Amalgamated Investment Bancorporation

Financial Statements
As at and for the years ended December 31, 2023 and 2022

Independent Auditor's Report

To the Board of Directors and Shareholders of
Amalgamated Investment Bancorporation
11th Floor, Multinational Bancorporation Building
6805 Ayala Avenue, Makati City

Report on the Audits of the Financial Statements

Our Opinion

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

What we have audited

The financial statements of the Company comprise:

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

Basis for Opinion

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

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

Independence

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

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 PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs 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 PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 22 to the financial statements is presented for the purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Ruth F. Blasco
Partner
CPA Cert No. 112595
P.T.R. No. 0018519, issued on January 11, 2024, Makati City
TIN 235-725-236
BIR A.N. 08-000745-133-2023, issued on May 9, 2023; effective until May 8, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 25, 2024

Amalgamated Investment Bancorporation

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

	Notes	2023	2022
Assets			
Cash and cash equivalents	2	1,950,760,127	2,428,507,560
Loans and receivables, net	3	1,510,327,948	519,307,214
Financial assets at fair value through profit or loss (FVTPL)	4	895,489,138	2,667,698
Financial assets at fair value through other comprehensive income (FVOCI)	5	458,881,691	552,938,546
Deferred income tax assets, net	16	83,958,885	60,401,192
Property and equipment, net	6	28,407,681	22,572,708
Other assets, net	7	158,759,956	37,600,692
Total assets		5,086,585,426	3,623,995,610
Liabilities and Equity			
Notes payable	8	4,100,000,000	2,500,000,000
Trade and other payables	9	42,674,041	188,951,011
Retirement benefit obligation	15	22,653,443	17,758,872
Income tax payable	16	1,156,709	39,082,736
Total liabilities		4,166,484,193	2,745,792,619
Share capital	10	300,000,000	300,000,000
Additional paid-in capital		701,500	701,500
Retained earnings	10	824,739,062	742,212,826
Treasury shares	10	(363,696,007)	(363,696,007)
Remeasurement loss on retirement benefit obligation	15	(7,588,844)	(7,548,161)
Net unrealized gain on financial assets at FVOCI	5	165,945,522	206,532,833
Total equity		920,101,233	878,202,991
Total liabilities and equity		5,086,585,426	3,623,995,610

(The notes on pages 1 to 34 are an integral part of these financial statements.)

Amalgamated Investment Bancorporation

Statements of Total Comprehensive Income
For the years ended December 31, 2023, and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Revenue			
Service fees, net	11	300,016,406	494,531,375
Financial advisory and underwriting fees	12	131,833,875	33,923,561
Interest income	2	117,191,452	56,190,278
Gain on redemption of shares	5	6,485,712	-
Foreign exchange gain, net	20	2,323,900	27,258,700
Dividend income	5	761,072	452,382
		558,612,417	612,356,296
Expenses			
Compensation and other employee benefits	13	114,545,980	101,990,252
Provision for impairment losses	3	83,665,450	50,194,685
Interest expense on loans	8	51,486,510	15,908,228
Taxes and licenses		33,015,863	51,100,600
Management and professional fees		31,852,348	31,056,167
Subscription on magazine and periodicals		24,423,882	23,278,109
Rent	17	13,645,942	11,610,287
Messengerial services		9,449,495	8,353,151
Depreciation	6	9,428,966	7,185,034
Marketing and advertising		7,593,400	9,627,674
Communications		6,570,148	6,251,423
Amortization of software costs	7	6,046,887	4,531,175
Commissions		5,540,265	-
Entertainment, amusement and recreation		4,961,391	2,531,998
Transportation and travel		4,024,097	3,215,355
Utilities		3,610,740	3,796,548
Stationeries and office supplies		2,398,020	2,459,937
Insurance		1,514,254	1,405,554
Others	14	3,679,492	12,956,768
		417,453,130	347,452,945
Income before income tax		141,159,287	264,903,351
Income tax expense	16		
Current tax expense		51,825,183	78,289,283
Deferred tax benefit		(23,544,132)	(12,891,286)
		28,281,051	65,397,997
Net income for the year		112,878,236	199,505,354
Other comprehensive (loss) income			
Item that will subsequently reclassified to profit or loss			
Net unrealized loss on financial assets at FVOCI	5	(40,587,311)	(17,151,976)
Item that will not subsequently reclassified to profit or loss			
Remeasurement (loss) gain on retirement benefit obligation, net of tax	15	(40,683)	11,304,994
Total other comprehensive loss		(40,627,994)	(5,846,982)
Total comprehensive income		**72,250,242**	**193,658,372**

(The notes on pages 1 to 34 are an integral part of these financial statements.)

Amalgamated Investment Bancorporation

Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

			Retained earnings (Note 10)						
	Share capital (Note 10)	**Additional paid-in capital**	**Appropriated**	**Unappropriated**	**Total**	**Treasury shares**	**Remeasurement loss on retirement benefit obligation (Note 15)**	**Net unrealized gain on financial assets at FVOCI (Note 5)**	Total equity
Balances at January 1, 2022	300,000,000	701,500	363,696,007	246,345,401	610,041,408	(363,696,007)	(18,853,155)	223,684,809	751,878,555
Transaction with owners									
Cash dividends	-	-	-	(67,333,936)	(67,333,936)	-	-	-	(67,333,936)
Comprehensive income									
Net income for the year	-	-		199,505,354	199,505,354	-	-	-	199,505,354
Other comprehensive income (loss)	-	-	-	-	-	-	11,304,994	(17,151,976)	(5,846,982)
Total comprehensive income	-	-	-	199,505,354	199,505,354	-	11,304,994	(17,151,976)	193,658,372
Balances at December 31, 2022	300,000,000	701,500	363,696,007	378,516,819	742,212,826	(363,696,007)	(7,548,161)	206,532,833	878,202,991
Transaction with owners									
Cash dividends	-	-	-	(30,352,000)	(30,352,000)	-	-	-	(30,352,000)
Comprehensive income									
Net income for the year	-	-	-	112,878,236	112,878,236	-	-	-	112,878,236
Other comprehensive loss	-	-	-	-	-	-	(40,683)	(40,587,311)	(40,627,994)
Total comprehensive income	-	-	-	112,878,236	112,878,236	-	(40,683)	(40,587,311)	72,250,242
Balances at December 31, 2023	300,000,000	701,500	363,696,007	461,043,055	824,739,062	(363,696,007)	(7,588,844)	165,945,522	920,101,233

(The notes on pages 1 to 34 are an integral part of these financial statements.)

Amalgamated Investment Bancorporation

Statements of Cash Flows
For the years ended December 31, 2023, and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Cash flows from operating activities			
Income before income tax		141,159,287	264,903,351
Adjustments for:			
Provision for impairment losses	3	83,665,450	50,194,685
Interest expense	8	51,486,510	15,908,228
Depreciation	6	9,428,966	7,185,034
Amortization of software costs	7	6,046,887	4,531,175
Unrealized foreign exchange loss (gain), net	20	5,279,107	(4,676,125)
Retirement expense	13,15	4,840,327	5,835,726
Dividend income	5,18	(761,072)	(452,382)
Gain on redemption of shares	5	(6,485,712)	-
Fair value gain on FVTPL	4	(3,735,216)	-
Interest income	2	(117,191,452)	(56,190,278)
Operating income before working capital changes		173,733,082	287,239,414
Increase decrease in:			
Loans and receivables		(1,077,564,654)	(536,662,574)
Other assets		(141,990,217)	(13,196,005)
(Decrease) increase in trade and other payables		(146,276,970)	74,044,646
Net cash used in operations		(1,192,098,759)	(188,574,519)
Interest received		117,191,452	56,190,278
Interest paid		(51,486,510)	(15,908,228)
Income taxes paid		(70,511,242)	(88,031,281)
Net cash used in operating activities		(1,196,905,059)	(236,323,750)
Cash flows from investing activities			
Proceeds from redemption of shares	5	60,000,050	-
Acquisitions of financial assets at FVOCI	5	(44,800)	(749,619)
Acquisitions of software	7	(4,455,904)	(8,185,228)
Acquisitions of property and equipment	6	(20,019,992)	(10,808,175)
Dividends received	5,18	761,072	452,382
Proceeds from retirement of property and equipment	6	4,756,053	-
Acquisitions of financial assets at FVTPL	4	(889,086,224)	-
Net cash used in investing activities		(848,089,745)	(19,290,640)
Cash flows from financing activities			
Proceeds from notes payable	8	16,942,632,408	9,600,000,000
Payment of notes payable	8	(15,342,632,408)	(10,400,000,000)
Dividends paid	10	(30,352,000)	(67,333,936)
Net cash from (used in) financing activities		1,569,648,000	(867,333,936)
Net decrease in cash and cash equivalents		(475,346,804)	(1,122,948,326)
Cash and cash equivalents			
January 1		2,428,507,560	3,548,577,416
Effect of exchange rate changes in cash		(2,400,629)	2,878,470
December 31	2	1,950,760,127	2,428,507,560

(The notes on pages 1 to 34 are an integral part of these financial statements.)

Amalgamated Investment Bancorporation

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

1 General information

Amalgamated Investment Bancorporation (the "Company") is a privately-owned domestic corporation, registered with the Philippine Securities and Exchange Commission (SEC) on August 27, 1997. The Company operates as an investment house engaged in underwriting securities and commercial papers, financial advisory and money market operations without a quasi-banking license.

The Company is 46.87% owned by MF-AIB Holdings, Inc. and 15.63% owned by Pioneer Ventures Inc., both entities were registered in the Philippines and 37.50% owned by Hiap Moh Corporation Ltd., an entity registered in Singapore.

The Company's registered office address, which is also its principal place of business, is at 11th Floor, Multinational Bancorporation Building, 6805 Ayala Avenue, Makati City.

The Company has 56 employees as at December 31, 2023 and 2022.

Approval of the financial statements

These financial statements have been approved and authorized for issuance by the Company's Board of Directors (BOD) on April 22, 2024. There are no material events that occurred subsequent to April 22, 2024 until April 25, 2024.

2 Cash and cash equivalents

This account as at December 31 consists of:

	2023	2022
Cash on hand	29,919	6,220
Cash in banks	1,845,168,661	2,428,501,340
Cash equivalents	105,561,547	-
	1,950,760,127	2,428,507,560

Cash in banks comprise deposits held at call with banks and are unrestricted as to withdrawal. Cash in banks earn interest at the prevailing bank deposits rates ranging from 0.13% to 5.75% in 2023 and 2022.

The Company invested portion of its available cash in high yielding short-term time deposits and earn interest at the prevailing rates ranging from 5.80% to 6.13% in 2023 and 2022. The outstanding balance of short-term time deposits as at December 31, 2023 amounts to P105.56 million (2022 - nil).

Interest income earned from cash and cash equivalents amounts to P117.19 million in 2023 (2022 - P56.19 million).

3 Loans and receivables, net

This account as at December 31 consists of:

	Note	2023	2022
Loans and receivables			
Third parties		1,801,563,222	727,554,717
Related parties	18	33,680,887	33,549,588
Allowance for expected credit loss (ECL)		(331,505,762)	(247,840,312)
		1,503,738,347	513,263,993
Advances to employees and suppliers		6,589,601	6,043,221
		1,510,327,948	519,307,214

The bulk of the loans and other receivables pertain to a restructured loan to a third party amounting to P1,584 million in 2023 (2022 - P500 million). Accordingly, sufficient provision was made for impairment losses.

Due from related parties include receivables from subsidiaries and other affiliates which are unsecured, non-interest bearing, collectible on demand in cash and are short-term in nature.

Advances to employees pertain to a car plan granted by the Company to its management employees. The costs of such cars were initially shouldered by the Company and are subsequently collected through monthly salary deduction.

Advances to suppliers pertain to contractors' progress billings for office improvements services that are yet to be completed.

The Company's loans and receivables as at reporting date are all classified as current.

Movements in allowance for ECL for the years ended December 31 follow:

	2023	2022
At January 1	247,840,312	202,054,794
Provision for ECL during the year	83,665,450	50,194,685
Write-off	-	(4,409,167)
At December 31	331,505,762	247,840,312

4 Financial assets at fair value through profit or loss (FVTPL)

This account as at December 31 consists of :

	2023	2022
Debt securities - quoted; at fair value		
Government	106,996,385	-
Private	785,825,055	-
	892,821,440	-
Equity securities - unquoted; at cost	2,667,698	2,667,698
	895,489,138	2,667,698

In 2023 and 2022, equity investment at FVTPL consists of a 1% ownership on DirectwithHotels, Inc., a company incorporated in the Cayman Islands which engages in hotel partnerships booking.

The movement in the Company's financial assets at FVTPL as at and for the years ended December 31 are as follows:

	2023	2022
At January 1	2,667,698	2,667,698
Additions	889,086,224	-
Disposals	-	-
Fair value gain	3,735,216	-
At December 31	895,489,138	2,667,698

The unrealized fair value gain on financial assets at FVTPL amounting to P3,735,216 in 2023 (2022 - nil) is presented as part of service fees, net, in the statement of total comprehensive income.

5 Financial assets at fair value through other comprehensive income (FVOCI)

This account, pertaining to investments in subsidiaries classified as financial assets at FVOCI in the Company's separate financial statements, as at December 31 consists of :

	% of ownership	2023	2022
Quoted			
Makati Finance Corporation (MFC)	43%	224,288,219	275,613,546
Unquoted			
AIB Money Market Mutual Fund, Inc. (AIB Mutual Fund)	100%	160,182,120	200,000,000
Hackensack AIB Philippines Corporation (Hackensack)	100%	15,000,000	15,000,000
AIB Asia Asset Management, Inc. (AIB Asset Management)	100%	57,086,352	60,000,000
AIB Real Estate Ventures Corp. (AIB Real Estate)	100%	2,300,000	2,300,000
AIB Markets, Inc. (AIB Markets)	100%	25,000	25,000
		458,881,691	552,938,546

Makati Finance Corporation (MFC)

MFC was incorporated and registered with the SEC on February 17, 1966. The Company is a domestic corporation engaged in the sale of various financial products and services, catering generally to the consumer market.

AIB Mutual Fund

AIB Mutual Fund was organized to carry on the business as an open-end investment company. It was registered on March 27, 2015 with the SEC under the Investment Company Act of 1960 (Republic Act (RA) No. 2629) and the Securities Regulation Code (RA No. 8799). The Fund's objective is capital preservation with returns and inflows derived out of investments in a diversified portfolio composed mostly of Peso-denominated short-term securities or fixed-income instruments representing high-quality, liquid debt and monetary instruments.

Hackensack

Hackensack was organized to purchase, lease, own, hold, improve, develop, and manage any real estate acquired and build or rebuild, enlarge, alter, or improve any buildings or other structures erected in any land so owned, held or occupied and to mortgage, sell, lease, or otherwise dispose of any land. It was registered with the SEC on July 25, 2014, and has not yet started commercial operations thereafter.

AIB Asset Management

AIB Asset Management was organized primarily to manage, provide, and render management and technical advice and other services, which includes transfer agency services, for natural persons, mutual funds, corporations and other entities. As far as the law permits, AIB Asset Management may also purchase, subscribe for, or otherwise acquire, mortgage, sell and deal in securities of every kind and description; including but not limited to stocks, bonds, notes, and commercial papers. It was incorporated and registered with the SEC on March 6, 2018.

AIB Real Estate

AIB Real Estate was organized to purchase, lease, invest, own, improve, develop, subdivide, operate, manage any real estate and properties so acquired and to erect on any land own, held or occupied by corporation, housing projects or buildings or structures at any time held or owned and to engage in real estate. It was registered with the SEC on October 20, 2014, and has not yet started commercial operations thereafter.

AIB Markets

AIB Markets was incorporated on August 19, 1998, primarily to hold assets for investment purposes and to aid any corporation either by granting of loan or guaranty of securities or in any other manner, and has not yet started commercial operations thereafter.

The Company and its subsidiaries were incorporated in the Philippines. All subsidiaries, except MFC, have the same registered office address and principal place of business as the Company. MFC's office address and principal place of business is at 3/F Mazda Makati Bldg., 2301 Chino Roces Avenue, Makati City.

The movement in the Company's financial assets at FVOCI for the years ended December 31 are as follows:

MFC

	2023	2022
At January 1	275,613,546	292,015,903
Subscriptions	44,800	749,619
Fair value loss	(51,370,127)	(17,151,976)
At December 31	224,288,219	275,613,546

The Company received P761,072 in cash dividends in 2023 (2022 - P452,382).

AIB Mutual Fund

	2023	2022
At January 1	200,000,000	200,000,000
Redemptions	(53,514,294)	-
Fair value gain	13,696,414	-
At December 31	160,182,120	200,000,000

The Company made a redemption of 55,172,420 shares for P60 million. The gain on redemption of shares amounts to P6.48 million in 2023 (2022 - nil).

AIB Asset Management

	2023	2022
At January 1	60,000,000	60,000,000
Redemptions	(50)	-
Fair value loss	(2,913,598)	-
At December 31	57,086,352	60,000,000

Movements in the net unrealized gain (loss) on financial assets at FVOCI for the years ended December 31 are as follows:

	2023	2022
As at January 1	206,532,833	223,684,809
Fair value (loss) gain		
MFC	(51,370,127)	(17,151,976)
AIB Mutual Fund	13,696,414	-
AIB Asset Management	(2,913,598)	-
As at December 31	165,945,522	206,532,833

The operations of the unquoted investments in Hackensack, AIB Real Estate, and AIB Markets have either just started or are at pre-operating stages. Thus, management deems that the fair values of these investments approximate their carrying amounts as at December 31, 2023 and 2022.

The key financial information of the subsidiaries as at and for the years ended December 31 are as follows:

	2023			
Entity	Total assets	Total liabilities	Revenues	Net income (loss)
MFC	1,155,883,250	584,807,218	180,171,708	12,923,549
AIB Mutual Fund	160,346,451	156,124	10,368,221	7,337,090
AIB Asset Management	57,207,149	121,000	2,696,486	1,543,396
Hackensack*	15,122,127	746,649	-	(191,965)
AIB Real Estate*	4,888,511	3,155,298	-	(65,663)
AIB Markets*	28,236	1,414,802	-	(68,031)

**Based from unaudited balances*

	2022			
Entity	Total assets	Total liabilities	Revenues	Net income (loss)
MFC	1,114,148,564	551,049,332	125,853,655	17,853,098
AIB Mutual Fund	212,940,737	87,500	4,237,740	3,097,916
AIB Asset Management	55,609,843	67,100	732,125	(2,945,604)
Hackensack	15,122,127	554,684	15,324	(43,677)
AIB Real Estate	4,336,329	2,537,453	2,349	(138,519)
AIB Markets	28,236	1,347,564	-	(69,903)

6 Property and equipment, net

The details of and movements in this account as at and for the years ended December 31 are as follows:

	2023			
	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvement	Total
Cost				
At January 1	28,677,924	8,550,634	18,980,073	56,208,631
Additions	15,818,161	707,696	3,494,135	20,019,992
Retirement	(12,000,604)	(1,059,608)	-	(13,060,212)
At December 31	32,495,481	8,198,722	22,474,208	63,168,411
Accumulated depreciation				
At January 1	14,042,727	6,529,026	13,064,170	33,635,923
Depreciation	5,444,626	1,365,944	2,618,396	9,428,966
Retirement	(7,855,926)	(448,233)	-	(8,304,159)
At December 31	11,631,427	7,446,737	15,682,566	34,760,730
Carrying amount	20,864,054	751,985	6,791,642	28,407,681

	2022			
	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvement	Total
Cost				
At January 1	21,836,485	7,967,107	15,596,864	45,400,456
Additions	6,841,439	583,527	3,383,209	10,808,175
At December 31	28,677,924	8,550,634	18,980,073	56,208,631
Accumulated depreciation				
At January 1	9,110,220	5,241,958	12,098,711	26,450,889
Depreciation	4,932,507	1,287,068	965,459	7,185,034
At December 31	14,042,727	6,529,026	13,064,170	33,635,923
Carrying amount	14,635,197	2,021,608	5,915,903	22,572,708

As at December 31, 2023, the Company has fully depreciated property and equipment that are still in use with original cost amounting to P14.92 million (2022 - P11.30 million). Fully depreciated assets with a net book value of P4.76 million have been retired in 2023. The Company sold the retired property and equipment to separated employees at a price equivalent to its net book value. There were no gains or losses recognized by the Company as a result of the retirement.

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

Property and equipment, net are classified as non-current in 2023 and 2022.

7 Other assets, net

This account as at December 31 consists of:

	Note	2023	2022
Current			
Prepaid expense	17	6,833,818	6,107,951
Non-current			
Receivable from customers		62,185,072	-
Restricted funds		60,000,000	-
Software cost		19,685,437	21,276,420
Rental deposit	17	3,265,847	3,458,295
Others		6,789,782	6,758,026
		151,926,138	31,492,741
		158,759,956	37,600,692

Receivable from customers pertain to amounts due from customers related to its brokerage portfolio.

Prepaid expenses mainly include prepayments on rent and insurance.

The movement in the software costs as for the years ended December 31 follow:

	2023	2022
Cost		
At January 1	26,964,911	18,779,683
Additions	4,455,904	8,185,228
At December 31	31,420,815	26,964,911
Accumulated amortization		
At January 1	5,688,491	1,157,316
Amortization	6,046,887	4,531,175
At December 31	11,735,378	5,688,491
Carrying amount	19,685,437	21,276,420

Restricted funds pertain to cash temporarily restricted and intended for placements in long-term investments.

Other assets are expected to be realized within 12 months from the reporting date.

8 Notes payable

This account consists of unsecured short-term Peso denominated borrowings from local banks and financial institutions payable within one month from drawdown and with interest rates ranging from 5.9% to 8.5% in 2023 (2022 - 5.95% to 7.00%) These are being utilized for the Company's money market operations.

The movement in the account as at December 31 follow:

	2023	2022
At January 1	2,500,000,000	3,300,000,000
Availments	16,942,632,408	9,600,000,000
Payments	(15,342,632,408)	(10,400,000,000)
At December 31	4,100,000,000	2,500,000,000

Interest expense on notes payable amounts to P51.49 million in 2023 (2022 - P15.91 million).

There are no securities nor properties pledged for notes payable in 2023 and 2022. There are no debt covenants attached to these loans in 2023 and 2022.

9 Trade and other payables

This account as at December 31 consists of:

	2023	2022
Payable to government agencies	25,720,326	22,539,349
Accrued expenses	16,953,715	25,079,191
Trade payables to customers	-	141,332,471
	42,674,041	188,951,011

Payable to government agencies consists of withholding tax on compensation, final withholding tax, fringe benefits tax, documentary stamp tax, gross receipts tax and payable to various government agencies arising from mandatory contributions to PhilHealth, Pag-IBIG and Social Security System. Payable to government agencies are normally settled within 12 months from the reporting date.

Accrued expenses pertain to payables to suppliers and professional fees.

Trade payables in 2022 represent mostly accrued interest and premiums/discounts on brokered funds.

10 Equity

Share capital

Details of the account as at December 31, 2023 and 2022 follow:

	Number of shares	Amount
Authorized capital stock at P10 par value per share	100,000,000	1,000,000,000
Issued and outstanding at P10 par value per share	30,000,000	300,000,000
Treasury shares	10,800,000	363,696,007

As at January 1, 2021, the Company has 9,471,827 treasury shares amounting to P315.7 million. On May 25, 2021, the Company bought back 1,328,173 of its own shares from a shareholder for P48.0 million or P36.14 per share.

Retained earnings

The Company's appropriated retained earnings amount to P363.7 million as at December 31, 2023 and 2022, which represents the cost of common shares held in treasury. There were no additional appropriations made in 2023 and 2022.

Stock corporations are prohibited from retaining surplus profits in excess of one hundred percent (100%) of their paid-in capital stock, except (a) when justified by definite corporate expansion projects or programs approved by the BOD; or (b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or (c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is a need for special reserve for probable contingencies.

The Company has excess unappropriated retained earnings over its paid-in capital amounting to P160.34 million as at December 31, 2023 (2022 - P77.82 million). The Company will utilize the excess retained earnings for its planned dividend declaration subject to the approvals of its BOD and regulators in 2024.

On April 26, 2023, the BOD of the Company approved the declaration of cash dividends of P30.35 million and property dividend consisting of 3,240,000 million treasury shares with par value of P32.40 million to shareholders of record as at December 31, 2023. The cash dividend was paid in July 2023. The property dividend distribution is subject to the approval of the Securities and Exchange Commission (SEC). On August 14, 2023, the Company filed its application for property dividends with the SEC. As at December 31, 2023 and up until the approval date of the financial statements, the Company is yet to receive a response on its application.

On April 27, 2022, the BOD of the Company approved the declaration and payment cash dividends amounting to P67.33 million to shareholders of record as at March 31, 2022.

11 Service fees, net

Service fees are earnings from loan syndication transactions pertaining to the purchase and or the brokering of securities and commercial papers issued by other enterprises or of the government. Services fees, net, for the year ended December 31, 2023 amount to P300.02 million (2022 - P494.53 million). Included in the balance is the interest income from restructured loans amounting to P33.37 million in 2023 (2022 - nil).

12 Financial advisory and underwriting fees

The Company provides loan arrangement services, corporate bonds underwriting and other capital raising activities, and earns up-front fees ranging from 1% to 3.25% of the transaction amount in 2023 (2022 - 0.50% to 1.75%). For these services, the Company acts as an Adviser or Issue Manager and Lead Arranger or Selling Agent that shall arrange the capital raising requirements of the corporate issuer.

Fees earned from these transactions amount to P131.83 million in 2023 (2022 - P33.92 million).

13 Compensation and other employee benefits

The account for the years ended December 31 consists of:

	Note	2023	2022
Salaries and wages		91,807,535	81,228,568
Employee allowance and benefits		13,370,304	12,828,063
Retirement benefit expense	15	4,840,327	5,835,726
Compulsory social security contributions		4,527,814	2,097,895
		114,545,980	101,990,252

14 Other expenses

The account for the years ended December 31 consists of:

	2023	2022
Training and development	573,910	189,000
Membership fees and dues	482,295	429,065
Bank charges	467,111	8,035,007
Repairs and maintenance	446,738	886,044
Assembly meals and reservations	211,418	61,939
Donations and contributions	185,200	25,000
Miscellaneous expenses	1,312,820	3,330,713
	3,679,492	12,956,768

Miscellaneous expenses in 2023 mainly include notary fees, registration fees, and other charges. In 2022, the miscellaneous expenses mainly include trading fees, subscription payments, registration fees and other charges.

15 Retirement benefit obligation

The Company has a funded non-contributory retirement plan covering qualified employees.

Under the existing regulatory framework, Republic Act (RA) No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.
The actuarial valuation as at December 31, 2023 and 2022 was performed by an independent actuary who used the projected unit credit method in determining the annual retirement benefit costs and accrued retirement benefit costs of the Company as at December 31, 2023 and 2022.

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

	2023	2022
Present value of retirement benefit obligation	35,569,301	33,066,787
Fair value of plan assets	(12,915,858)	(15,307,915)
Retirement benefit obligation	22,653,443	17,758,872

The retirement benefit expense for the years ended December 31 consists of:

	Note	2023	2022
Current service cost		3,447,223	4,407,873
Interest expense		2,394,035	2,276,653
Interest income		(1,000,931)	(848,800)
	13	4,840,327	5,835,726

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

	2023	2022
At January 1	33,066,787	44,816,004
Current service cost	3,447,223	4,407,873
Interest expense	2,394,035	2,276,653
Benefits paid from the plan	(2,965,809)	(2,221,762)
Remeasurements during the year:		
Changes in financial assumptions	2,009,348	(9,947,316)
Experience adjustments	(1,631,877)	(6,920,314)
Changes in demographic assumptions	(750,406)	655,649
At December 31	35,569,301	33,066,787

The movements in the fair value of plan assets as at and for the years ended December 31 are as follows:

	2023	2022
At January 1	15,307,915	17,819,533
Interest income	1,000,931	848,800
Benefits paid from the plan	(2,965,809)	(2,221,762)
Remeasurement loss	(427,179)	(1,138,656)
At December 31	12,915,858	15,307,915

The movements in remeasurement loss on retirement benefit obligation as at December 31 follow:

	2023	2022
At January 1	7,548,161	18,853,155
Remeasurements for the year recognized in OCI	54,244	(15,073,325)
Deferred income tax effect	(13,561)	3,768,331
	40,683	(11,304,994)
At December 31	7,588,844	7,548,161

The plan assets as at December 31 consist of:

	2023	2022
Cash	1,121	756
Unit investment trust funds (UITFs)	12,914,737	15,307,159
	12,915,858	15,307,915

As at December 31, 2023 and 2022, cash and UITFs are assessed to be of high grade credit quality and the amounts approximate their fair values. The fair values of the UITFs fall under Level 2 of the fair value hierarchy.

The Company's plan assets are managed by an independent trustee bank and the accounting and administrative functions are undertaken by the trustee bank.

The cost of defined benefit plan as well as the present value of the retirement obligation is determined using actuarial valuation. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining the retirement obligations for the defined benefit plan are shown below:

	2023	2022
Discount rate	6.14%	7.24%
Future salary increases	8.00%	8.00%
Average remaining working life (in years)	23.2	23.2

The discount rate used was based on the Bankers Association of the Philippines (BAP) PHP Bloomberg BVAL reference rates benchmark reference curve for government securities as of the valuation date and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

Assumptions for mortality and disability rate are based on the adjusted 1994 Group Annuity Mortality Table in which separate rates were used for males and females and the 1952 Disability Study of the US Society for Actuaries adjusted to suit local experience.

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis. The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Change in assumption	Impact on retirement benefit obligation	
		2023	2022
Discount rate	+1%	(1,841,448)	(1,580,625)
	-1%	2,187,006	1,845,809
Salary increase rate	+1%	2,124,525	1,813,589
	-1%	(1,827,843)	(1,583,912)

The maturity analysis of the undiscounted benefit payments as at December 31 is as follows:

	2023	2022
Less than one (1) year	19,797,814	18,279,473
More than one (1) year to three (3) years	4,140,665	4,735,645
More than three (3) years to five (5) years	6,737,617	7,566,739
More than five (5) years to 10 years	12,029,563	13,768,945

Funding policy

The plan shall be funded solely by the Company as may be recommended by an independent actuary, on the basis of reasonable actuarial assumptions, to pay the benefits and to maintain the plan in an actuarially sound condition. The contributions including income resulting from the investment and re-investment of the same, less all expenses and proper charges shall constitute the plan.

The defined benefit plan exposes the Company to various risks, such as longevity risk, interest rate risk, and market (investment) risk.

The BOD reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Plan's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as these fall due by investing in UITFs. The BOD monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation.

16 Income taxes

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

	2023	2022
Income before income tax	141,159,287	264,903,351
Tax at statutory tax rate of 25%	35,289,822	66,225,838
Tax effect of:		
Income subject to final tax	(7,273,061)	(3,214,745)
Non-deductible expenses	2,075,986	2,500,000
Non-taxable income	(1,811,696)	(113,096)
Effective income tax	28,281,051	65,397,997

The components of the Company’s net deferred income tax (DIT) assets as at December 31 are as follows:

	2023	2022
DIT assets		
Allowance for ECL	76,009,107	55,092,744
Retirement benefit obligation	7,701,121	6,477,479
Unrealized foreign exchange loss	1,319,777	-
Others	97,911	-
	85,127,916	61,570,223
DIT liability		
Unrealized foreign exchange gain	(1,169,031)	(1,169,031)
	83,958,885	60,401,192

Movements in DIT assets, net, are summarized as follows:

	2023	2022
At January 1	60,401,192	51,278,237
Amounts credited to profit or loss	23,544,132	12,891,286
Amounts credited (charged) to other comprehensive income	13,561	(3,768,331)
At December 31	83,958,885	60,401,192

The Company’s current tax expense consists of final tax on interest income and current income tax amounting to P22.03 million and P29.80 million, respectively, for the year ended December 31, 2023 (2022 - P10.66 million and P67.63 million, respectively).

Income tax payable amounting to P1.16 million in 2023 (2022 - P39.08 million) is expected to be settled within 12 months from the reporting date.

17 Leases

The Company leases its office space under lease contracts for a period of one (1) year, renewable upon mutual agreement of the parties. Rent expense included in the statement of total comprehensive income amounts to P13.65 million in 2023 (2022 - P11.61 million).

Under the term of the lease agreement, the Company is required to make security deposit for the office space being rented.

The rental deposit included as part of Other assets, net, in the statement of financial position amounts to P3.27 million in 2023 (2022 - P3.46 million). Likewise, advance rental payments included under prepaid expenses in Other assets, net, in the statement of financial position amount to P4.05 million in 2023 (2022 - P3.88 million).

18 Related party transactions

The table below summarizes the Company's transactions and balances with its related parties as at and for the years ended December 31:

Related party	Year	Note	Amount of the transaction	Outstanding balance	Terms	Conditions
Subsidiaries						
AIB Money Market Mutual Fund						
Due from related party	2023		-	2,700	Non-interest bearing; due and demandable; collectible in cash	Unsecured with no impairment
	2022	18a	-	2,700		
Hackensack AIB Philippines Corp.						
Due from related party	2023		141,966	15,646,649	Non-interest bearing; due and demandable; collectible in cash	Unsecured with no impairment
	2022	18a	-	15,504,683		
AIB Asia Asset Management, Inc.						
Due from related party	2023		-	2,700	Non-interest bearing; due and demandable; collectible in cash	Unsecured with no impairment
	2022	18a	-	2,700		
AIB Real Estate Ventures						
Due from related party	2023		15,663	2,503,148	Non-interest bearing; due and demandable; collectible in cash	Unsecured with no impairment
	2022	18a	2,300,000	2,487,485		
AIB Markets, Inc.						
Due from related party	2023		18,031	416,170	Non-interest bearing; due and demandable; collectible in cash	Unsecured with no impairment
	2022	18a	-	398,139		
Affiliates						
AIB Global						
Loans receivable	2023		-	11,412,192	Non-interest bearing; due and demandable; collectible in cash	Unsecured with no impairment
	2022	18a	-	11,412,192		
MF AIB Holdings						
Due from related party	2023		(43,421)	2,969,279	Non-interest bearing; due and demandable; collectible in cash	Unsecured with no impairment
	2022	18a	-	3,012,700		
Pikeville Inc. and MERG Realty Development Corporation						
Due from related party	2023		(22,480)	457,296	Non-interest bearing; due and demandable; collectible in cash	Unsecured with no impairment
	2022	18a	-	479,776		
Rent expense	2023		13,011,878	-	Due and demandable; payable in cash	Unsecured with no impairment
	2022	18b	10,716,932	-		
Other related party						
AIB Six Forks Holdings Company						
Due from related party	2023		21,540	270,753	Non-interest bearing; due and demandable; collectible in cash	Unsecured with no impairment
	2022	18a	-	249,213		
TOTAL	2023			33,680,887		
	2022			33,549,588		

a. The Company's subsidiaries and other affiliates borrows funds from the Company for the purpose of their pre-incorporation and other operating expenses (Note 3).

b. The Company leases its office space under lease contracts with its affiliated entity. The rent expense under these contracts amounts to P13.01 million in 2023 (2022 - P10.72 million). Rental deposit amounts to P3.27 million in 2023 (2022 - P3.46 million) (Note 7).

c. The Company received cash dividends from MFC, a subsidiary, amounting to P0.76 million in 2023 (2022 - P0.45 million) (Note 5).

The remuneration of members of the BOD and members of key management pertains to short-term benefits amounting to P23.91 million (2022 - P23.98 million). The retirement benefit expense attributable to key management personnel in 2023 amounts to P3.13 million (2022 - P1.73 million). There are no other long term benefits attributable to key management personnel.

The key management personnel of the Company are composed of senior management and directors.

19 Critical accounting estimates and judgements

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

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

<u>Critical accounting estimates</u>

Allowance for ECL of loans and receivables, net (Note 3)

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

The carrying balance of loans and receivables as at December 31, 2023 amounts to P1,510,327,948 (2022 - P519,307,214), net of allowance for ECL of P331,505,762 (2022 - P247,840,312).

Estimated useful life of property and equipment (Note 6)

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

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

The carrying value of the Company's property and equipment, net as at December 31, 2023 amounts to P28,407,681 (2022 - P22,572,708).

Estimation of retirement benefit obligation (Note 15)

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

While the Company believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and the related obligation. The possible effects of sensitivities surrounding the actuarial assumptions of the Company at the reporting date are disclosed in Note 15.

<u>Critical accounting judgments</u>

Impairment of FVOCI (Note 5)

The Company assesses impairment on equity investments whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant decline in market value;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and,
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Management has not identified any indicators of impairment as at December 31, 2023 and 2022 on its investments at FVOCI.

Establishment of control over a subsidiary (Note 5)

Management considers the Company as having de facto control over MFC as it owns majority of MFC's shares and exercises majority control over it. In addition, the Company also has the power to appoint MFC's BOD and to make other important business decisions.

Impairment of property and equipment (Note 6)

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

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

Recoverability of DIT assets (Note 16)

The recognition of DIT assets depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied. The Company reviews the carrying amounts of DIT assets at the end of each reporting period and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will allow all or part of its DIT assets to be utilized.

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

Determining the lease term (Note 17)

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

The Company has a lease contract that includes a renewal option subject to the mutual agreement of both lessee and lessor. The Company considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

Based on the Company's judgment, lease contract shall be treated as a short-term lease since renewal option of the lease is not yet enforceable and consent of both parties is needed for it to be exercised.

Rent expense recognized in the statement of total comprehensive income in 2023 and 2022 are disclosed in Note 17.

20 Financial risk and capital management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages credit risk by setting limits for individual borrowers, and group of borrowers and industry segments. The Company also monitors credit exposures, and continually assesses the credit worthiness of counterparties. In addition, the Company obtains security where appropriate, enters into collateral arrangements with counterparties, and limits the duration of exposures.

Finally, credit applications go through a process of screening using the Company's credit standards to minimize risk.

The table below summarizes the maximum exposure to credit risk for each class of financial assets:

	2023	2022
Cash and cash equivalents	1,950,730,208	2,428,501,340
Loans and other receivables (gross of allowance for ECL)	1,841,833,710	767,147,526
Financial assets at FVTPL	892,821,440	-
Other financial assets	65,450,919	3,458,295
	4,750,836,277	3,199,107,161

The Company has two levels of risk monitoring and authorizations. At the management level, the Credit Officer evaluates the risk profile of every transaction and monitors existing financial assets. At the Board level, the risk parameters are evaluated, approved and set as standards by the Credit and Risk Management Committee. These standards are included in the policy guidelines of the Company.

The Company establishes an allowance for impairment losses that represents its expected credit losses for loans and receivables arising from the normal business operations.

Credit quality per class of financial assets

The Company grades its financial assets in accordance with the following:

a. *Performing financial assets*

Performing financial assets that are neither past due nor impaired include financial assets which have a high probability of collection. Collections are also probable due to the reputation and the financial ability of the counterparty. There were also few or no history of default on the agreed terms of the contract.

- High grade pertains to accounts which have high probability of collection, as evidenced by debtor's long history of stability, and profitability. The debtor has strong debt service record and ability to raise substantial amounts of funds through the public market.

- Standard grade pertains to accounts where collections are probable due to the reputation and the financial capacity of the counterparty to pay but which have been outstanding for a considerable length of time.

- Substandard grade pertains to those accounts where the counterparties are, most likely, not capable of honoring their financial obligations.

b. *Underperforming financial assets*

Underperforming financial assets are financial assets where contractual payments are past due but the Company believes that impairment is not appropriate on the basis of the level of collateral available and/or status of collection of amounts owed to the Company.

c. *Impaired financial assets*

Impaired financial assets are financial assets for which the Company determines that it is probable that it will not be able to collect all principal and interest due based on the contractual terms and agreements.

There were no changes in the objective, nature and manner of managing credit risk.

Liquidity risk

Liquidity risk pertains to the risk that the Company will encounter difficulty to meet payment obligations when these fall due under normal and stress circumstances.

The Company's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Company constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below summarizes the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

December 31, 2023	Up to one year	Over one year	Total
Financial assets			
Cash and cash equivalents	1,950,760,127	-	1,950,760,127
Loans and receivables, net	1,510,327,948	-	1,510,327,948
Financial assets at:			
FVTPL	895,489,138	-	895,489,138
FVOCI	-	458,881,691	458,881,691
Other financial assets	65,450,919	-	65,450,919
	4,422,028,132	458,881,691	4,880,909,823
Financial liabilities			
Notes payable	4,100,000,000	-	4,100,000,000
Trade and other payables*	16,953,715	-	16,953,715
	4,116,953,715	-	4,116,953,715
Total maturity gap	305,074,417	458,881,691	763,956,108

**Excluding payable to government agencies*

December 31, 2022	Up to one year	Over one year	Total
Financial assets			
Cash and cash equivalents	2,428,507,560	-	2,428,507,560
Loans and receivables, net	519,307,214	-	519,307,214
Financial assets at:			
FVTPL	2,667,698	-	2,667,698
FVOCI	-	552,938,546	552,938,546
Rental deposit	3,458,295	-	3,458,295
	2,953,940,767	552,938,546	3,506,879,313
Financial liabilities			
Notes payable	2,500,000,000	-	2,500,000,000
Trade and other payables*	166,411,662	-	166,411,662
	2,666,411,662	-	2,666,411,662
Total maturity gap	287,529,105	552,938,546	840,467,651

** Excluding payable to government agencies*

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

Market risk

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

Equity price risk

The Company's exposure to price risk arises from its investments in equity securities. Management monitors the equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis.

The Company’s exposure to equity price risk for certain financial assets as at December 31 follows:

	2023	2022
FVTPL	2,667,698	2,667,698
FVOCI	458,881,691	552,938,546
Total	461,549,389	555,606,244

The following table demonstrates the sensitivity to a reasonably possible change in the fair value, with all other variables held constant, on the Company’s total comprehensive income and equity for the years ended December 31:

	Rate of change in fair value	Amount
2023	+5.00%	(11,567,075)
	-5.00%	11,567,075
2022	+5.00%	10,435,547
	-5.00%	(10,435,547)

Interest rate risk

The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Company’s policy in managing interest rate risks depends largely on the type of investments. Combinations of fixed and floating rates are employed for the investments. The interest rates reflect the prevailing market interest rates. As at December 31, 2023 and 2022, the Company has minimal interest rate risk as its interest-bearing assets and liabilities comprise mainly of cash in banks, cash equivalents and notes payable which earn interest at fixed prevailing interest rates.

Foreign exchange risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Company’s transactions. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Company. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity.

The Company’s foreign currency-denominated monetary asset is limited to its cash in banks. Such assets and its Philippine peso equivalents as at December 31 are as follows:

	2023		2022	
	In foreign currency	Philippine peso equivalent	In foreign currency	Philippine peso equivalent
US Dollar	10,241,656	569,582,125	1,262,493	70,851,102
Australian Dollar	123,058	4,568,664	123,037	4,661,875

Foreign exchange gain, net, for the years ended December 31 is as follows:

	2023	2022
Unrealized (loss) gain, net	(5,279,107)	4,676,125
Realized gain, net	7,603,007	22,582,575
	2,323,900	27,258,700

As at December 31, 2023 and 2022, the Company has no foreign currency-denominated financial liabilities.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, on the Company's income before income tax and equity:

	Rate of change in exchange rate	Effect on income before income tax	Effect on equity
December 31, 2023	+5.00%	28,707,540	21,530,655
	-5.00%	(28,707,540)	(21,530,655)
December 31, 2022	+5.00%	3,775,648	2,831,737
	-5.00%	(3,775,648)	(2,831,737)

Fair value determination

The table below presents a comparison by category of carrying amounts and fair values of the Company's financial instruments as at December 31:

2023	Carrying amount	Fair value
Financial assets		
Cash and cash equivalents	1,950,760,127	1,950,760,127
Loans and receivables, net	1,510,327,948	1,510,327,948
Financial assets at:		
FVTPL	895,489,138	895,489,138
FVOCI	458,881,691	458,881,691
Other financial assets	65,450,919	3,265,847
	4,880,909,823	4,818,724,751
Financial liabilities		
Notes payable	4,100,000,000	4,100,000,000
Trade and other payables*	16,953,716	16,953,716
	4,116,953,716	4,116,953,716

**Excluding payable to government agencies*

2022	Carrying amount	Fair value
Financial assets		
Cash and cash equivalents	2,428,507,560	2,428,507,560
Loans and receivables, net	519,307,214	519,307,214
Financial assets at:		
FVTPL	2,667,698	2,667,698
FVOCI	552,938,546	552,938,546
Rental deposit	3,458,295	3,458,295
	3,506,879,313	3,506,879,313
Financial liabilities		
Notes payable	2,500,000,000	2,500,000,000
Trade and other payables*	166,411,662	166,411,662
	2,666,411,662	2,666,411,662

**Excluding payable to government agencies*

The carrying amounts of the Company's cash, rental deposit and trade and other payables (excluding payable to government agencies) approximate their fair values at each reporting date due to the relatively short-term maturities of these financial instruments.

Fair values of financial assets at FVTPL and at FVOCI are based on quoted prices published in markets. FVOCI equity investments that are not quoted are valued and reported at cost less impairment loss, if any, due to the lack of other suitable methods of arriving at a reliable measure of fair value.

The carrying values of loans and receivables, net, and notes payable approximate their fair values due to either the relatively short-term maturities or the fact that the interest rates reflect the prevailing market rates.

Financial assets and financial liabilities measured at fair value in the statement of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

In 2023, the listed equity investment, MFC, amounting to P224.29 million (2022 - P275.61 million) falls under Level 1 while the investment in AIB Mutual Fund and investment in government and private debt securities aggregating to P1,053.00 million (2022 - P200.00 million) falls under Level 2. The fair values of the Company's unquoted equity investments amounting to P77.08 million (2022 - P77.99 million) fall under Level 3 of the fair value hierarchy. The Company's unquoted equity investments are measured using the adjusted net asset method where the fair values were derived by reference to the fair values of the subsidiary's assets and liabilities. The investment valuation sensitivity of the Company is mainly impacted by the net asset value. As these unquoted investments are deemed immaterial relative to the Company's total assets, the Company considers that it is impracticable to disclose the possible effects of sensitivities surrounding the said investments.

The Company recognizes any transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. In 2023 and 2022, there were no transfers between the levels of the fair value hierarchy.

Capital management

The Company maintains a sound capital base to ensure its ability to continue as a going concern, thereby continuing to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, pay-off existing debt, return capital to shareholders or issue new shares. The Company defines capital as paid-in capital stock, additional paid-in capital and retained earnings. Other components of equity such as treasury stock and equity reserves are excluded from capital for purposes of capital management.

The BOD has the overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Company's business, operations and industry.

Under the provisions of Section 8 of RA No. 8366, an Act amending Presidential Decree No. 129, otherwise known as the Investment Houses Law, the Company is required to maintain a minimum paid-up capital of P300,000,000. The Company is fully compliant with the regulatory capital requirements as at December 31, 2023 and 2022.

21 Summary of material accounting policies

The principal accounting policies set out below have been applied consistently to both years presented in these financial statements, unless otherwise stated.

These financial statements have been prepared as the Company's separate financial statements for its use and filing with the regulators, namely the Bureau of Internal Revenue (BIR) and the SEC. The Company's management has also prepared consolidated financial statements of the Company and its subsidiary (collectively referred as the "Group") in accordance with Philippine Financial Reporting Standards (PFRSs). In the consolidated financial statements, subsidiary undertakings in which the Company, directly or indirectly, has an interest of more than half of the voting rights or otherwise has the power to exercise control over the subsidiary's operations have been fully consolidated. The Group's consolidated financial statements can be obtained from the Company.

Users of these separate financial statements should read these together with the Group's consolidated financial statements as at and for the years ended December 31, 2023 and 2022 in order to obtain full information on the financial position, results of operations and cash flows of the Group, as a whole.

21.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets at FVTPL and at FVOCI.

These financial statements are presented in Philippine Peso, which is the Company's functional currency. All values are rounded off to the nearest Peso, except when otherwise indicated.

Changes in accounting policies and disclosures

(a) Amendments to existing standards adopted by the Company effective January 1, 2023

- Amendments to PAS 1, *'Presentation of Financial Statements'*, and PFRS Practice Statement 2

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

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

  The adoption of the amendments resulted in changes in the accounting policies disclosed by the Company.

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

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

There are no other new standards, interpretations and amendments to existing standards effective January 1, 2023 that are considered to be relevant or have a material impact on the Company's financial statements.

(b) New standards, amendments to existing standards or interpretations not yet effective and not yet adopted by the Company

Certain new standards, amendments to existing standards and interpretations have been published that are not mandatory for the December 31, 2023 reporting periods and have not been early adopted by the Company. The amendments relevant to the Company include the following:

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

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

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

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

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

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

  The amendments are effective for annual reporting periods beginning on January 1, 2024, and must be applied retrospectively in accordance with the normal requirements in PAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

There are no other new standards, amendments to existing standards or interpretations which are effective beginning on or after January 1, 2024 that are considered relevant on the financial statements of the Company.

21.2 Financial instruments

The Company recognizes a financial instrument in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

21.2.1 Financial assets

(a) Initial recognition, classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following measurement categories: at FVTPL, at FVOCI and at amortized cost. Management determines the classification of its financial assets at initial recognition. Regular-way purchases and sales of financial assets are recognized on trade date, the date on which the Company commits to purchase or sell the asset. Financial assets not carried at FVTPL are initially recognized at fair value plus transaction costs.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on the Company's business model for managing the asset and the cash flow characteristics of the asset.

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

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

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

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

Equity instruments

The Company subsequently measures all equity investments at FVTPL, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, even on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

The Company's equity financial assets as at December 31, 2023 and 2022 include financial assets at FVTPL and at FVOCI.

(b) Impairment of financial assets carried at amortized cost

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

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

Definition of default and determination of significant increase in credit risk

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

Staging assessment

For non-credit impaired financial assets:

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

- Stage 2 is comprised of all non-impaired financial assets which have experienced a significant increase in credit risk since initial recognition. The Company recognised a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial assets:

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

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

Measuring ECL

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

- The PD represents the likelihood that the borrower will default (as per “Definition of default” above), either over the next 12 months (12M PD), or over the remaining life (lifetime PD) of the asset.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining life (lifetime EAD).
- LGD represents the Company’s expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage of loss per unit of exposure at the time of default.

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

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

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

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

(c) Derecognition of financial assets

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

21.2.2 Financial liabilities

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

The Company’s financial liabilities at amortized cost comprise of trade and other payables (except payables to government agencies) and notes payable.

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

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

21.3 Equity investments

The Company’s equity investments mainly pertain to its investments in subsidiaries which are accounted for in the separate financial statements in accordance with PFRS 9. These are considered as financial assets as discussed in Note 20.3.1.

If instances where there is no active market for investments in subsidiaries and the range of reasonable fair values is significant and these estimates cannot be made reliably, the investments are measured at cost less impairment.

Any dividends received from a subsidiary are recognized as part of profit or loss when the right to receive the dividend is established.

The investments are derecognized when the contractual rights to the cash flows from the subsidiary expires or is transferred at which time the cost and the related accumulated impairment loss, if any, are removed in the statement of financial position.

21.4 Other assets, net

Other assets mainly consist of prepaid expenses, rental deposit, software cost, creditable withholding taxes and others.

Prepaid expenses are recognized in the event that payment has been made prior to the service being rendered to the Company and measured at nominal amounts.

Rental deposit represents payments made in relation to the lease and other agreements entered into by the Company. These are carried at amortized cost and will generally be applied as lease payment at the end of the agreements. Defaults on rent and utilities payment and other damages the Company may incur are applied against the deposit.

Software costs pertain to licenses which are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful life of three (3) to five (5) years.

Creditable withholding taxes are recognized to the extent that it is probable that future taxable income will be available against which these can be utilized.

Restricted funds are cash that carry restrictions and are intended to be used only for purposes specified by the Company.

21.5 Property and equipment, net

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

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

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

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

Category	Number of years
Furniture, fixtures and equipment	1-3
Leasehold rights and improvements	5 years or the period of the lease, whichever is shorter
Transportation equipment	5

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and the related accumulated depreciation and amortization and any impairment loss are removed in the statement of financial position. Any gains or losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are recognized in profit or loss.

21.6 Impairment of non-financial assets

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

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

21.7 Fair value measurements

The Company measures financial assets and liabilities at fair value at each reporting date.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly indirectly; and
- Level 3: inputs for the asset or liability that are based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

21.8 Share capital; Additional paid-in capital

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

21.9 Retained earnings

Retained earnings represent the accumulated income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that which is restricted and therefore not available for any dividend declaration.

21.10 Treasury shares

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

21.11 Dividends on common shares

Cash dividends on common shares are recognized as a liability and deducted from equity once approved by the BOD. Stock dividends are recognized as addition to capital stock once approved by the BOD and shareholders. Dividends approved after the reporting date are treated as an event after the reporting date.

21.12 Revenue recognition

Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does create an asset with an alternative use to the Company and the Company has an enforceable right to payment for completed to date. Otherwise, revenue is recognized at a point in time.

The Company has determined that it is acting as agent on its revenue arrangements arising from investment brokerage transactions and as principal on other revenue arrangements.

The following specific criteria must also be met before revenue is recognized:

Service fees and, financial advisory and underwriting fees

The Company earns fee from various services to its clients. Its service income may be classified into:

a) *Fee income from services provided over a certain period of time*

   This includes service fees earned from loan syndication transactions pertaining to the purchase and or brokering of securities and papers issued by other enterprises or of the government and its instrumentalities.

b) *Fee income from transaction services*

   This pertains to the fees earned from the provision of loan arrangement services, corporate bonds underwriting and other capital raising activities. From these services, the Company act as an Adviser or Issue Manager and Lead Arranger or Selling Agent that shall arrange the capital raising requirements of the corporate issuer.

Dividend income

Dividend income is recognized when the right to receive payment has been established. Usually, this is the ex-dividend date for quoted equity securities.

Unrealized foreign exchange gains (losses)

Foreign exchange differences arising from foreign currency translations are charged against operations in the period in which the rates change.

Interest and other fees

Interest income is accrued using the effective interest rate method. Interest from bank deposits and placements, gross of final tax, is recognized as it accrues. Other fees earned from facilitation and arrangement of loans are recognized when earned.

Gain on sale of equity investments

Gain on sale of equity securities arises from sale of investments and is recognized when earned.

21.13 Expenses

Expenses are recognized when incurred.

Interest expense

Interest expense consist of interest which the Company incurs in connection to borrowing of funds. These are recognized in profit or loss in the year in which the costs are incurred.

Income and expenses are presented on a net basis only when permitted under PFRSs, such as in the case of any realized gains or losses arising from the Company's trading activities.

21.14 Employee benefits

Short-term Employee Benefits. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

Employee Leave Entitlement. Employee entitlements to annual leave are recognized as a liability when the same accrues to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the reporting date is recognized for services rendered by employees up to the end of the reporting date.

Defined Benefit Plan. The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in 'Compensation and other employee benefits' in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statement of total comprehensive income at the earlier of the following:

- when the related restructuring costs are recognized;
- when the related termination benefits are recognized; and
- when the plan amendment or curtailment occurs.

The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

21.15 Leases (the Company is the Lessee)

The Company has elected the practical expedient provided for by PFRS 16 in respect to accounting for short-term lease contracts.

As at December 31, 2023 and 2022, the Company has no long-term leases.

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

21.16 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Philippine Peso, which is the Company's functional currency.

21.17 Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

21.18 Income taxes

Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rate enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which the applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

DIT

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

DIT liabilities are recognized for all taxable temporary differences; and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

21.19 Related party relationships and transactions

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

21.20 Comparatives

Certain reclassification was made in the December 31, 2022 financial statements of the Company to conform to the current year's presentation. The reclassification did not have an impact to the retained earnings and reported financial position in 2023 and 2022 and to the reported net income, total comprehensive income, equity and cash flows for the years ended December 31, 2023 and 2022.

22 Supplementary information required by BIR

Below is the additional information required by Revenue Regulations No. 15-2010. This information is presented for the purposes of filing with the BIR and is not a required part of the basic financial statements.

Withholding taxes

Details of withholding taxes for the year ended December 31, 2023 are as follows:

	Amount
Expanded withholding taxes	6,674,551
Final withholding taxes	3,589,716
Fringe benefit taxes	1,838,126
	12,102,393

Taxes and licenses

Details of the Company's other taxes and licenses for the year ended December 31, 2023 are as follows:

	Amount
Gross receipts tax	27,889,873
Documentary stamp tax	18,092,467
License and permit fees	465,721
Others	2,822,144
	49,270,205

Deficiency tax assessments and tax cases

The Company has no outstanding tax assessments with the BIR and/or cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside of the BIR as at December 31, 2023.