SECURITIES AND EXCHANGE COMMISSION
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Report of Independent Certified Public Accountants to Accompany Income Tax Return

The Board of Directors
Investors Securities, Inc.
Unit 604-605 Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

We have audited the financial statements of Investors Securities, Inc. (the Company) for the year ended December 31, 2022, on which we have rendered the attached report dated April 4, 2023.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

PUNONGBAYAN & ARAULLO

By: Mary Grace A. Punay
Partner

CPA Reg. No. 0116576
TIN 244-931-755
PTR No. 7962301, January 13, 2023, City of Davao
SEC Group A Accreditation
Partner - No. 116576-SEC (until financial period 2025)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-043-2021 (until Nov. 9, 2024)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 4, 2023

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Report of Independent Auditors

The Board of Directors
Investors Securities, Inc.
Unit 604-605 Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Investors Securities, Inc. (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2022 required by the Bureau of Internal Revenue as disclosed in Note 22 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Mary Grace A. Punay
Partner

CPA Reg. No. 0116576
TIN 244-931-755
PTR No. 7962301, January 13, 2023, City of Davao
SEC Group A Accreditation
Partner - No. 116576-SEC (until financial period 2025)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-043-2021 (until Nov. 9, 2024)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 4, 2023

INVESTORS SECURITIES, INCORPORATED
604-605 TOWER ONE & EXCHANGE PLAZA, AYALA TRIANGLE
AYALA AVENUE, MAKATI CITY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

WILLIAM B. GO
Chairman of the Board

ALINE G. SY
President

NATALIE G. DI
Treasurer

Signed this 4th day of April 2023.

INVESTORS SECURITIES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2022 Security Valuation Long	2022 Security Valuation Short	2021	2021 Security Valuation Long	2021 Security Valuation Short
A S S E T S							
CASH AND CASH EQUIVALENTS	4	P 38,093,090			P 43,127,195		
INVESTMENTS							
At fair value through profit or loss (FVTPL)	5	1,606,157	P 1,606,157		4,724,373	P 4,724,373	
At fair value through other comprehensive income (FVOCI)	5	37,920,000	37,920,000		51,600,000	51,600,000	
RECEIVABLE FROM CUSTOMERS - Net	6	1,382,106	16,204,082		2,225,764	85,127,923	
RECEIVABLE FROM CLEARING HOUSE	18	775,967			-		
TRADING RIGHT	7	880,000			880,000		
PROPERTY AND EQUIPMENT - Net	8	4,573,877			4,981,692		
DEFERRED TAX ASSET	16	366,800			-		
OTHER ASSETS - Net	9	3,379,932			2,633,540		
TOTAL ASSETS		P 88,977,929			P 110,172,564		
SECURITIES							
In Box, with Philippine Depository and Trust Corporation, Clearing House and Transfer Offices				P 2,013,154,794			P 2,387,858,416
LIABILITIES AND EQUITY							
PAYABLE TO CUSTOMERS	10	P 13,163,433	1,957,424,555		P 14,107,154	2,246,406,120	
PAYABLE TO CLEARING HOUSE	18	-			461,267		
OTHER PAYABLES	11	7,613,580			11,234,488		
DEFERRED TAX LIABILITY	16				3,053,200		
EQUITY	2, 12	68,200,916			81,316,455		
TOTAL LIABILITIES AND EQUITY		P 88,977,929	P 2,013,154,794	P 2,013,154,794	P 110,172,564	P 2,387,858,416	P 2,387,858,416

See Notes to Financial Statements.

INVESTORS SECURITIES, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
INCOME			
Commissions	2	P 3,387,818	P 6,117,358
Gain on sale of investments at FVTPL - net	5	2,882,391	24,077,465
Dividends	5	2,858,239	2,240,194
Rental	17	2,263,080	2,263,080
Fair value gains (losses) on investments at FVTPL - net	5	(634,257)	1,530,146
Others	14	307,331	152,314
		11,064,602	36,380,557
COSTS AND OPERATING EXPENSES			
Salaries and employee benefits	15	5,669,925	6,397,626
Professional fees		3,310,683	16,263,398
Stock exchange fees and dues	13	758,434	255,843
Condominium fees and dues		731,510	900,924
Depreciation and amortization	8, 9	664,342	624,535
Utilities		601,423	531,376
Repairs and maintenance		392,236	927,213
Transportation and travel		110,665	96,078
Advertising		56,251	280,949
Others	14	1,962,101	1,565,226
		14,257,570	27,843,168
INCOME (LOSS) BEFORE TAX		(3,192,968)	8,537,389
TAX EXPENSE	16	84,346	186,587
NET INCOME (LOSS)		(3,277,314)	8,350,802
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified subsequently to profit or loss			
Fair value gains (losses) on financial assets at fair value through other comprehensive income - net	5	(13,680,000)	14,664,000
Remeasurements of post-employment defined benefit obligation	15	421,775	859,432
Tax income (expense)	16	3,420,000	(3,972,400)
		(9,838,225)	11,551,032
TOTAL COMPREHENSIVE INCOME (LOSS)		(P 13,115,539)	P 19,901,834

See Notes to Financial Statements.

INVESTORS SECURITIES, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Capital Stock (Note 12)	Additional Paid-in Capital (Note 2)	Revaluation Reserves (Note 12)	Retained Earnings (Note 12)		Total
				Appropriated	Unappropriated	
Balance at January 1, 2022	P 56,708,600	P 396,162	P 6,832,528	P 13,428,224	P 3,950,941	P 81,316,455
Total comprehensive loss for the year	-	-	(9,838,225)	-	(3,277,314)	(13,115,539)
Balance at December 31, 2022	**P 56,708,600**	**P 396,162**	**(P 3,005,697)**	**P 13,428,224**	**P 673,627**	**P 68,200,916**
Balance at January 1, 2021	P 56,708,600	P 396,162	(P 4,718,504)	P 13,428,224	(P 4,399,861)	P 61,414,621
Total comprehensive income for the year	-	-	11,551,032	-	8,350,802	19,901,834
Balance at December 31, 2021	P 56,708,600	P 396,162	P 6,832,528	P 13,428,224	P 3,950,941	P 81,316,455

See Notes to Financial Statements.

INVESTORS SECURITIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before tax		(P 3,192,968)	P 8,537,389
Adjustments for:			
Dividends	5	(2,858,239)	(2,240,194)
Fair value losses (gains) on investments at FVTPL - net	5	634,257	(1,530,146)
Depreciation and amortization	8, 9	664,342	624,535
Interest income	4, 14	(208,521)	(123,954)
Impairment (reversal of impairment) losses	6	4,367	(13,642)
Operating income (loss) before working capital changes		(4,956,762)	5,253,988
Decrease in investments at FVTPL		2,483,959	1,526,000
Decrease in receivable from customers		839,291	478,160
Increase in other assets		(845,987)	(1,219,887)
Increase (decrease) in payable to customers		(943,721)	52,005
Decrease in payable to clearing house		(1,237,234)	(2,651,719)
Decrease (increase) in other payables		(3,199,133)	3,851,924
Cash (used in) generated from operations		(7,859,587)	7,290,471
Dividends received	5	2,858,239	2,240,194
Interest received		172,631	119,660
Cash paid for final taxes	16	(34,754)	(24,791)
Net Cash From (Used in) Operating Activities		(4,863,471)	9,625,534
CASH FLOW FROM AN INVESTING ACTIVITY –			
Acquisitions of property and equipment	8	(170,634)	(88,390)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(5,034,105)	9,537,144
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		43,127,195	33,590,051
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 38,093,090	P 43,127,195

See Notes to Financial Statements.

INVESTORS SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Corporate Information

Investors Securities, Inc. (the Company) was incorporated in the Philippines on April 16, 1969 to engage primarily in the stock brokerage business and to deal in securities and all activities directly connected therewith or incidental thereto. On June 6, 2016, the Company amended its articles of incorporation and by-laws to extend the term of the Company for another 50 years from and after April 16, 2019. The amendment to the articles of incorporation and by-laws was approved by the Securities and Exchange Commission (SEC) on August 3, 2016.

The Company is a member of the Philippine Stock Exchange (PSE) and operates within the Philippines.

The Company's registered office, which is also its principal place of business, is located at Unit 604-605 Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The financial statements of the Company as at and for the year ended December 31, 2022 (including the comparative financial statements as at and for the year ended December 31, 2021) were authorized for issue by the Board of Directors (BOD) on April 4, 2023.

1.2 Impact of Russia - Ukraine Conflict and Continuing Impact of COVID-19 Pandemic on the Company's Business

The COVID-19 pandemic and the containment measures implemented by the government disrupted domestic businesses and trade. Although the spread of the virus has abated, and most of health and safety restrictions have been relaxed, and businesses have re-opened as of the end of 2022, the threat of new variants of the virus remain.

The Company being in the securities industry was heavily affected by the spur of inflationary pressures leading to a slow global growth due to the ongoing Russia-Ukraine conflict. The persistent inflation and tighter financial condition have caused the downward trajectory of the market, hence incurring significant fair value losses on its financial assets during the year.

The combined continuing effects of COVID-19 outbreak and the decline in the market hampered the anticipated business recovery of the Company during the year.

Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, management projects that the Company would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern due to the effects of the pandemic.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income and expense and other comprehensive income or loss in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

(d) Security Valuation

The security position of customers classified as long position pertains to shares of stock that a customer bought with the expectation that the shares will rise in value. The corresponding locations of these shares are also indicated.

2.2 *Adoption of Amended PFRS*

(a) Effective in 2022 that are Relevant to the Company

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these pronouncements.

(i) Annual PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Company's financial statements as there were no sales of such items produced by property and equipment made before being available for use on or after the beginning of the earliest period presented.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Company's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous.

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Company's financial statements:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities.* The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) Effective in 2022 that are not Relevant to the Company

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Company's financial statements:

(i) PFRS 3 (Amendments), *Business Combinations - Reference to the Conceptual Framework*

(ii) Annual Improvements to PFRS 2018-2020 Cycle:

a. PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*

b. PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to 2022 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Company's financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

2.3 Securities Transactions

Securities transactions and related commission revenues and expenses (see Note 2.12) are recorded on a transaction-date basis. Significant related expenses in these transactions are presented as Stock Exchange Fees and Dues in the statement of comprehensive income. This account includes:

(a) fees paid to PSE, SEC and Securities Investors Protection Fund for every trade transaction made by the Company relative to the respective volumes of such transactions which are recognized as expense on the date they are incurred; and,

(b) Philippine Central Depository charges, which refer to depository maintenance fees for the customer accounts of the Company maintained with the Philippine Depository and Trust Corporation (PDTC), the independent custodian of scripless securities which are traded in the PSE, which are recognized as expense upon utilization of the service of the PDTC.

2.4 Current versus Non-current Classification

The Company presents assets and liabilities in the statement of financial position based on current or non-current classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after the reporting period; or,
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.5 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the financial instrument.

(a) *Financial Assets*

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation.* All other non-derivative financial instruments are treated as debt instruments.

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Company commits to purchase or sell the asset).

(i) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below and in the succeeding pages.

Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are "solely payments of principal and interests" (SPPI) on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit losses (ECL).

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Receivable from Customers, and Other Assets (in relation to Clearing and trade guaranty fund and Other receivables).

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash in banks. These generally include demand deposits and short-term highly liquid investments which are subject to insignificant risk of changes in value.

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Company for trading or as mandatorily required to be classified as financial assets at fair value through profit or loss (FVTPL).

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss upon disposal or derecognition. As of December 31, 2022 and 2021, the Company has no debt securities classified as FVOCI.

Any dividends earned on holding equity instruments are recognized as Dividends in the statement of comprehensive income, when the Company's right to receive dividends is established; it is probable that the economic benefits associated with the dividend will flow to the Company; and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

Financial Assets at FVTPL

Financial assets that are held within a different business model other that "hold to collect" or "hold to collect and sell" are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Company designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Company's financial assets at FVTPL consists of equity securities which are held for trading purposes.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or,
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Financial assets at FVTPL are measured at fair value with gains or losses arising from changes (mark-to-market) in the fair value and from disposals of these instruments recognized in profit or loss as Fair Value Gains (Losses) on Investments at FVTPL and Gain on Sale of Investments at FVTPL, respectively, in the period in which they arise. Related transaction costs are recognized directly as expense in profit or loss. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

Dividends earned is recognized as Dividends in the statement of comprehensive income when the Company's right to receive dividend is established.

Interest income on financial assets measured at amortized cost is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model has changed so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(ii) Impairment of Financial Assets

At the end of the reporting period, the Company assesses and recognizes allowance for ECL on its financial assets measured at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Company recognizes lifetime ECL for receivable from customers. The ECL on this asset is estimated by applying the simplified approach using a provision matrix developed based on the Company's historical credit loss experience and credit information that are specific to the debtors, adjusted for general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. This asset is assessed for impairment on a collective basis based on shared credit risk characteristics.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months or over the remaining lifetime of the obligation.

- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time (either over the next 12 month, or over the remaining lifetime). It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral. It is presented as a percentage loss per unit of exposure at the time of default.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation; hence, this is the amount that the Company expects to be owed at the time of default over the next 12 months or over the remaining lifetime.

The Company recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(iii) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(b) Financial Liabilities

Financial liabilities, which include Payable to Customers, Payable to Clearing House and Accounts payable (except government related liabilities) presented under Other Payables in the statement of financial position, are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liabilities, if any, are recognized as part of Others under Costs and Operating Expenses in the statement of comprehensive income.

Financial liabilities are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for those with maturities beyond one year, less settlement payments.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.6 Property and Equipment

Property and equipment are carried at acquisition cost less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Office condominium	30 years
Building improvements	3 -10 years
Furniture and fixtures	3 -10 years
Transportation and office equipment	3 -10 years

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 (see Note 2.14).

Fully depreciated assets are retained in accounts until they are no longer in use and no further change for depreciation is made in respect of those assets.

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.7 Intangible Assets

Intangible assets (presented as part of Other Assets in the statement of financial position) include acquired computer software and trading right accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. In addition, intangible assets are subject to impairment testing as described in Note 2.14.

Trading right, which has indefinite useful life, represents the value of the exchange seat which allows the Company to trade in the PSE. Trading right is tested annually for impairment and is carried at cost less accumulated impairment loss, if any.

Acquired computer software are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs of computer software are amortized on a straight-line basis over the estimated useful lives of ten years as the lives of these intangible assets are considered finite. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.8 Other Assets

Other assets, which are non-financial assets, pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

2.9 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.10 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.11 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital represents premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserves include the unrealized fair value changes on financial assets at FVOCI and remeasurements of post-employment benefit obligation, net of applicable taxes.

Appropriated retained earnings pertain to reserve fund required to be maintained by companies engaged in the securities brokerage business in compliance with SEC Memorandum Circular (MC) No. 16, Series of 2014.

Unappropriated retained earnings include all current and prior period results as disclosed in the profit or loss section of the statement of comprehensive income, reduced by the amounts of dividends declared, and additional appropriations.

2.12 Revenue and Cost Recognition

Revenue comprises revenue from rendering of services measured by reference to the fair value of consideration received or receivable by the Company for services rendered, excluding value-added tax (VAT).

To determine whether to recognize revenue, the Company follows a five-step process:

(a) identifying the contract with a customer;
(b) identifying the performance obligation;
(c) determining the transaction price;
(d) allocating the transaction price to the performance obligations; and,
(e) recognizing revenue when/as performance obligations are satisfied.

The Company determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

(i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
(iii) the payment terms for the goods or services to be transferred or performed can be identified;
(iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

(i) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
(ii) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
(iii) the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

The Company's revenues that are within the scope of PFRS 15, *Revenues from Contracts with Customers*, include commissions, which are recognized as actual revenues and are charged to customers on a transaction-date basis as securities transactions occur; hence, at a point in time.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date the costs and expenses are incurred. All finance costs are reported in profit or loss on an accrual basis. The Company does not have any qualifying asset or associated borrowings that would require capitalization of borrowing costs.

2.13 Leases – Company as a Lessor

Leases wherein the Company substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Company's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Company's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

Rental income is recognized on a straight-line basis over the lease term. The rental income is shown as Rental under the Income section of the statement of comprehensive income.

2.14 Impairment of Non-financial Assets

The Company's property and equipment, computer software, trading right and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.15 Employee Benefits

The Company provides employee benefits through a defined benefit plan, defined contribution plan, and other benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan, which is currently unfunded, is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. The Company's defined benefit post-employment plan covers all regular full-time employees.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Others under Costs and Operating Expenses in the statement of comprehensive income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity such as the Social Security System. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Bonus Plans

The Company recognizes a liability and an expense for bonuses. The Company recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

2.16 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

2.17 Related Party Transactions and Relationships

Related party transactions are transfer of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; and, (b) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.18 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Determination of Timing of Satisfaction of Performance Obligations

The Company determines that its revenue from commissions, which are actual revenues and are charged to customers on a transaction-date basis as securities transaction occur, shall be recognized at a point in time.

The related performance obligation is generally satisfied when the contractually agreed tasks are rendered. The Company determines that control is already transferred upon issuance of the buy and/or sell confirmation to the customer.

(b) Determination of ECL on Receivable from Customers

The Company uses simplified approach, which is based on the Company's historical observed default rates, to calculate ECL for receivable from customers. The provision rates are based on days past due (age buckets). Management will regularly assess (i.e., on an annual basis) to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Company's receivable from customers are disclosed in Note 20.1.

(c) Evaluation of Business Model Applied in Managing Financial Instruments

The Company manages its financial assets based on a business model that maintains adequate level of financial assets to match its expected cash outflows, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

The Company developed business models, which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Company evaluates in which business model a financial instrument or a portfolio of financial instruments belong to, taking into consideration the objectives of each business model established by the Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Company's trading and investment strategies.

(d) Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

The Company assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Company assesses the modified time value of money feature to determine whether the financial instrument meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Company considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

(e) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and contingencies are discussed in Note 2.10 and relevant disclosures are presented in Note 19.

(f) Distinction Between Operating and Finance Leases for Contracts where the Company is the Lessor

The Company has entered into lease agreements for certain office spaces. Critical judgment was exercised by management to distinguish the lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the property covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

3.2 Key Sources of Estimation of Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of the issuer defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 20.1.

(b) *Determination of Fair Value Measurement for Financial Assets at FVTPL and FVOCI*

The Company carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument that is substantially the same, or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect profit or loss and other comprehensive income.

The carrying values of the Company's investments at FVPTL and FVOCI and the amounts of fair value changes recognized during the years on those assets are disclosed in Note 5.

(c) *Estimation of Useful Lives of Property and Equipment and Computer Software*

The Company estimates the useful lives of property and equipment and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and computer software are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property and equipment and computer software are presented in Notes 8 and 9, respectively. Based on management's assessment as at December 31, 2022 and 2021, there is no change in the estimated useful lives of property and equipment and computer software during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period 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 deferred tax asset to be utilized. As at December 31, 2022 and 2021, except for the deferred tax asset related to the fair value movement of the Company's financial assets at FVOCI, the Company did not recognize all other deferred tax assets as the Company does not expect to have sufficient taxable profit in the future. The carrying amount of unrecognized deferred tax assets as at December 31, 2022 and 2021 are disclosed in Note 16.

(e) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.14). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

The Company did not recognize any impairment losses on its non-financial assets in 2022 and 2021.

(f) *Valuation of Post-employment Benefit Obligation*

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and expected salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 15.2.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	2022	2021
Cash on hand	**P 8,000**	P 5,000
Cash in banks	**14,275,106**	13,330,829
Short-term placements	**23,809,984**	29,791,366
	P 38,093,090	P 43,127,195

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods averaging 90 days and earn interest of 0.63% per annum in 2022 and 2021. Interest income earned on cash in banks and short-term placements amounted to P0.2 million and P0.1 million in 2022 and 2021, respectively, and is recognized as part of Others under Income section of the statements of comprehensive income (see Note 14). Accrued interest receivable on short-term placements amounted to P39,196 and P3,306 as at December 31, 2022 and 2021, respectively, and is recognized as part of Other receivables under Other Assets in the statements of financial position (see Note 9).

The Company maintains short-term placements in a special reserve bank account to comply with Securities Regulation Code (SRC) Rule 49.2, *Customer Protection Reserves and Custody of Securities*, amounting to P7.0 million both as of December 31, 2022 and 2021.

5. INVESTMENTS

5.1 Financial Assets at FVTPL

This account consists of equity securities listed in PSE. The fair value of the listed equity securities amounted to P1.6 million and P4.7 million as at December 31, 2022 and 2021, respectively.

All amounts presented have been determined directly by reference to published prices quoted in an active market.

The Company recognized net decrease in fair values of financial assets at FVTPL amounting to P0.6 million and net increase P1.5 million in 2022 and 2021, respectively, which is presented as Fair Value Gains (Losses) on Investments at FVTPL - net under the Income section of the statements of comprehensive income.

Dividends earned and received in 2022 and 2021 is presented as part of Dividends under the Income section of the statements of comprehensive income.

The Company recognized net gain on sale of financial assets at FVTPL amounting to P2.9 million in 2022 and P24.1 million in 2021, which is presented as Gain on Sale of Investments at FVTPL - net under the Income section of the statements of comprehensive income.

5.2 Financial Assets at FVOCI

The reconciliation of the carrying amounts of investments in PSE shares classified as financial assets at FVOCI as at December 31 is as follows:

	2022	2021
Balance at beginning of year	**P 51,600,000**	P 36,936,000
Unrealized fair value gains (losses)	**(13,680,000)**	14,664,000
Balance at end of year	**P 37,920,000**	P 51,600,000

On February 17, 2022, PSE approved the declaration of regular and special cash dividends amounting to P4.00 per share and P7.00 per share, respectively, in favor of stockholders on record as at March 9, 2022 and were paid on April 4, 2022.

While on February 24, 2021, PSE approved the declaration of regular and special cash dividends amounting to P3.77 per share and P4.23 per share, respectively, in favor of stockholders on record as at March 22, 2021 and were paid on April 15, 2021.

The Company recorded the related dividends amounting to P2.6 million and P1.9 million in 2022 and 2021, respectively, from its investments in PSE shares as part of Dividends under the Income section of the statements of comprehensive income.

As at December 31, 2022 and 2021, the Company holds 240,000 PSE shares.

6. RECEIVABLE FROM CUSTOMERS

This account is broken down as follows:

	2022		2021	
	Debit Balance	Security Valuation Long Position	Debit Balance	Security Valuation Long Position
Cash accounts:				
More than 250%	P 788,045	P 14,745,276	P 2,197,648	P 85,065,733
Between 200% and 250%	609,174	1,453,095	17,945	44,677
Between 100% and 200%	-	-	10,096	17,490
Less than 100%	8,052	5,711	196	23
Unsecured accounts	1,457	-	20,134	-
	1,406,728	16,204,082	2,246,019	85,127,923
Allowance for impairment loss	(24,622)	-	(20,255)	-
	P 1,382,106	P 16,204,082	P 2,225,764	P 85,127,923

Receivable from customers are usually due within three days and do not bear any interest. All receivable from customers are subject to credit risk exposure. However, the Company does not identify specific concentrations of credit risk with regard to due from customers as the amounts recognized resemble a large number of receivables from various customers.

All of the Company's receivable from customers have been assessed for impairment using the ECL methodology. In 2022, the Company recognized additional impairment losses amounting to P4,367, while in 2021, the Company recognized reversal of impairment losses amounting to P13,642, which are recorded as part of Other Costs and Operating Expenses in the 2022 statement of comprehensive income and Miscellaneous under Other Income in the 2021 statement of comprehensive income (see Note 14).

The details of the Company's allowance for impairment loss are shown below.

	2022	2021
Balance at beginning of year	P 20,255	P 33,897
Additional impairment (reversal) during the year	4,367	(13,642)
Balance at end of year	P 24,622	P 20,255

7. TRADING RIGHT

The carrying value of PSE trading right amounted to P0.9 million as at December 31, 2022 and 2021.

As required under PSE rules, the Company's trading right is pledged at its full value to the PSE to secure the payment of all debts to other members of the PSE arising from, or in connection with, the present or future member's contracts.

In accordance with PAS 38, *Intangible Assets*, intangible asset with indefinite useful life will not be amortized but shall be reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. The Company tests the asset for impairment annually by comparing its carrying amount with its recoverable amount, and recognizing any excess of the carrying amount over the recoverable amount as an impairment loss.

The Company has no intention to sell the trading right in the future as it intends to continue to operate as a stock brokerage entity. The last transacted price for the trading right amounted to P8.5 million as reported on December 14, 2011 by the PSE. As such, no allowance for impairment was recorded for both years.

8. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation of property and equipment at the beginning and end of 2022 and 2021 are shown below.

	Office Condominium	Building Improvements	Furniture and Fixtures	Transportation and Office Equipment	Total
December 31, 2022					
Cost	P 14,213,265	P 2,603,007	P 870,505	P 3,835,712	P 21,522,489
Accumulated depreciation	(9,843,611)	(2,603,007)	(870,505)	(3,631,489)	(16,948,612)
Net carrying amount	P 4,369,654	P -	P -	P 204,223	P 4,573,877
December 31, 2021					
Cost	P 14,213,265	P 2,603,007	P 870,505	P 3,665,078	P 21,351,855
Accumulated depreciation	(9,369,835)	(2,603,007)	(870,505)	(3,526,816)	(16,370,163)
Net carrying amount	P 4,843,430	P -	P -	P 138,262	P 4,981,692
January 1, 2021					
Cost	P 14,213,265	P 2,603,007	P 870,505	P 3,576,687	P 21,263,464
Accumulated depreciation	(8,896,059)	(2,603,007)	(870,505)	(3,461,949)	(15,831,520)
Net carrying amount	P 5,317,206	P -	P -	P 114,738	P 5,431,944

A reconciliation of the carrying amounts at the beginning and end of 2022 and 2021 of property and equipment is shown below.

	Office Condominium	Building Improvements	Furniture and Fixtures	Transportation and Office Equipment	Total
Balance at January 1, 2022, net of accumulated depreciation	P 4,843,430	P -	P -	P 138,262	P 4,981,692
Additions	-	-	-	170,634	170,634
Depreciation charges for the year	(473,776)	(-)	(-)	(104,673)	(578,449)
Balance at December 31, 2022, net of accumulated depreciation	P 4,369,654	P -	P -	P 204,223	P 4,573,877
Balance at January 1, 2021, net of accumulated depreciation	P 5,317,206	P -	P -	P 114,738	P 5,431,944
Additions	-	-	-	88,390	88,390
Depreciation charges for the year	(473,776)	(-)	(-)	(64,866)	(538,642)
Balance at December 31, 2021, net of accumulated depreciation	P 4,843,430	P -	P -	P 138,262	P 4,981,692

Depreciation charges in 2022 and 2021 is presented as part of Depreciation and Amortization account in the statements of comprehensive income.

The Company's fully depreciated assets amounting to P6.9 million as at December 31, 2022 and 2021, are still being used in the operations.

9. OTHER ASSETS

This account consists of:

	Note	2022	2021
Clearing and trade guaranty fund (CTGF)		**P 1,569,436**	P 1,230,852
Tax credits		**557,543**	459,214
Other receivables	4	**514,368**	332,714
Intangible assets - net		**161,086**	246,979
Prepayments		**542,549**	260,108
Input VAT		**2,223**	-
Others		**32,727**	103,673
		P 3,379,932	P 2,633,540

Intangible assets pertain to computer software and PSE tradex system acquired by the Company. A reconciliation of the carrying amounts at the beginning and end of 2022 and 2021 of intangible assets is shown below.

	2022	2021
Balance at beginning of year, net of accumulated amortization	**P 246,979**	P 332,872
Amortization	**(85,893)**	(85,893)
Balance at end of year, net of accumulated amortization	**P 161,086**	P 246,979

Amortization charges on intangible assets in 2022 and 2021 is presented as part of Depreciation and Amortization account in the statements of comprehensive income.

On July 25, 2018, Securities Clearing Corporation of the Philippines (SCCP) issued Memo No. 01-0718, *Return of Contribution to the Clearing and Trade Guaranty Fund*, informing brokers of the amendments to SCCP Rule 5.2, *Return of Required Contribution*, and Operating Procedure 4.3.1.3, *Directive on Non-Refundability of the Clearing Member's Contributions*, making the clearing members contributions to the CTGF refundable to clearing members upon cessation of their business and/or termination of their membership with SCCP provided that all liabilities of such clearing member owing to the SCCP at the time of termination, whether actual or contingent, shall have been satisfied or paid in full. These amendments took effect on August 1, 2018 and applicable to current and active PSE trading participants/clearing members of the SCCP.

The breakdown of other assets as to their maturities is presented below.

	2022	2021
One year and below	**P 1,649,410**	P 1,155,709
Beyond one year	**1,730,522**	1,477,831
	P 3,379,932	P 2,633,540

10. PAYABLE TO CUSTOMERS

This account is broken down as follows:

	2022		2021	
	Credit Balance	**Security Valuation Long Position**	Credit Balance	Security Valuation Long Position
With money balance	**P 13,163,433**	**P 476,429,067**	P 14,107,154	P 476,735,127
Without money balance	**-**	**1,480,995,488**	-	1,769,670,993
	P 13,163,433	**P1,957,424,555**	P 14,107,154	P 2,246,406,120

Payable to customers are noninterest-bearing and are normally settled within three days after trading date.

Payable to customers as at December 31, 2022 and 2021 will mature within one year from the end of each reporting period.

11. OTHER PAYABLES

This account consists of:

	Notes	2022	2021
Post-employment defined benefit obligation	15.2	**P 3,616,834**	P 3,919,078
Accounts payable	18.1	**3,345,274**	6,329,441
Dealer deposits		**530,000**	682,190
Others		**121,472**	303,779
		P 7,613,580	P 11,234,488

The breakdown of other payables as to their maturities is presented below.

	2022	2021
One year and below	**P 3,996,746**	P 7,315,410
Beyond one year	**3,616,834**	3,919,078
	P 7,613,580	P 11,234,488

12. EQUITY

12.1 Capital Stock

The Company has 800,000 shares of authorized capital stock at P100 par value per share. As of December 31, 2022 and 2021, 567,086 shares out of the total authorized shares are issued and outstanding which amounted to P56.7 million.

As at December 31, 2022 and 2021, the Company has ten stockholders owning 100 or more shares each of the Company's capital stock.

12.2 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statements of changes in equity at their aggregate amounts under Revaluation Reserves account are shown below.

	Notes	Financial Assets at FVOCI	Post-employment Defined Benefit Obligation	Total
Balance as at January 1, 2022		P 8,546,800	(P 1,714,272)	P 6,832,528
Unrealized fair value loss on financial assets at FVOCI	5.2	(13,680,000)	-	(13,680,000)
Actuarial gains on post-employment defined benefit obligation	15.2	-	421,775	421,775
Tax income	16	3,420,000	-	3,420,000
Other comprehensive income after tax		(10,260,000)	421,775	(9,838,225)
Balance as at December 31, 2022		**(P 1,713,200)**	**(P 1,292,497)**	**(P 3,005,697)**
Balance as at January 1, 2021		(P 2,144,800)	(P 2,573,704)	(P 4,718,504)
Unrealized fair value gains on financial assets at FVOCI	5.2	14,664,000	-	14,664,000
Actuarial gains on post-employment defined benefit obligation	15.2	-	859,432	859,432
Tax expense	16	(3,972,400)	-	(3,972,400)
Other comprehensive income after tax		10,691,600	859,432	11,551,032
Balance as at December 31, 2021		P 8,546,800	(P 1,714,272)	P 6,832,528

12.3 Capital Management Policies and Procedures

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to owners.

The Company monitors capital on the basis of the carrying amount of its equity less cash as presented on the statements of financial position. However, since the Company has no existing significant borrowings, it has not maintained a structured capital management policy.

12.4 Minimum Capital Requirement

On November 11, 2004, the SEC issued MC No. 16, *Adoption of the Risk-Based Capital Adequacy Requirement/ Ratio for Brokers Dealers*, which provides for the guidelines on the adoption in the Philippines of the Risk-Based Capital Adequacy (RBCA) Framework for all registered brokers in accordance with the SRC.

These guidelines cover the following risks:

(a) position on market risk;

(b) credit risks such as counterparty, settlement, large exposure and margin financing risks; and,

(c) operational risk.

The Company monitors capital on the basis of RBCA ratio and Net Liquid Capital (NLC). RBCA requirement is the minimum level of capital that has to be maintained by firms which are licensed, or securing a broker dealer license, taking into consideration the firm size, complexity and business risk. Such risks that are considered in determining the capital requirement include, among others, Operational, Position and Credit Risk (which include counterparty, large exposure, underwriting, and margin financing risks). RBCA ratio is the quotient of the NLC and the sum of the requirements for operation risk, credit risk and position or market risk.

NLC, on the other hand, represents the equity eligible for NLC adjusted for non-allowable current and non-current assets as described under the circular.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Under the guidelines set out by the SEC, all registered brokers dealers should maintain the following RBCA and NLC requirements:

(a) *RBCA Ratio Requirement*

Every broker dealer shall ensure that its RBCA ratio is greater than or equal to 1:1. As at December 31, 2022 and 2021, the Company is in compliance with minimum capital requirement set out by the RBCA framework. The Company's RBCA ratio is 4.4:1 and 3.8:1 as at December 31, 2022 and 2021, respectively.

(b) *NLC Requirement*

Every broker dealer shall, at all times, have and maintain NLC of at least P5.0 million or 5% of the aggregate indebtedness, whichever is higher. However, a broker dealer who deals only with proprietary shares who does not keep the shares under its custody shall maintain NLC of P2.5 million or 2.5% of the aggregate indebtedness, whichever is higher.

No broker dealer shall permit its aggregate indebtedness to exceed 2,000% of its NLC. The Company's NLC is P21.4 million and P21.2 million as at December 31, 2022 and 2021, respectively, which is more than 5% of the Company's aggregate indebtedness.

On May 28, 2009, the SEC approved PSE's Rules Governing Trading Rights and Trading Participants which provides among others the following provisions:

(a) Trading participants should have a minimum unimpaired paid-up capital (defined as the trading participant's total paid up capital less any deficiency in the retained earnings account) of P20.0 million effective December 31, 2009, provided further that effective December 31, 2010 and onwards, the minimum unimpaired paid up capital shall be P30.0 million; and,

(b) each trading participant shall pledge its trading right to the extent of its full value to secure the payment of all of debts and claims due to the trading participant, the government, PSE and to other trading participants of the PSE and to the SCCP.

As at December 31, 2022 and 2021, the Company is in compliance with PSE's Rules Governing Trading Rights and Trading Participants.

12.5 Retained Earnings Appropriation

Rule 49.1(B), *Reserve Fund of SEC MC No. 16*, requires that every broker dealer shall annually appropriate a certain minimum percentage of its audited profit after tax and transfer the same to Appropriated Retained Earnings account in the statements of financial position. Appropriation shall be 30%, 20% and 10% of profit after tax for broker dealers with unimpaired paid up capital of between P10.0 million to P30.0 million, between P30.0 million and P50.0 million and above P50.0 million, respectively, which shall be presented as part of Cash and Cash Equivalents in the statements of financial position.

There has been no additional appropriation in 2022 and 2021 since the Company's appropriated retained earnings amounting to P13.4 million is still in excess of the required appropriation.

13. COST OF SERVICES

The details of cost of services are shown below.

	Note	2022	2021
Professional fees		**P 2,787,683**	P 13,007,264
Salaries and employee benefits	15.1	**1,691,688**	339,932
Stock exchange fees and dues		**758,434**	255,843
		P 5,237,805	P 13,603,039

14. OTHER INCOME AND EXPENSES

These accounts are composed of the following:

	Notes	2022	2021
Other income:			
Interest	4	**P 208,521**	P 123,954
Miscellaneous	6	**98,810**	28,360
		P 307,331	P 152,314

	Notes		2022		2021
Other expenses:					
Deficiency taxes		P	**878,133**	P	-
Taxes and licenses			**262,157**		238,283
Interest expense	15.2		**199,481**		176,789
Supplies			**99,380**		211,929
Fuel and lubricants			**62,843**		96,283
Insurance			**38,463**		43,916
Representation and entertainment			**25,346**		392,467
Miscellaneous	6		**396,298**		405,559
		P	**1,962,101**	P	1,565,226

15. SALARIES AND EMPLOYEE BENEFITS

15.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Note		2022		2021
Salaries and wages		P	**4,475,710**	P	4,687,359
Staff benefits			**497,755**		679,086
Social security costs			**289,658**		267,383
Post-employment benefits	15.2		**237,850**		254,107
Other allowances			**168,952**		509,691
		P	**5,669,925**	P	6,397,626

The amounts of salaries and employee benefits are allocated as follows:

	Note		2022		2021
Operating expenses		P	**3,978,236**	P	6,057,694
Cost of services	13		**1,691,689**		339,932
		P	**5,669,925**	P	6,397,626

15.2 Post-employment Benefit Obligation

The Company determines the amount of post-employment benefit obligation based on Republic Act (R.A.) No. 7641, *The Retirement Pay Law*. Actuarial valuations are made regularly to update the retirement benefit costs and the amount of contributions. All amounts presented in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary. Post-employment benefit obligation, shown as part of Other Payables account in the statements of financial position, amounted to P3.6 million and P3.9 million as at December 31, 2022 and 2021, respectively (see Note 11).

The movements in the present value of post-employment defined benefit obligation are as follows:

		2022		2021
Balance at beginning of year	P	3,919,078	P	4,533,041
Benefits paid	(	317,800)	(	185,427)
Current service cost		237,850		254,107
Interest cost		199,481		176,789
Remeasurements –				
Actuarial losses (gains) arising from:				
Change in financial assumptions	(	757,172)	(	938,577)
Experience adjustments		335,397		79,145
Balance at end of year	P	3,616,834	P	3,919,078

The components of amounts recognized in profit or loss and in other comprehensive income or loss in respect of the post-employment defined benefit obligation are presented below.

	Notes		2022		2021
Reported in profit or loss:					
Current service cost	15.1	P	237,850	P	254,107
Interest cost	14		199,481		176,789
		P	437,331	P	430,896
Reported in other comprehensive income or loss –					
Actuarial losses (gains) arising from:					
Change in financial assumptions		(P	757,172)	(P	938,577)
Experience adjustments			335,397		79,145
	12.2	(P	421,775)	(P	859,432)

The amount of current service cost is presented as part of Salaries and Employee Benefits account in the statements of comprehensive income (see Note 15.1). The amount of interest cost related to the post-employment defined benefit obligation is presented as Interest expense under Others account of Costs and Operating Expenses section of the statements of comprehensive income (see Note 14).

Amounts recognized in other comprehensive income or loss were included within item that will not be reclassified subsequently to profit or loss.

As at December 31, 2022 and 2021, the Company has not set up fund assets for its retirement plan.

The maturity profile of undiscounted expected benefit payments from the plan amounted to P3.6 million and P3.9 million with maturity of more than five years to ten years, as at December 31, 2022 and 2021, respectively.

In determining the post-employment defined benefit obligation, the following actuarial assumptions were used:

	2022	2021
Discount rates	**7.22%**	5.09%
Expected salary increase rate	**5.00%**	5.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 22.1 years.

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as at December 31, 2022 and 2021:

	Change in Assumption	Impact on Post-employment Defined Benefit Obligation	
		Increase in Assumption	Decrease in Assumption
December 31, 2022			
Discount rate	**100 bps**	**Decreased by 7.4%**	**Increased by 8.4%**
Salary increase rate	**100 bps**	**Increased by 8.5%**	**Decreased by 7.6%**
December 31, 2021			
Discount rate	100 bps	Decreased by 8.8%	Increased by 10.1%
Salary increase rate	100 bps	Increased by 10.0%	Decreased by 8.9%

The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of each reporting period, while holding all other assumptions constant.

The sensitivity analysis stated above may not be representative of the actual change in the post-employment defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the post-employment defined benefit obligation has been calculated using the projected unit credit method at the end of each reporting period, which is the same as that applied in calculating the defined post-employment defined benefit obligation recognized in the statements of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

16. TAXES

The components of tax expense as reported in profit or loss and other comprehensive income or loss for the years ended December 31 are as follows:

	2022	2021
Reported in profit or loss:		
Current tax expense:		
Minimum corporate income tax (MCIT) at 1%	**P 49,592**	P 205,379
Final tax at 20%	**34,754**	24,791
Effect of the change in income tax rate	**-**	(43,583)
	P 84,346	P 186,587
Reported in other comprehensive income or loss:		
Deferred tax expense (income) relating to fair value changes on financial assets at FVOCI	**(P 3,420,000)**	P 3,666,000
Effect of the change in income tax rate	**-**	306,400
	(P 3,420,000)	P 3,972,400

The reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense follows:

	2022	2021
Tax on pretax (loss) income at 25%	**(P 798,242)**	P 2,134,347
Adjustment for income subjected to lower tax rates	**(8,688)**	(6,198)
Tax effects of:		
Unrecognized deferred tax assets	**1,386,253**	(1,401,855)
Non-taxable income	**(714,560)**	(560,049)
Non-deductible expenses	**219,583**	63,925
Effect of the change in income tax rate	**-**	(43,583)
Tax expense	**P 84,346**	P 186,587

The Company did not recognize deferred tax assets as at December 31, 2022 and 2021 relating to net operating loss carry-over (NOLCO), MCIT and other temporary differences reported in profit or loss at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Management does not expect the Company to have sufficient taxable profit against which the deferred tax assets can be utilized.

As of December 31, the breakdown of unrecognized deferred tax assets follows:

	2022		2021	
	Tax Base	Tax Effect	Tax Base	Tax Effect
Profit or loss:				
NOLCO	P 5,742,403	P 1,435,600	P 7,007,888	P 1,751,972
Post-employment defined benefit obligation	2,324,337	581,085	2,204,806	551,202
MCIT	429,304	429,304	462,498	462,498
Provision for credit losses	24,622	6,156	20,255	5,064
Unrealized fair value loss (gains) on FVTPL	634,257	158,564	(1,530,146)	(382,537)
	9,154,923	2,610,709	8,165,301	2,388,199
Other comprehensive income or loss –				
Post-employment defined benefit obligation	1,292,497	323,124	1,714,272	428,568
	P 10,447,420	P 2,933,833	P 9,879,573	P 2,816,767

The Company recognized additional deferred tax assets amounting to P3.4 million and reversed a portion amounting to P0.5 million, as a result of the decrease and increase in the fair value of financial assets at FVOCI in 2022 and 2021, respectively. As at December 31, 2022 and 2021, the Company recognized the deferred tax asset and deferred tax liability in the statements of financial position arising from the fair value changes of financial assets at FVOCI amounting P0.4 million and P3.1 million, respectively.

The components of the Company's NOLCO and the year until which these are deductible from taxable income are shown below.

Year Incurred	Original Amount	Expired	Remaining Balance	Valid Until
2022	P 3,058,341	P -	P 3,058,341	2025
2020	2,684,062	-	2,684,062	2025
2019	4,323,826	(4,323,826)	-	2022
	P10,066,229	(P 4,323,826)	P 5,742,403	

The Company's NOLCO incurred in 2020 can be claimed as deduction against its future taxable income for the next five consecutive years, or until 2025, pursuant to Section 4 (bbbb) of RA No. 11494 and as implemented through Revenue Regulations (RR) No. 25-2020. Ordinarily, NOLCO can be carried over as a deduction from gross income for the next three consecutive years only.

The Company is subject to the MCIT, which is computed at 1% of gross income, as defined under the tax regulations or regular corporate income tax (RCIT), whichever is higher. No RCIT was reported in 2022 and 2021 as the MCIT was higher than RCIT in both years. The details of the Company's MCIT are shown below.

Year Incurred	Original Amount	Expired	Remaining Balance	Valid Until
2022	P 49,592	P -	P 49,592	2025
2021	205,379	-	205,379	2024
2020	174,333	-	174,333	2023
2019	82,786	(82,786)	-	2022
	P 512,090	**(P 82,786)**	**P 429,304**	

In 2022 and 2021, the Company claimed itemized deductions for tax purposes.

17. RELATED PARTY TRANSACTIONS

17.1 Lease Agreements with Affiliated Companies

The Company entered into non-cancellable operating lease agreements with its related parties whereby the Company leases portion of its office condominium unit (shown as part of Property and Equipment account as the portion being leased out is insignificant and could not be sold separately) for its related parties' office spaces. The lease agreements are for a period of three years with renewal options. The rental income earned from these leases totaled P2.3 million both in 2022 and 2021 and is shown as Rental under Income section of the statements of comprehensive income. There were no outstanding receivables from these transactions as at December 31, 2022 and 2021.

17.2 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows:

	2022	2021
Salaries and wages	**P 683,700**	P 792,183
Social security costs	**37,557**	35,907
	P 721,257	P 828,090

18. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

18.1 Comparison of Carrying Values and Fair Values

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown in the succeeding page.

	Notes	2022 Carrying Values	2022 Fair Values	2021 Carrying Values	2021 Fair Values
Financial Assets:					
At amortized cost:					
Cash and cash equivalents	4	P 38,093,090	P 38,093,090	P 43,127,195	P 43,127,195
Receivable from customers - net	6	1,382,106	1,382,106	2,225,764	2,225,764
Receivable from clearing house	2	775,967	775,967	-	-
Other assets	9	2,083,804	2,083,804	1,563,566	1,563,566
		42,334,967	42,334,967	46,916,525	46,916,525
At FVTPL	5	1,606,157	1,606,157	4,724,373	4,724,373
At FVOCI	5	37,920,000	37,920,000	51,600,000	51,600,000
		39,526,157	39,526,157	56,324,373	56,324,373
		P 81,861,124	P 81,861,124	P 103,240,898	P 103,240,898
Financial Liabilities –					
At amortized cost:					
Payable to customers	10	P 13,163,433	P 13,163,433	P 14,107,154	P 14,107,154
Payable to clearing house				461,267	461,267
Accounts payable	11	3,020,274	3,020,274	5,394,115	5,394,115
		P 16,183,707	P 16,183,707	P 19,962,536	P 19,962,536

See Note 2.5 for a description of the accounting policies for each category of financial instruments. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 20.

18.2 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels as presented below.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, 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.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

18.3 Financial Instruments Measured at Fair Value

The Company's financial assets at FVTPL amounting to P1.6 million and P4.7 million as at December 31, 2022 and 2021, respectively, and financial assets at FVOCI amounting to P37.9 million and P51.6 million as at December 31, 2022 and 2021, respectively, pertain to listed equity securities which are classified under Level 1. The fair values of these financial assets are determined directly by reference to published prices in the PSE as at December 31, 2022 and 2021, respectively.

The Company has no financial liabilities measured at fair value as at December 31, 2022 and 2021.

There were neither transfers between different levels in both years.

18.4 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below and in the succeeding page summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Financial assets:				
Cash and cash equivalents	P 38,093,090	P -	P -	P 38,093,090
Receivable from customers - net	-	-	1,382,106	1,382,106
Receivable from clearing house	-	-	775,967	775,967
Other assets	-	-	2,083,804	2,083,804
	P 38,093,090	**P -**	**P 4,241,877**	**P 42,334,967**
Financial liabilities:				
Payable to customers	P -	P -	P 13,163,433	P 13,163,433
Accounts payable	-	-	3,020,274	3,020,274
	P -	**P -**	**P 16,183,707**	**P 16,183,707**

	Level 1	Level 2	Level 3	Total
December 31, 2021				
Financial assets:				
Cash and cash equivalents	P 43,127,195	P -	P -	P 43,127,195
Receivable from customers - net	-	-	2,225,764	2,225,764
Other assets	-	-	1,563,566	1,563,566
	P 43,127,195	P -	P 3,789,330	P 46,916,525
Financial liabilities:				
Payable to customers	P -	P -	P 14,107,154	P 14,107,154
Payable to clearing house	-	-	461,267	461,267
Accounts payable	-	-	5,394,115	5,394,115
	P -	P -	P 19,962,536	P 19,962,536

For financial assets and financial liabilities, with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets included in Level 3 above, which are not traded in an active market, is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

18.5 Offsetting of Financial Assets and Financial Liabilities

The following financial assets and financial liabilities with net amounts presented in the statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements as presented below.

	Gross Amounts Recognized in the Statements of Financial Position		Net Amount Presented in the Statements of Financial Position
	Financial Assets	Financial Liabilities Set-off	
December 31, 2022			
Receivable from (Payable to) Clearing House	**P 13,598,799**	**(P 12,822,832)**	**P 775,967**
December 31, 2021			
Receivable from (Payable to) Clearing House	P 72,471,773	(P 72,933,040)	(P 461,267)

19. COMMITMENTS AND CONTINGENCIES

There are contingent assets and liabilities that arise in the normal course of the Company's operations, but are not reflected in the financial statements. As at December 31, 2022 and 2021, management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Company's financial statements.

20. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is coordinated in close cooperation with the Company's BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The most significant financial risks to which the Company is exposed to are described in below and in the succeeding pages.

20.1 Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position (or in the detailed analysis provided in the notes to the financial statements), as summarized below.

	Notes	2022	2021
Cash and cash equivalents	4	**P 38,093,090**	P 43,127,195
Receivable from customers	6	**1,382,106**	2,225,764
Receivable from clearing house		**775,967**	-
Other assets	9	**2,083,804**	1,563,566
		P 42,334,967	P 46,916,525

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk for a broker dealer normally arises from unsettled customer and principal trades, loans and other dues, free deliveries, securities lending and borrowing, margin lending and underwriting agreements.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in cash and cash equivalents are cash in banks which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

As for the Company's receivable from customers, the Company trades only with recognized and creditworthy third parties. It is the Company's policy that all customers are subject to credit verification procedures. In accordance with RBCA requirements, limits are imposed to avoid large exposures to a single client or counterparty, single debt issue and single equity issue relative to a particular issuer company and its group of companies.

Further, receivable from customers are secured (for fully and partially secured) by shares of stock owned by the customers but held by the Company (see Note 6). Cash flows are expected upon realization of the collateral held in case where a default occurs at a given time.

With respect to other assets, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

There are no significant concentrations of credit risk in the Company. Except for some receivables fully provided by impairment allowance, management considers all the above financial assets are of good credit quality.

20.2 Liquidity Risk

The Company manages its cash and investment position to meet its obligations arising from security brokerage transactions and other financial liabilities. Currently, the Company's excess cash is invested in equity securities classified as financial assets at FVTPL and FVOCI, and short-term placements.

As at December 31, 2022 and 2021, the Company's financial liabilities have contractual maturities of one year or less.

20.3 Market Risk

The market risks to which the Company is exposed are as follow:

(a) Interest Rate Risk

The Company monitors interest rate movements and makes adjustments on its financial assets as may be deemed necessary. At December 31, 2022 and 2021, the Company is exposed to changes in market interest rates of its savings deposits and short-term placements, which are subject to variable interest rates. Due to the duration of short-term placements, management believes that the interest rate sensitivity and its effect on the net income and equity are not significant.

(b) Other Market Price Risk

This compares with the following volatility rates and impact on pretax income and net income (other comprehensive income and other comprehensive income after tax in case of financial assets at FVOCI) as at December 31, 2022:

	Observed Volatility Rates	Impact of Increase		Impact of Decrease	
		Pretax Income	Net Income	Pretax Income	Net Income
Equity securities listed in the Philippines:					
PSE Shares	+/- 67%	P 25,406,400	P 19,054,800	(P 25,406,400)	(P 19,054,800)
Others	+/- 40%	738,832	554,124	(738,832)	(554,124)
		P 26,145,232	P 19,608,924	(P 26,145,232)	(P 19,608,924)

This compares with the following volatility rates and impact on pretax income and net income (other comprehensive income and other comprehensive income after tax in case of financial assets at FVOCI) as at December 31, 2021:

	Observed Volatility Rates	Impact of Increase		Impact of Decrease	
		Pretax Income	Net Income	Pretax Income	Net Income
Equity securities listed in the Philippines:					
PSE Shares	+/- 69%	P 35,604,000	P 26,703,000	(P 35,604,000)	(P 26,703,000)
Others	+/- 40%	1,899,749	1,424,812	(1,899,749)	(1,424,812)
		P 37,503,749	P 28,127,812	(P 37,503,749)	(P 28,127,812)

The investments in PSE shares, which is classified as financial assets at FVOCI, are considered long-term strategic investments, while other investments are held for trading purposes. The investments are continuously monitored and changes in market values of these equity instruments are utilized in the Company's favor.

21. CURRENT/NON-CURRENT DISTINCTION OF ASSETS AND LIABILITIES

The table below and in the succeeding page shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

	2022 Within One Year	2022 Beyond One Year	2022 Total	2021 Within One Year	2021 Beyond One Year	2021 Total
Financial Assets:						
Cash and cash equivalents	P 38,093,090	P -	P 38,093,090	P 43,127,195	P -	P 43,127,195
Trading and investment securities:						
At FVOCI	1,606,157	-	1,606,157	4,724,373	-	4,724,373
At FVTPL	37,920,000	-	37,920,000	51,600,000	-	51,600,000
Receivables from:						
Customers – net	1,382,106	-	1,382,106	2,225,764	-	2,225,764
Clearing house – net	775,967	-	775,967	-	-	-
	P 79,777,320	P -	P 79,777,320	P 101,677,332	P -	P 101,677,332

	2022 Within One Year	2022 Beyond One Year	2022 Total	2021 Within One Year	2021 Beyond One Year	2021 Total
Non-financial Assets:						
Trading right	P -	P 880,000	P 880,000	P -	P 880,000	P 880,000
Property and equipment	-	4,573,877	4,573,877	-	4,981,692	4,981,692
Deferred tax assets	-	366,800	366,800	-	-	-
Other assets – net	1,649,410	1,730,522	3,379,932	1,155,709	1,477,831	2,633,540
	1,649,410	7,551,199	9,200,609	1,155,709	7,339,523	8,495,232
	P 81,426,730	P 7,551,199	P 88,923,929	P 102,833,041	P 7,339,523	P 110,172,564
Financial Liabilities:						
Payables to:						
Customers	P 13,163,433	P -	P 13,163,433	P 14,107,154	P -	P 14,107,154
Clearing house – net	-	-	-	461,267	-	461,267
Other payables	3,996,746	-	3,996,746	7,315,410	-	7,315,410
	17,160,179	-	17,160,179	21,883,831	-	21,883,831
Non-financial Liabilities:						
Other payables	-	3,616,834	3,616,834	-	3,919,078	3,919,078
Deferred tax liabilities	-	-	-	-	3,053,200	3,053,200
	-	3,616,834	3,616,834	-	6,972,278	6,972,278
	P 17,160,179	P 3,616,834	P 20,777,013	P 21,883,831	P 6,972,278	P 28,856,109

22. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented in the succeeding page is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing Revenue Regulation (RR) to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

22.1 Requirements under RR No. 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year under RR No. 15-2010 are as follows:

(a) Output VAT

In 2022, the Company declared output VAT as follows:

	Tax Base	Output VAT
Commissions	P 3,387,818	P 406,538
Rent income	2,263,080	271,570
	P 5,650,898	**P 678,108**

The tax base for VAT purposes is based on gross receipts; hence, the amount may not agree with the balance reflected in the financial statements.

(b) Input VAT

The movements in input VAT in 2022 are summarized below.

Balance at beginning of year	P -
Services lodge under other accounts	581,799
Goods other than for resale or manufacture	29,345
Applied against output VAT	(608,921)
Balance at end of year	**P 2,223**

Input VAT is presented as part of Other Assets in the 2022 statement of financial position.

(c) Taxes on Importation

The Company did not have importation in 2022, and thus, it did not pay any customs duties and tariff fees during the year.

(d) Excise Tax

The Company did not have any transaction subject to excise tax during 2022.

(e) Documentary Stamp Tax

In 2022, documentary stamp tax (DST) paid and accrued amounting to P4,792 pertains to payments of insurance and surety bond.

(f) Taxes and Licenses

The details of Taxes and Licenses which is presented as part of Others under Costs and Operating Expenses in the 2022 statement of comprehensive income are shown below.

Municipal license and permits	P	202,751
Real property tax		46,807
DST		4,792
Others		7,807
	P	**262,157**

(g) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2022 are shown below.

Expanded	P	303,344
Compensation and benefits		143,770
Final		14,351
	P	**461,465**

(h) Deficiency Tax Assessment and Tax Cases

On October 31, 2019, the Company received a letter from the BIR reiterating the final tax assessment for deficiency taxes covering income taxes and expanded withholding tax for the taxable year 2012 totaling to P3.94 million inclusive of interest of P1.83 million. The Company submitted a protest/request for reconsideration on December 5, 2019 to dispute the assessment.

As of December 31, 2022, the Company made a final compromise payment on the discussed assessment above amounting to P819,357 and P58,776 for income taxes and expanded withholding tax, respectively.

The Company does not have any other final deficiency tax assessments with the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any open taxable years as of December 31, 2022.

22.2 Requirements under RR No. 34-2020

RR No. 34-2020 prescribes the guidelines and procedures on the submission of BIR Form No. 1709, transfer pricing documentation and other supporting documents for related party transactions. The Company is not covered by these requirements as the Company did not fall in any of the categories identified under Section 2 of RR No. 34-2020.