ 2,119,124

The components of the Company's deferred tax assets and liabilities as at September 30, 2024, December 31, 2023, and September 30, 2023 are as follows:

	<b>Sept. 30, 2024</b> <b>(Unaudited)</b>	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Deferred tax assets			
Allowance for credit losses	<b>38,589,453</b>	39,163,685	35,069,198
Allowance of repossessed assets write-down	<b>11,450,361</b>	11,357,729	10,281,188
Accrued expenses	<b>1,685,388</b>	1,685,388	1,685,388
Retirement expense	<b>3,245,042</b>	3,020,042	2,400,587
Impairment loss on investment properties	<b>228,988</b>	228,988	228,988
Past service costs	<b>40,293</b>	40,293	40,294
Others	<b>1,216,006</b>	1,216,006	1,216,006
	<b>56,455,531</b>	56,712,131	50,921,649
Deferred tax liabilities			
Remeasurement gain on defined benefit obligation	<b>3,137,635</b>	3,137,635	3,137,635
Fair value increase in investment properties	<b>12,015,183</b>	12,015,183	7,423,346
	<b>15,152,818</b>	15,152,818	10,560,981
	<b>41,302,713</b>	41,559,313	40,360,668

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

	<b>Sept. 30, 2024</b> <b>(Unaudited)</b>	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Beginning of the year	<b>41,559,313</b>	40,530,674	40,530,674
Amounts charged to profit or loss	<b>(256,600)</b>	1,028,639	(170,006)
Amounts charged to other comprehensive income	-	-	-
End of the year	<b>₱ 41,302,713</b>	₱41,559,313	₱ 40,360,668



## 14 Retirement benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Discount rate sensitivity*

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

	Change in basis points	Impact on retirement benefit obligation	
		Increase in assumption	Decrease in assumption
December 31, 2023			
Discount rate	100 basis points	(2,345,453)	2,850,482
Salary growth rate	100 basis points	2,855,229	(2,389,579)
December 31, 2022			
Discount rate	100 basis points	(1,662,537)	2,016,802
Salary growth rate	100 basis points	2,045,350	(1,711,189)

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

## 15 Related party transaction

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

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

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

forward

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

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

- A. This includes various receivables from the Parent Company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement (Note 3).
- B. As at December 31, 2023 and 2022, notes payable and accrued interest payable arising from borrowings from stockholders amounted to ₱382.58 million and ₱257.41 million. Interest expense from these borrowings amounted to ₱33.48 million and ₱31.47 million in 2023 and 2022, respectively (Note 9).
- C. The Company had short-term placements amounting to ₱15.69 million in 2021 at 8.5% interest rate with maturities ranging from 30 to 120 days. Short-term placements as at December 31, 2021 fully matured in 2022.
- D. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.

## 16 Leases

### *The Company as Lessee*

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

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

Total rent expense for short term leases included under 'Occupancy cost' account in the statement of total comprehensive income incurred in 2023 and 2022 amounts to P0.78 million and P8.62 million, respectively.

Security deposits arising from these lease agreements amount to P4.73 million, P4.76 million and P4.73 million as at September 30, 2024, December 31, 2023 and September 30, 2023, respectively (Note 4).

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

	<b>Sept. 30, 2024 (Unaudited)</b>	Dec. 31, 2023 (Audited)
Less than one year	10,159,271	10,159,271
Between one and five years	10,500,220	10,500,220
	<b>P 20,659,491</b>	<b>P 20,659,491</b>

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

	<b>Sept. 30, 2024 (Unaudited)</b>	Dec. 31, 2023 (Audited)
As at January 1	21,512,739	21,512,739
Additions	10,017,940	10,017,940
Lease modification	1,753,430	1,753,430
Interest expense	1,169,810	1,169,810
Payments	(15,038,490)	(15,038,490)
As at September 30 and December 31	<b>P 19,415,429</b>	<b>P 19,415,429</b>

### *Right-of-use assets*

	<b>Sept. 30, 2024 (Unaudited)</b>	Dec. 31, 2023 (Audited)
Balance at January 1	18,730,644	18,730,644
Additions	10,017,940	10,017,940
Lease modification	1,749,979	1,749,979
Depreciation of right-of-use assets	(13,966,755)	(13,966,755)
Balance at September 30 and December 31	<b>P 16,531,808</b>	<b>P 16,531,808</b>

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

Based on the Company's assessment, provision for impairment losses is required as at December 31, 2023 amounting to P2.69 million (2023 – P32.18 million). Allowance for impairment of P5.0 million was written off in September 30, 2024 (December 31, 2023 – P15.80 million) after the Company exhausted all efforts and means to collect the amount due.

#### *Estimation of retirement benefit obligation (Note 14)*

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

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

#### *Determining the incremental borrowing rates (Note 16)*

The Company's weighted average incremental borrowing rate applied to measure its lease liabilities arising from the lease contracts in 2023 was 4.37%. The rate was determined in reference to the prevailing bank lending rates that are reflective of the Company's own credit risk taking into consideration the nature of the leased asset and other terms and conditions of the lease contracts.

## Critical accounting judgments

### *Impairment of investment properties (Note 6)*

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

As at September 30, 2024 and December 31, 2023, the Company did not recognize any additional impairment loss on its investment properties in the absence of any indicators of impairment, respectively.

### *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, 2024 and December 31, 2023 and 2022 is fully recoverable and realizable, respectively.

### *Determining the lease term (Note 16)*

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

## **18 Financial risk and capital management**

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

### **18.1 Liquidity risk**

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

The amounts disclosed in the table below are the expected undiscounted cash flows of financial instruments, including future interest as applicable, which the Company uses to manage the inherent liquidity risk as at September 30, 2024 and December 31, 2023, respectively.



Sept. 30, 2024 (Unaudited)			
	Up to one year	Over one year	Total
<b>Financial assets</b>			
Cash	28,025,534	0	28,025,534
Loans and other receivables	570,295,565	266,692,562	836,988,127
Security deposits	4,733,792	0	4,733,792
Financial assets at FVOCI	80,000	0	80,000
<b>Total financial assets</b>	<b>603,134,891</b>	<b>266,692,562</b>	<b>869,827,453</b>
<b>Financial liabilities</b>			
Notes payable	491,730,450	0	491,730,450
Accounts payable	9,286,729	0	9,286,729
Accrued expenses*	27,893,820	0	27,893,820
Lease liabilities	9,527,935	9,887,494	19,415,429
<b>Total financial liabilities</b>	<b>538,438,933</b>	<b>9,887,494</b>	<b>548,326,427</b>
<b>Total maturity gap</b>	<b>64,695,958</b>	<b>256,805,068</b>	<b>321,501,026</b>

\*Excluding government payables

Dec.31, 2023 (Audited)			
	Up to one year	Over one year	Total
<b>Financial assets</b>			
Cash	23,102,110	-	23,102,110
Loans and other receivables	441,452,515	369,399,529	810,852,044
Security deposits	4,761,292	-	4,761,292
Financial assets at FVOCI	80,000	-	80,000
<b>Total financial assets</b>	<b>₱ 469,395,917</b>	<b>₱ 369,399,529</b>	<b>₱ 838,795,446</b>
<b>Financial liabilities</b>			
Notes payable	484,652,041	26,222,222	510,874,263
Accounts payable	22,964,740	-	22,964,740
Accrued expenses*	13,371,819	-	13,371,819
Lease liabilities	9,527,935	9,887,494	19,415,429
<b>Total financial liabilities</b>	<b>₱ 530,516,535</b>	<b>₱ 36,109,716</b>	<b>₱ 566,626,251</b>
<b>Total maturity gap</b>	<b>₱ (61,120,618)</b>	<b>₱ 333,289,813</b>	<b>₱ 272,169,195</b>

\*Excluding government payables

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

## 18.2 Market risk

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

### Foreign exchange risk

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

### Interest rate risk

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

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

#### Price risk

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

### 18.3 Credit risk

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

The maximum exposure to credit risk relates to the following financial assets as at September 30, 2024, December 31, 2023, and September 30, 2023, respectively.

	<b>Sept. 30, 2024</b> <b>(Unaudited)</b>	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Cash	<b>28,025,534</b>	22,194,698	30,033,395
Loans and other receivables (net, ECL allowance)	<b>836,988,127</b>	810,852,044	851,681,771
Security deposits	<b>4,733,792</b>	4,761,292	4,733,792
	<b>₱869,747,453</b>	₱837,808,034	₱886,448,958

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

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

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

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

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

	<b>Sept. 30, 2024</b> <b>(Unaudited)</b>	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Neither past due nor impaired	<b>483,333,808</b>	527,201,316	544,564,261
Past due but not impaired	<b>377,447,653</b>	350,964,928	362,523,671
Impaired	<b>146,562,947</b>	89,574,736	92,524,807
	<b>₱1,007,344,408</b>	₱967,740,980	₱999,612,739

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

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

#### 18.4 Fair value determination

The table below summarizes the carrying amount and fair value of financial assets and liabilities at September 30, 2024 and December 31, 2023, respectively:

	Sept. 30, 2024 (Unaudited)		Dec. 31, 2023 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	28,025,534	28,025,534	23,102,110	23,102,110
Loans and other receivables, net	836,988,127	836,988,127	810,852,044	810,852,044
Security deposits	4,733,792	4,733,792	4,761,292	4,761,292
Financial assets at FVOCI	80,000	80,000	80,000	80,000
	<b>₱869,827,453</b>	<b>₱869,827,453</b>	<b>₱838,795,446</b>	<b>₱838,795,446</b>
<b>Financial liabilities</b>				
Notes payable	491,730,450	491,730,450	510,874,263	510,874,263
Accounts payable	9,286,729	9,286,729	22,964,740	22,964,740
Accrued expenses	27,893,820	27,893,820	17,909,501	17,909,501
Lease liabilities	19,415,429	19,415,429	19,415,429	19,415,429
	<b>₱548,326,427</b>	<b>₱548,326,427</b>	<b>₱571,163,933</b>	<b>₱571,163,933</b>

The Company uses Market approach in determining the fair values of its investment properties which uses observable inputs such as prices, broker quotes and other relevant information generated by market transactions involving identical or comparable assets or group of assets. Appropriate adjustments are made to the valuations taking into consideration the specific circumstances of the properties. The fair values of the Company's investment properties as disclosed in Note 6 fall under Level 3 of the fair value hierarchy. The main Level 3 inputs used by the Company pertain to marketability and size.

The Company's financial assets at FVOCI are classified under Level 2 of the fair value hierarchy as at September 30, 2024 and December 31, 2023, respectively.

#### 18.5 Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital, excluding remeasurement gains on defined benefit liability. No changes were made in the objectives, policies or procedures in 2023.

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

- (a) minimum paid-up capital of P10.00 million; and
- (b) additional capital requirements for each branch of P1.00 million for branches established in Metro Manila, P0.50 million for branches established in other classes of cities and P0.25 million for branches established in municipalities.

For the period ended September 30, 2024, December 31, 2023, and September 30, 2023, the Company is compliant with the minimum capital requirements, respectively

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

## **19 Summary of material accounting policies**

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

### **19.1 Basis of preparation**

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

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

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

These financial statements are presented in Philippine Peso, which is the Company's functional currency. The Company has no transactions denominated in foreign currency as at and for the period ended September 30, 2024, December 31, 2023, and September 30, 2023, respectively.

## 19.2 Changes in accounting policies and disclosures

### (a) Amendments to existing standards adopted by the Company

The Company has adopted the following amendments to existing standards effective January 1, 2023:

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

The amendment requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

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

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

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

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

The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- Decommissioning, restoration and similar liabilities, and the corresponding amounts 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. PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable.

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

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

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

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

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

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

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

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

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

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

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

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

The terms and conditions of SFAs.

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

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

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

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

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

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

There are no other new standards, amendments to existing standard or interpretations effective subsequent to December 31, 2023 that are relevant or expected to have a material impact on the Company's financial statements.

### 19.3 Property and equipment, net

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

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

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

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

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

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

### 19.4 Investment properties

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

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

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

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

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

## **19.5 Financial instruments**

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

### **19.5.1 Financial assets**

#### **(a) Classification of financial assets**

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

The Company's financial assets as at December 31, 2023 and 2022 include those that are measured at amortized cost.

#### *Financial assets at amortized cost*

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

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

#### **(b) Initial recognition and subsequent measurement**

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

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



(c) Impairment of financial assets carried at amortized cost

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

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

*Definition of default and determination of significant increase in credit risk*

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

*Staging assessment*

For non-credit impaired financial assets:

- Stage 1 is comprised of all non-impaired financial assets which have not experienced a significant increase in credit risk since initial recognition. The Company recognized a 12-month ECL for Stage 1 financial assets.
- Stage 2 is comprised of all non-impaired financial assets which have experienced a significant increase in credit risk since initial recognition. The Company recognized a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial assets:

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

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

*Measuring ECL*

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

- The PD represents the likelihood that the borrower will default (as per “Definition of default” above), either over the next 12 months (12M PD), or over the remaining life (lifetime PD) of the asset.

- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining life (lifetime EAD).
- LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default.

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

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

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

There have been no significant changes in estimation techniques or significant assumptions made in 2023 and 2022.

(d) Impairment of financial assets carried at amortized cost

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

## 19.5.2 Financial liabilities

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

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

Financial liabilities at amortized cost are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities that are not carried at FVTPL are initially measured at fair value less transaction costs and subsequently measured at amortized cost using the effective interest rate method.

They are included in current liabilities, except for maturities greater than twelve (12) months after the reporting date, which are classified as non-current liabilities.

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

## 19.6 Fair value measurement

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

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfil an obligation.

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

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

#### *Financial assets and financial liabilities*

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

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

#### *Non-financial assets*

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

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

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

### **19.7 Impairment of non-financial assets**

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

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

### **19.8 Earnings per share (EPS)**

Basic EPS is calculated by dividing net income for the year attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS is

computed in the same manner as basic EPS; however, the net income attributable to common shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

## **19.9 Income recognition**

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

### *Interest income*

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

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

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

### *Gain or loss on sale of repossessed assets*

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

### *Other income*

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

## **19.10 Employee benefits and retirement benefit obligation**

### *Short term employee benefits*

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

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

### *Retirement benefit obligation (asset)*

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

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

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

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

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

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

### *Termination benefits*

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

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

## **19.11 Leases**

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

### **i. Measurement of lease liabilities**

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

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

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

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

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

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

#### ii. Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

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

#### iii. Extension and termination options

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

#### iv. Short-term leases

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

## 19.12 Income taxes

### *Current income tax*

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

### *DIT*

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

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

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

- where the DIT asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, DIT assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

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

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

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

### 20.1 Revenue Regulations (RR) No. 15-2010

- (a) The Company registered as a percentage taxpayer.

The Company's other taxes and licenses accrued for the period ended September 30, 2024, December 31, 2023, and September 30, 2023 include the following:

	<b>Sept. 30, 2024</b> <b>(Unaudited)</b>	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Gross receipts tax (GRT)	<b>7,006,013</b>	9,720,139	6,775,245
Documentary stamp taxes (DST)	<b>706,609</b>	1,382,451	1,425,153
DST on stock dividends	<b>19,385</b>	26,779	26,779
License and permit fees	<b>2,430,048</b>	1,587,657	1,320,414
	<b>₱10,162,055</b>	₱12,717,026	₱9,547,591

The above are lodged under "Taxes and Licenses" account in the Company's statement of total comprehensive income. As at September 30, 2024, December 31, 2023, and September 30, 2023 accrued GRT and DST amounted to ₱2,423,084, ₱3,130,963, ₱2,173,944 and ₱122,434, ₱34,875, ₱334,819, respectively.

(b) Withholding taxes

Withholding taxes incurred and accrued for the period ended September 30, 2024, December 31, 2023, and September 30, 2023 are as follows:

	<b>Sept. 30, 2024 (Unaudited)</b>	Dec. 31, 2023 (Audited)	Sept. 30, 2023 (Unaudited)
Withholding tax on compensation	<b>1,805,523</b>	2,185,102	1,409,610
Final withholding tax	<b>30,225</b>	41,720	41,720
Expanded withholding taxes	<b>4,563,744</b>	5,950,398	2,491,249
	<b>P6,399,492</b>	P8,177,220	P3,942,579

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

(c) Tax examinations/Tax cases

There are no tax cases nor litigation and/or prosecution in courts or bodies outside the BIR during the year ended December 31, 2023.

## 20.2 RR No. 34-2020

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

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