STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **C CREDIT FINANCING INC.** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the period ended December 31, 2022, in accordance with the Philippine Financial Reporting Standards, 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 going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless Management intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

R.S. BERNALDO & ASSOCIATES, the independent auditors appointed by the stockholders have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its reports to the stockholders, have expressed its opinion on the fairness of presentation upon completion of such audit.

VICTOR SERGEEVICH ZHURAVLEV	**RONELY J. CALAIRO**
Chairman of the Board and President	Corporate Treasurer

Signed this 17th day of March 2023.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
C CREDIT FINANCING INC.
9/F M1 Tower, 141 H.V. Dela Costa Street
Salcedo Village, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **C CREDIT FINANCING INC.** (the "Company"), which comprise the statement of financial position as of December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit 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 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 Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- 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 audits.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations Nos. 15-2010 and 19-2011 in Notes 27 and 28, respectively, to the financial statements, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the Management of **C CREDIT FINANCING INC.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until May 28, 2024
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2023
Valid from January 31, 2023 until January 30, 2026
IC Group A Accredited
Accreditation No. 0300-IC
Valid until 2026 audit period

ANTHONY D. PAÑO
Partner
CPA Certificate No.141730
SEC Group A Accredited
Accreditation No. 141730-SEC
Valid until 2025 audit period
BSP Group C Accredited
Accreditation No. 141730-BSP
Valid until 2025 audit period
BIR Accreditation No. 08-007679-000-2022
Valid from March 30, 2022 until March 29, 2025
Tax Identification No. 415-160-393
PTR No. 9567818
Issued on January 4, 2023 at Makati City

March 17, 2023

C CREDIT FINANCING, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2022
(In Philippine Peso)

	NOTES	2022
ASSETS		
Cash	6	**4,217,385**
Loans and other receivables – net	7	**172,150,594**
Prepayments and other asset	8	**1,925,020**
Furniture, fixtures and equipment – net	9	**578,547**
Intangible asset – net	10	**131,403**
Deferred taxes – net	20	**2,558,968**
TOTAL ASSETS		**181,561,917**
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Trade and other payables	11	**97,045,726**
Loan payable	12	**44,334,800**
TOTAL LIABILITIES		**141,380,526**
STOCKHOLDERS' EQUITY		
Capital Stock	14	**48,000,000**
Deficit		**(7,818,609)**
TOTAL STOCKHOLDERS' EQUITY		**40,181,391**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**181,561,917**

(See Notes to Financial Statements)

C CREDIT FINANCING, INC.
STATEMENT OF COMPREHENSIVE INCOME
For the Period Ended December 31, 2022
(In Philippine Peso)

	NOTES	2022
FINANCE INCOME	7	**3,513,138**
FINANCE COST	12	**1,803,995**
NET FINANCE INCOME		**1,709,143**
PROVISION FOR EXPECTED CREDIT LOSSES	7	**(127,896)**
NET FINANCE INCOME AFTER PROVISION FOR EXPECTED CREDIT LOSSES		**1,581,247**
OTHER INCOME – net	15	**895,146**
		2,476,393
OPERATING EXPENSES	16	**12,853,970**
LOSS BEFORE TAX		**(10,377,577)**
INCOME TAX BENEFIT	19	**(2,558,968)**
LOSS		**(7,818,609)**

(See Notes to Financial Statements)

C CREDIT FINANCING, INC.
STATEMENT OF CHANGES IN EQUITY
For the Period Ended December 31, 2022
(In Philippine Peso)

	Note	**Capital Stock**	**Deficit**	**Total**
Balance at February 3, 2022		-	-	-
Issuance of shares	14	48,000,000		**48,000,000**
Loss			(7,818,609)	**(7,818,609)**
Balance at December 31, 2022	14	**48,000,000**	**(7,818,609)**	**40,181,391**

(See Notes to Financial Statements)

C CREDIT FINANCING, INC.
STATEMENT OF CASH FLOWS
For the Period Ended December 31, 2022
(In Philippine Peso)

	NOTES	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		**(10,377,577)**
Adjustments for:		
Finance cost	12	**1,803,995**
Provision for expected credit losses	7	**127,896**
Depreciation	9,16	**54,531**
Amortization	10,16	**20,235**
Finance income	6	**(17,104)**
Unrealized foreign exchange gain – net	6,12,15	**(1,280,540)**
Operating cash flows before changes in working capital		**(9,668,564)**
Increase in operating assets:		
Loans and other receivables		**(172,278,490)**
Prepayments and other asset		**(1,925,020)**
Increase in trade and other payables		**95,241,731**
Net cash used in operating activities		**(88,630,343)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Finance income received	6	**17,104**
Acquisition of intangible asset	10	**(151,638)**
Acquisition of furniture, fixtures and equipment	9	**(633,078)**
Net cash used in investing activities		**(767,612)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	14	**48,000,000**
Availment of loans	12	**44,020,380**
Net cash from financing activities		**92,020,380**
EFFECT OF FOREIGN EXCHANGE IN CASH	6	**1,594,960**
CASH AT END OF YEAR		**4,217,385**

(See Notes to Financial Statements)

C CREDIT FINANCING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

1. CORPORATE INFORMATION

C Credit Financing, Inc. (the "Company"), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) per Registration No. 2022020040287-00 on February 3, 2022. On February 10, 2022, the Company was registered with Bureau Internal Revenue (BIR) at Revenue District Office (RDO) No. 50 per Tax Identification Number (TIN) 605-214-514-00000. The principal activities of the Company are to engage, deal in financing business in all its aspects, to extend credit facilities for micro, mixed, retail and other intermediary lending services. To loan its funds without collateral or on the security of a mortgage of real properties, pledge chattel mortgage of equipment, machinery, merchandise, shares of stock, securities and other personal properties; to purchase or otherwise acquire, discount, negotiate, collect, mortgage, pledge or otherwise deal in or with all or any part of the bonds debentures, accounts receivables , promissory notes, evidences of indebtedness, trade acceptance, commercial papers, certificate actions, issued, created, assumed or guaranteed by any domestic or foreign corporation, partnership, firm syndicate, or individual entity and to exercise in respect thereto all such powers and privileges incident to ownership, or any other interest herein.

The Company is 100% owned by a Kazakhstan individual.

The SEC has duly authorized the Company to operate as a financing company in accordance with the rules and regulations under Republic Act No. 8556 (The Financing Company Act of 1998) on February 3, 2022 with Certificate of Authority No. F-22-0020-94.

The Company started issuing loans in June 2022.

The Company's registered principal and business address is located at 9/F M1 Tower, 141 H.V. Dela Costa Street, Salcedo Village, Makati City 1227.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial and Sustainability Reporting Standards Council (FSRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FSRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

2.01 First time Adoption of the PFRS

The Company's financial statements as of and for the year ended December 31, 2022 are its first annual financial statements prepared under accounting policies that comply with PFRS.

2.02 New and Revised PFRSs Applied with No Material Effect on the Financial Statements

The following new and revised PFRSs have been adopted in these financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to PFRS 16, *COVID-19-Related Rent Concessions beyond June 30, 2021*

  The following are the amendments to PFRS 16:

  - permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022 (rather than only payments originally due on or before June 30, 2021);
  - require a lessee applying the amendment to do so for annual reporting periods beginning on or after April 1, 2021;
  - require a lessee applying the amendment to do so retrospectively, recognized the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
  - specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of PAS 8.

  The amendments are effective for annual reporting periods beginning on or after April 1, 2021.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The following are the amendments in reference to the conceptual framework:

  - update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of 1989 Framework;
  - add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
  - add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for annual periods beginning on or after January 1, 2022.

- Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*

  The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

  The amendments are effective for annual periods beginning on or after January 1, 2022. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

- Amendments to PAS 37*, Onerous Contracts – Cost of Fulfilling a Contract*

  The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

  The amendments are effective for annual periods beginning on or after January 1, 2022. Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

- Annual Improvements to PFRS Standards 2018-2020 Cycle

  Amendments to PFRS 1, *Subsidiary as a first-time adopter* – The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

  Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

  Amendments to PFRS 16, *Lease Incentives* – The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

  Amendments to PAS 41, *Taxation in fair value measurements* – The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

2.03 New and Revised PFRSs in Issue but Not Yet Effective

The Company will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS, to have significant impact on the financial statements.

2.03.01 Standard Adopted by FSRSC and Approved by the Board of Accountancy (BOA)

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments to PAS 1 are the following:

  - clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
  - clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
  - make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

  The amendments defer the effective date of the January 2020 Classification of Liabilities as Current or Non-Current (Amendments to PAS 1) to annual reporting periods beginning on or after January 1, 2023. Earlier application of the January 2020 amendments continues to be permitted.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The definition of accounting estimates has been amended as follows: accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

  The amendment also clarifies the following:

  - Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
  - A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period., with earlier application permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*

The amendments to PAS 1 are the following:

- an entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

The amendments also clarify the following:

- accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

- Amendment to PAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*

The amendments introduce an exception to the initial recognition exemption (IRE) in PAS 12. Additional exclusions have been added to the IRE, detailed in paragraphs 15(b)(iii) and 24(c) for deferred tax liabilities and assets respectively. The effects of these amendments essentially mean that the IRE is not available for transactions which involve the recognition of both an asset and liability – which in turn leads to equal and opposite temporary differences – such that deferred taxes are calculated and booked for both temporary differences, both at initial recognition and subsequently. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

The initial recognition exemption was initially included within PAS 12 to prevent a lack of reporting transparency for transactions which are not business combinations and, at the time of the transaction, do not affect either accounting or taxable profits.

Under this exemption, deferred tax assets/liabilities would neither be recognized at initial recognition of the underlying asset/liability, nor subsequently.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, the amendments also apply to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognized as assets at the beginning of the earliest comparative period presented.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early application of the amendments is permitted.

- PFRS 17, *Insurance Contracts*

  PFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It requires an entity that issues insurance contracts to report them on the balance sheet as the total of the fulfilment cash flows and the contractual service margin. It requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts: the insurance service result and the financial result. It requires an entity to report as insurance revenue the amount charged for insurance coverage when it is earned, rather than when the entity receives premium. It requires that insurance revenue to exclude the deposits that represent the investment of the policyholder, rather than an amount charged for services. Similarly, it requires the entity to present deposit repayments as settlements of liabilities rather than as insurance expense.

  PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Early application is permitted for entities that apply PFRS 9 Financial Instruments and PFRS 15 Revenue from Contracts with Customers on or before the date of initial application of PFRS 17.

  An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

- Amendments to PFRS 17, *Insurance Contracts*

  The amendments cover the following areas:

  - Insurance acquisition cash flows for renewals outside the contract boundary;
  - Reinsurance contracts held—onerous underlying insurance contracts;
  - Reinsurance contracts held—underlying insurance contracts with direct participation features; and
  - Recognition of the contractual service margin in profit or loss in the general model.

  The amendments are affective to annual reporting periods beginning on or after January 1, 2025.

- Amendment to PFRS 17, *Initial Application of PFRS 17 and PFRS 9—Comparative Information*

  The amendment is a transition option relating to comparative information about financial assets presented on initial application of PFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and Insurance contract liabilities, and therefore Improve the usefulness of comparative information for users of financial statements.

  PFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after January 1, 2025.

2.03.02 Deferred

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments clarify the treatment of the sale or contribution of assets between an investor and its associate and joint venture. This requires an investor in its financial statements to recognize in full the gains and losses arising from the sale or contribution of assets that constitute a business while recognize partial gains and losses if the assets do not constitute a business (i.e. up to the extent only of unrelated investor share).

  On January 13, 2016, the FSRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Statement of Compliance

The financial statements have been prepared in conformity with PFRS and are under the historical cost convention, except for certain financial instruments that are carried at amortized cost.

3.02 Functional and Presentation Currency

Items included in the financial statements of the Company are measured using Philippine Peso (₱), the currency of the primary economic environment in which the Company operates (the "functional currency").

The Company chose to present its financial statements using its functional currency.

3.03 Order of Liquidity Presentation

The Company's assets and liabilities are presented in decreasing order of liquidity.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Company in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Fair Value Measurement

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

When measuring fair value, the Company takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

A fair value measurement assumes that a financial or non-financial liability or an entity's own equity instruments (e.g. equity interests issued as consideration in a business combination) is transferred to a market participant at the measurement date. The transfer of a liability or an entity's own equity instrument assumes the following:

- A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.
- An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

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

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

4.02 Financial Assets

4.02.01 Initial Recognition and Measurement

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

The Company measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

4.02.02 Classification

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortized cost include cash in banks, loans and other receivables and security deposits presented under 'prepayments and other asset'.

a) Cash in Banks

Cash in banks pertain to cash deposits held at call with banks that are subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

b) Loans and Other Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and other receivables are measured at amortized cost using effective interest method, less any impairment. Finance income is recognized by applying the effective interest rate, except for short-term loan receivables when the recognition of interest would be immaterial.

c) Security Deposits

Security deposits serve as a guarantee on the operating lease entered by the Company as a lessee. The amount shall be refunded to the Company after the end of the lease term. These are initially recorded as asset and measured at the amount of cash paid. Subsequently, it is measured at amortized cost less any impairment.

The Company has no financial assets measured at fair value either through other comprehensive income or through profit or loss during the year.

4.02.03 Reclassification

When, and only when, the Company changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with Note 4.02.02. If the Company reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Company shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

4.02.04 Effective Interest Method

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, including transaction costs and origination fees, except for: purchased or originated credit-impaired financial assets and financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired.

4.02.05 Impairment

The Company measures expected losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable assumption that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Company adopted the following approaches in accounting for impairment.

➢ General Approach

The Company applies general approach to cash in banks, other receivables and security deposits. At each reporting date, the Company measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. However, if the credit risk has not increased significantly, the Company measures the loss allowance equal to 12-month expected credit losses.

The Company compares the risk of default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition and consider the macro-economic factors such as GDP, unemployment and inflation rates, interest rate, the performance of the counterparties' industry, and the available financial information of each counterparty to determine whether there is a significant increase in credit risk or not since initial recognition.

The Company determines that there has been a significant increase in credit risk when there is a significant decline in the factors.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition because the financial instrument is determined to have low credit risk at the reporting date.

The Company did not apply the 30 days past due rebuttable presumption because the Company determines that there have been no significant increases in credit risk before contractual payments are more than 30 days past due.

If the Company has measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date, that the credit quality improves (i.e. there is no longer a significant increase in credit risk since initial recognition), then the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

The Company performs the assessment of significant increases in credit risk on collective basis for financial assets with collateral otherwise it is assessed on an individual basis.

The Company did not apply the 90 days past due rebuttable presumption since based on the Company's historical experience and aging schedules, past due amounts are still collectible even if over 90 days.

The Company determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

➢ Simplified Approach

The Company always measures the loss allowance at an amount equal to lifetime expected credit losses for loans receivable. The Company determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

4.02.06 Derecognition

The Company derecognizes a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. The difference between the carrying amount and the consideration received is recognized in profit or loss.

4.02.07 Write-off

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

4.03 Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

4.04 Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition, furniture, fixtures and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditures relating to an item of furniture, fixtures and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

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

Computer equipment	5 years
Office equipment	5 years
Furniture and fixtures	3 to 5 years

The furniture, fixtures and equipment's residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An item of furniture, fixtures and equipment is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of a furniture, fixtures and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

4.05 Intangible Asset

Intangible asset acquired separately is initially carried at cost. Subsequently, intangible asset with definite useful life is carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life of system software is three (3) years.

The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.06 Impairment Assets

At each reporting date, the Company assesses whether there is any indication that any prepayments, furniture, fixtures and equipment, and intangible asset may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

4.07 Borrowing Costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.08 Financial Liability

4.08.01 Initial Recognition and Measurement

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

At the initial recognition, the Company measures a financial liability at its fair value minus, in the case of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the liability.

4.08.02 Classification

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;

- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

Financial liabilities at amortized cost pertain to trade and other payables (except due to government agencies), and loan payable.

The Company has no financial liability at fair value through profit or loss during the year.

4.08.03 Derecognition

The Company removes a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished (i.e. when the obligation in the contract is discharged or cancelled or has expired).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.09 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue cost.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

4.10 Employee Benefits

4.10.01 Short-term Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries, wages and other benefits, and SSS, PhilHealth and HDMF benefits.

4.11 Provisions

Provisions are recognized when the Company has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.12 Revenue Recognition

The Company recognizes revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service (i.e., asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

4.12.01 Performance Obligations Satisfied Over Time

The Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time when the customer simultaneously receives and consumes the benefits provided as the Company performs.

The Company recognizes revenue over time on penalties.

4.12.02 Finance Income

Finance income is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.13 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Company.

The Company recognizes expenses in the statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.14 Leases

The Company considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration. To apply this definition the Company assesses whether the contract meets three key evaluations, which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.

- The Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

The Company has elected to account for short-term leases and low-value assets using the practical expedients. Instead of recognizing an ROU asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

4.15 Foreign Currency Transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, i.e. foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognized in profit or loss in the period in which they arise.

4.16 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Company that is preparing its financial statements. A person or a close member of that person's family is related to Company if that person has control or joint control over the Company, has significant influence over the Company, or is a member of the key management personnel of the Company or of a parent of the Company.

An entity is related to the Company if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.17 Taxation

Income tax expense represents the sum of current and deferred taxes.

4.17.01 Current Tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.17.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets.

4.17.03 Current and Deferred Taxes for the Period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.18 Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the reporting period but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Company's position at the reporting period, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements when material.

4.19 Changes in Accounting Policies

The adoption of the new and revised standards and interpretations disclosed in Note 2.02 was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Company's accounting policies, which are disclosed in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Critical Judgments in Applying Accounting Policies

The following are critical judgments, apart from those involving estimations that Management have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

5.01.01 Determining Functional Currency

PAS 21 requires Management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Company considers the following:

- the currency that mainly influences cost of providing services for financial instruments and services (this will often be the currency in which cost of providing services for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Functional currency is the currency of the primary economic environment in which the Company operates. The Company has determined that its functional currency is the Philippine Peso. The Company's functional currency is evidenced by its costs of providing services and receipts from operating activities which are denominated and settled in Philippine Peso.

5.01.02 Assessment of Contractual Terms of a Financial Asset

The Company determines whether the contractual terms of a financial asset give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding. In making its judgments, the Company considers whether the cash flows before and after the changes in timing or in the amount of payments represent only payments of principal and interest on the principal amount outstanding.

Management assessed that the contractual terms of its financial assets are solely payments of principal and interest and consistent with the basic lending arrangement. As of December 31, 2022, the aggregate carrying amounts of financial assets measured at amortized cost amounted to ₱176,778,589, as disclosed in Note 22.02.

5.01.03 Assessment of 30 days Rebuttable Presumption

The Company determines when a significant increase in credit risk occurs on its financial assets based on the credit management practice of the Company.

Management assessed that the 30 days rebuttable presumption on determining whether there is a significant increase in credit risk in financial assets is not applicable because based on the Company's historical experience, credit risk has not increased significantly even the amounts are past due for more than 30 days.

5.01.04 Assessment of 90 days Rebuttable Presumption

An entity determines when a default occurs on its financial assets based on the credit management practice of the entity.

Management assessed that the 90 days rebuttable presumption on determining whether financial assets are credit impaired is not applicable since based on the Company's historical experience and aging schedules, past due amounts are still collectible even if over 90 days.

5.01.05 Determining whether or not a Contract Contains a Lease

In 2022, Management assessed that these are qualified as lease since the contracts contain identified assets, the Company has the right to obtain substantially all of the economic benefits, and the Company has the right to direct the use of the identified asset throughout the period of use.

5.01.06 Determining whether or not it is Reasonably Certain that an Extension Option will be Exercised and Termination Option will not be Exercised

Lease term is the non-cancellable period for which the Company has the right to use an underlying asset including optional periods when the Company is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Company considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term and the enforceability of the option. The option to extend the lease term should be included in the lease term if it is reasonably certain that the lessee will exercise the option and the option is enforceable. The Company is required to reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

In 2022, most of the lease contract do not contain a provision on renewal option, except for a certain contract which is renewable by mutual agreement. Management assessed that these lease contract cannot be extended beyond the non-cancelable lease period since such are not enforceable under the Philippine law. The Company uses the lease term stated in the contract which is six (6) months to one (1) year.

5.02 Key Sources of Estimation Uncertainties

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

5.02.01 Estimating Allowance for Expected Credit Losses

The Company measured expected credit losses of its financial assets using an unbiased and probability-weighted amount and reasonable and supportable assumption that is available without undue cost or effort. The Company assessed the past events, current conditions, and forecast economic conditions that may affect the counterparties' capacity to settle its obligation. The Company assessed the external credit ratings, industry performance, and available financial information of counterparties.

The Company determined that counterparty banks have low credit risk. Hence, the probability of default is immaterial. In 2022, no provision for expected credit loss was recognized.

The Company determined that the effect of security deposits is immaterial as it only represents 0.23% in 2022. Hence, the Company did not recognize provision of expected credit losses.

In 2022, Management recognized provision for expected credit losses amounting to ₱127,896, as disclosed in Note 7. As of December 31, 2022, the carrying amounts of loans and other receivables amounted to ₱172,150,594, as disclosed in Note 7. Accordingly, financial assets measured at amortized cost amounted to ₱176,779,979 as of December 31, 2022, as disclosed in Note 22.02. Management believes that the allowance provided is sufficient to cover future losses.

5.02.02 Reviewing Useful Lives, Residual Value and Depreciation Method of Furniture, Fixtures and Equipment.

The residual values, useful lives and depreciation method of the Company's furniture, fixtures and equipment are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Company's furniture, fixtures and equipment are estimated based on the period over which the assets are expected to be available for use.

The estimated useful lives of furniture, fixtures and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's furniture, fixtures and equipment. In addition, the estimation of the useful lives is based on Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of furniture, fixtures and equipment would increase the recognized operating expenses and decrease non-current assets. The Company uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits.

If there is an indication that there has been a significant change in the pattern used by which a Company expects to consume an asset's future economic benefits, the Company shall review its present depreciation method and, if current expectations differ, shall change the depreciation method to reflect the new pattern.

Management assessed that there were no changes on the estimates during the year. As of December 31, 2022, the carrying amounts of furniture, fixtures and equipment amounted to ₱578,547, as disclosed in Note 9.

5.02.03 Asset Impairment

The Company performs an impairment review when certain impairment indicators are present. Determining the recoverable amount of prepayments and other asset (except security deposits), furniture, fixtures and equipment and intangible asset which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that the foregoing assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under the PFRS.

In 2022, Management assessed that there are no indications of impairment on its prepayments and other asset (except security deposits), furniture, fixtures and equipment and intangible asset. As of December 31, 2022, the aggregate carrying value of the foregoing assets amounted to ₱2,222,970, as disclosed in Notes 8, 9 and 10.

5.02.04 Recognition of Deferred Tax Assets

The Company reviews the carrying amount at reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized prior to expiration.

In 2022, Management believed that the Company would be able to generate future taxable profit that would allow all of its deferred tax assets from NOLCO and allowance for expected credit losses to be fully utilized prior to expiration. As of December 31, 2022, the deferred tax assets recognized by the Company amounted to ₱2,879,103, as disclosed in Note 20.

6. CASH

For the purpose of the statement of cash flows, cash includes cash on hand and cash in banks.

Cash at the end of each reporting period as shown in the statement of cash flow can be reconciled to the related items in the statement of financial position as follows:

		2022
Cash on hand	₱	**1,390**
Cash in banks		**4,215,995**
	₱	**4,217,385**

Cash in banks earn interest at the floating rates. Finance income earned from bank deposits, net of final tax, amounted to ₱17,104 in 2022, as disclosed in Note 15.

In 2022, unrealized foreign exchange gain and realized foreign exchange loss in cash in bank amounted to ₱1,594,960 and ₱869,927, respectively, as disclosed in Note 15.

7. LOANS AND OTHER RECEIVABLES – net

The Company's loans and other receivables consist of:

		2022
Loans receivable	₱	**171,133,844**
Allowance for expected credit losses		**(127,896)**
		171,005,948
Accrued interest		**1,115,254**
Advances to employees		**29,392**
	₱	**172,150,594**

Loans receivable pertain to amounts collectible from borrowers with terms not exceeding five (5) years at 12% to 16.8%. An account shall be considered delinquent when after the arrival of a payment due date, the client failed to settle the obligation.

As of December 31, 2022, past due but unimpaired receivables within one (1) year amounted to ₱832,104.

In 2022, the Company recognized provision for expected credit losses amounting to ₱127,896. In 2022, the Company earned finance income from loans receivable amounting to ₱3,513,138.

Aging of accounts that are past due but not impaired is as follows:

		2022
1 – 30 days	₱	**808,610**
31 – 60 days		**23,494**
	₱	**832,104**

Finance charges pertain to the amount to be amortized for the difference of loan origination cost and cost of obtaining the loans.

8. PREPAYMENTS AND OTHER ASSET

The Company's prepayments and other asset consist of:

		2022
Prepaid expenses	₱	**74,620**
Prepaid loan processing fees		**1,438,400**
Security deposits (Note 18)		**412,000**
	₱	**1,925,020**

Prepaid loan processing fees pertain to the amount paid for a loan not yet received. This amount will be part of the transaction cost of loans payable.

9. FURNITURE, FIXTURES AND EQUIPMENT – net

The carrying amounts of the Company's furniture, fixtures and equipment are as follows:

		Computer Equipment		Office Equipment		Furniture and Fixtures		Total
Movements during 2022								
Balance, February 3, 2022	₱	-	₱	-	₱	-	₱	-
Additions		523,000		100,577		9,500		**633,077**
Depreciation (Note 16)		(43,969)		(7,661)		(2,900		**(54,530)**
Balance, December 31, 2022		**479,031**		**92,916**		**6,600**		**578,547**
December 31, 2022								
Cost		523,000		100,577		9,500		**633,077**
Accumulated depreciation		(43,969)		(7,661)		(2,900		**(54,530)**
Carrying amount	₱	**479,031**	₱	**92,916**	₱	**6,600**	₱	**578,547**

In 2022, all additions were paid in cash.

In 2022, the Management determined that there is no indication that impairment occurred on its furniture, fixtures and equipment.

10. INTANGIBLE ASSET – net

The Company's intangible asset pertains to system software. The carrying amounts of intangible asset is as follow:

Movements during 2022		
Balance, February 3, 2022	₱	-
Additions		151,638
Amortization (Note 16)		(20,235)
Balance, December 31, 2022		**131,403**
December 31, 2022		
Cost		151,638
Accumulated amortization		(20,235)
Carrying amount	₱	**131,403**

In 2022, all additions were paid in cash.

The remaining amortization period of the Company's intangible asset as of December 31, 2022 ranges from two (2) to three (3) years.

The Company has determined that there is no indication that an impairment loss has occurred on its intangible asset.

11. TRADE AND OTHER PAYABLES

The details of the Company's trade and other payables are shown below:

		2022
Due to dealers	₱	**92,936,160**
Accrued finance cost (Note 12)		**1,803,995**
Due to government agencies		**1,421,261**
Accrued expenses		**884,310**
	₱	**97,045,726**

Due to dealers represent loan proceeds to dealers and dealer's incentives based on fixed rates on financed amount and are payable upon completion of requirements of borrowers.

12. LOAN PAYABLE

On July 27, 2022, the Company entered into a loan contract with a third party for $790,000 or ₱44,020,380. The term for the loan is twelve (12) months at 8.90% interest per annum. Payment of principal and interest will be settled in lump sum upon maturity.

Shown below are the movements of loan payable:

		2022
Availments	₱	**44,020,380**
Unrealized foreign exchange loss (Note 15)		**314,420**
Balance, December 31	₱	**44,334,800**

Incurred and accrued finance cost amounted to ₱1,803,995 as of December 31, 2022, as disclosed in Note 11.

There are no specific ratios or thresholds that need to be maintained in connection with the above loan payable. In 2022, the Company has complied with all the terms and conditions of the loan.

13. RELATED PARTY TRANSACTIONS

Nature of relationship of the Company and its related parties are disclosed below:

Related Parties	Nature of Relationship
Stockholders	Members of Key Management Personnel

13.01 Remuneration of Key Management Personnel

The remuneration of the directors and other members of key management personnel of the Company consists of short-term benefits which amounted to ₱4,422,392 during the year.

13.03 Revenue Regulations No. 34 – 2020

The Company is not covered by the requirements and procedures for related transactions provided in RR 34-2020.

14. CAPITAL STOCK

Shown below are the details of capital stock:

	2022		
	Shares		**Amount**
Authorized, ₱1 par value	**80,000,000**	**₱**	**80,000,000**
Issued and fully paid, ₱1 par value	**48,000,000**	**₱**	**48,000,000**

Ordinary shares carry one (1) vote per share and a right to dividends.

15. OTHER INCOME – net

Components of other income are as follows:

		2022
Unrealized foreign exchange gain – net (Notes 6 and 12)	**₱**	**1,280,540**
Penalties		**92,012**
Finance income (Note 6)		**17,104**
Realized foreign exchange loss (Note 6)		**(869,927)**
Others		**375,417**
	₱	**895,146**

Penalties pertain to the amount charged by the Company for the default of the borrowers.

Others pertain to income in excess of the effective interest of the loans.

16. OPERATING EXPENSES

The following is an analysis of the Company's operating expenses:

		2022
Salaries, wages, and other benefits (Note 17)	₱	**6,458,208**
Taxes, permits, and licenses		**2,448,197**
Professional fees		**1,273,146**
Rental (Note 18)		**617,294**
Legal		**302,617**
Subscriptions		**273,541**
Travel and transportation		**229,965**
SSS, PhilHealth and HDMF Benefits (Note 17)		**205,325**
Representation		**189,665**
Chattel mortgage		**150,895**
Credit investigation		**120,400**
Office supplies		**72,176**
Depreciation (Note 9)		**54,530**
Amortization (Note 10)		**20,235**
Fines and penalties		**11,716**
Miscellaneous		**426,060**
	₱	**12,853,970**

17. EMPLOYEE BENEFITS

17.01 Short-term Employee Benefits

Short-term employee benefits, as disclosed in Note 16, include the following:

		2022
Salaries, wages and other benefits	**₱**	**6,458,208**
SSS, PhilHealth and HDMF benefits		**205,325**
	₱	**6,663,533**

18. LEASE AGREEMENTS

18.01 Lease Payments not recognized as a Liability

The Company has elected not to recognize a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The rent expense relating to payments not included in the measurement of the lease liability amounted to ₱617,294 in 2022, as disclosed in Note 16.

Below are the details of the said lease agreements:

18.01.01 Wilfrido R. Pinga.

The Company entered in an agreement with Wilfrido R. Pinga for the lease of condominium units for a period of one (1) year which will commence on October 30, 2022 until October 29, 2023 with a monthly rental of ₱70,000.

18.01.02 Work Folk Inc.

The Company entered into various lease agreement with Work Folk Inc. for the lease of office space for a period of six (6) months.

Security deposits paid in relation to the Company's leases amounted to ₱412,000 as of December 31, 2022, as disclosed in Note 8.

19. INCOME TAXES

19.01 Income Taxes Recognized in Profit of Loss

Income tax benefit pertains to deferred tax benefit amounting to ₱2,558,968 in 2022.

A numerical reconciliation between tax benefit and the product of accounting loss in 2022 multiplied by the respective tax rate is as follows:

		2022
Accounting loss	₱	(10,377,578)
Tax benefit at 25%		(2,594,395)
Tax effects of:		
Non-deductible expenses		38,633
Non-deductible finance cost		1,070
Finance income subjected to final tax		(4,276)
	₱	(2,558,968)

In 2022, NOLCO amounted to ₱11,388,517 which will expire in 2025.

20. DEFFERED TAXES – net

The components of the Company's deferred taxes and their respective movements are as follows:

		2022
Deferred tax assets (Note 20.01)	₱	2,879,103
Deferred tax liability (Note 20.02)		(320,135)
	₱	2,558,968

20.01 Deferred Tax Assets

As of December 31, 2022, the Company recognized deferred tax assets on NOLCO and allowance for expected credit losses amounting to ₱2,847,129 and ₱31,974, respectively.

20.02 Deferred Tax Liability

As of December 31, 2022, the Company recognized deferred tax liability arising from unrealized foreign exchange gain amounting to ₱320,135.

21. FAIR VALUE MEASUREMENTS

21.01 Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities as of December 31, 2022 are presented below:

	2022	
	Carrying Amounts	**Fair Values**
Financial Assets:		
Cash	**₱ 4,217,385**	**₱ 4,217,385**
Loans and other receivables – net	**172,150,594**	**172,150,594**
Security deposits	**412,000**	**412,000**
	₱ 176,779,979	**₱ 176,779,979**
Financial Liabilities:		
Trade and other payables	**₱ 95,624,465**	**₱ 95,624,465**
Loan payable	**44,334,800**	**44,334,800**
	₱ 139,959,265	**₱ 139,959,265**

Due to short-term maturities and demand feature, Management believes that the carrying amounts of cash, other receivables, security deposits, trade and other payables (except due to government agencies) approximate their fair values.

Loans receivable are interest bearing wherein its rates reflect the current market rates, thus, the carrying amount approximates its fair value.

The loans payable bear interest rates that approximate the market interest rates, hence, Management believes that the carrying amounts of borrowings approximate their fair values.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

Management monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, including interest rate risk, credit risk and liquidity risk.

22.01 Market Risk Management

22.01.01 Foreign Currency Risk Management

The Company undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2022				
	Cash in banks	**Accrued interest**	**Loan payable**		**Peso**
U.S. Dollar (USD)	**6,070**	**30,241**	**790,000**	**₱**	**46,479,437**
Chinese Yuan (CNY)	**5,800**	**-**	**-**		**46,632**
	11,870	**30,241**	**790,000**	**₱**	**46,526,069**

The following table details the Company's sensitivity to increase and decrease in the Philippine Peso against the relevant foreign currencies. The sensitivity rates above are used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the foreign currency strengthens against the relevant currency. For a weakening of the foreign currency against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative. Note that all other variables are held constant.

	Change in assumption	Monetary Asset: Increase in assumption	Monetary Asset: (Decrease) in assumption	Net Effect to Profit: Increase in assumption	Net Effect to Profit: Decrease in assumption
2022					
USD	**1.75%**	**6,324**	**(6,324)**	**6,324**	**(6,324)**
CNY	**1.59%**	**742**	**(742)**	**742**	**(742)**

The Company's sensitivity to foreign currency has increased during the current period mainly due to weakening of Philippine Peso against the foreign currencies.

In Management's opinion, the sensitivity analysis is representative of the inherent foreign exchange risk in 2022. The Company mitigates its exposure to foreign currency risk by monitoring its foreign currency cash flows.

22.01.02 Interest Rate Risk Management

The Company's exposure to interest rate risk arises from its cash in banks which are subject to variable interest rates and loans receivables subject to fixed interest rates.

The interest rate risk arising from cash in banks and loans receivables is managed by means of effective investment planning and analysis and maximizing investment opportunities in various local banks and financial institutions.

Loss for the year ended December 31, 2022, would have been unaffected since the Company has no loans receivables at variable rates and interest rate risk exposure for its cash in banks, which is subject to variable rate is very immaterial.

22.02 Credit Risk Management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risks from cash in banks, loans and other receivables and security deposits.

The Company considers the following policies to manage its credit risk:

- Banks

  The Company transacts only to banks with investment grade credit rating. This information is supplied by independent rating agencies. The Company uses other publicly available information such as annual report to monitor the financial status of the banks. The Company assesses the current and forecast information of the banking industry; and the macro-economic factors such as GDP, interest, and inflation rates to determine the possible impact to banks.

- Loans Receivables

  The Company transacts only with creditworthy clients. It is the Company's policy that all new clients undergo background investigation before entering into a financing contract. The Company assesses the creditworthiness of each recurring client prior to the granting of the loans. The acceptance or continuance of contract needs approval from the Management. The Company assesses the significant financial capacity of the borrower, high probability of bankruptcy or financial reorganization on the part of the borrower, current and forecast information of the clients' industry and the macro-economic factors such as GDP, interest, and inflation to determine the possible impact to clients.

The carrying amounts of the Company's financial assets measured at amortized cost are as follows:

		2022
Cash in banks	₱	**4,215,995**
Loans and other receivables – net		**172,150,594**
Security deposits		**412,000**
	₱	**176,778,589**

The calculation of allowance for expected credit losses are based on the following three (3) components:

- Probability of Default (PD)

  PD is the likelihood over a specified period, usually one year that a client will not be able to make scheduled repayments. PD depends not only on the client's characteristics, but, also on the economic environment. PD may be estimated using historical data and statistical techniques.

- Loss Given Default (LGD)

  LGD is the amount of money a company loses when a client defaults on a contract. The most frequently used method to calculate this loss is by comparing the actual total losses and the total amount of potential exposure sustained at the time that a contract goes into default.

- Exposure at Default (EAD)

  EAD is the total value a company is exposed to when a loan defaults. It refers to the gross carrying amount of financial asset.

Below is the summary of computation of allowance for expected credit losses in 2022.

2022	PD rate a	LGD rate b		EAD c		ECL d=a*b*c
Cash in banks	0.00%	40.82% to 85.17%	₱	4,215,995	₱	-
Loans receivable	0.00% to 10.00%	0.00% to 100%		171,133,844		127,896
Other receivables	0.00%	100.00%		1,144,646		-
Security deposits	0.00%	100.00%		412,000		-
			₱	176,906,485	₱	127,896

Cash in Banks

The Company determined the probability of default rate by considering the following: the credit ratings; the past, current, and forecast performance of the banking industry; the past, current, and forecast macro-economic factors that may affect the banks; and the current and projected financial information. The Company estimated the probability of default to be nil in 2022.

Loss given default rate is calculated by taking into consideration the amount of insured deposit and estimated it to be 40.82% to 85.17%in 2022.

Exposure at default is equal to the gross carrying amount of cash in banks.

Loans Receivables

The Company determined the probability of default rate by considering the following: the schedules of contract receivables for the past three years; the nature of business and industry classification of the Company's clients; the past, current, and forecast performance of each client's industry; and the past, current, and forecast macro-economic factors that may affect the Company's clients. The Company estimated the probability of default rate to be 0.00% to 10.00% in 2022.

Loss given default rate is 0.00% to 100.00% on all clients after consideration of the market resistance on the collaterals for the loans in 2022.

Exposure at default is equal to the gross carrying amount of loans receivable.

Security Deposits and Other Receivables

The Company determined that the effect of security deposits and other receivables is immaterial as it only represents 0.87% in 2022. Hence, the Company did not recognize provision of expected credit losses.

22.03 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the BOD, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Weighted Average Effective Interest Rate		Within One (1) Year
December 31, 2022			
Trade and other payables	-	₱	95,624,465
Loan payable	8.90%		44,334,800
		₱	139,959,265

Trade and other payables is net of due to government agencies.

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted Average Effective Interest Rate		On Demand		Within One (1) Year		Due beyond (1) Year		Total
December 31, 2022									
Cash in banks	Floating	₱	4,215,995	₱	-	₱	-	₱	4,215,995
Cash on hand	-		1,390		-		-		1,390
Loans and other receivables	12.00% - 16.80%		-		37,634,128		134,516,466		172,150,594
Security deposits	-		-		412,000		-		412,000
		₱	4,217,385	₱	38,046,128	₱	134,516,466	₱	176,779,979

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

23. MATURITY PROFILE OF ASSETS AND LIABILITIES

Below is an analysis on the recoverability (settlement) of the Company's assets (liabilities) as of December 31, 2022:

		Due within one (1) year		Due beyond one (1) year		Totals
		2022				
Assets						
Cash	₱	4,217,385	₱	-	₱	4,217,385
Loans and other receivables – net		37,634,128		134,516,466		172,150,594
Prepayments and other assets		486,620		-		486,620
Furniture, fixtures and equipment – net		-		578,546		578,546
Intangible asset – net		-		131,403		131,403
Deferred taxes – net		-		2,918,568		2,918,568
	₱	43,338,133	₱	138,144,983	₱	180,483,116
Liabilities						
Trade and other payables	₱	97,045,726	₱	-	₱	97,045,726
Loan payable		44,334,800		-		44,334,800
	₱	141,380,526	₱	-	₱	141,380,526

24. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company manages its capital to ensure that the Company will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. During the year, there has been no changes on the capital management policies of the Company.

Pursuant to Section 42 of the Revised Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus plus profits in excess of 100% of their paid-in capital stock, except: 1) when justified by definite corporate expansion projects or programs approved by the board of directors; or 2) 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 3) 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. As of reporting date, the Company's retained earnings exceed its capital stock. The Company plans to declare dividends in the following year.

The Company is subject to externally imposed capital requirements under Republic Act 10881, *An Act Amending Investment Restrictions in Specific Laws Governing Adjustment Companies, Lending Companies, Financing Companies and Investment Houses Cited in the Foreign Investment Negative List and for Other Purposes*, which required that financing companies shall be organized in the form of stock corporations may be owned up to one hundred percent (100%) by foreign nationals and shall have a paid-up capital of not less than ten million pesos (₱10,000,000) in case the financing company is located in Metro Manila and other first class cities, five million pesos (₱5,000,000) in other classes of cities and two million five hundred thousand pesos (₱2,500,000) in municipalities: provided, however, that no foreign national may be allowed to own stock in any financing company unless the country of which he is a national accords the same reciprocal rights to Filipinos in the ownership of financing companies or their counterpart entities in such country: and provided, further, that financing companies duly existing and in operation before the effectivity of the Act shall comply with the minimum capital requirement within one (1) year from the date of the said effectivity. The Company complied with the requirements of Financing Act.

The Company's Board of Directors reviews the capital structure of the Company on an annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

Consistent with others in the industry, the Company monitors capital on the basis of the debt-to-equity. This ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings less cash. Total capital is calculated as 'equity' as shown in the statement of financial position.

The Company's strategy is to maintain the gearing ratio within 1:1, in order to secure access to finance at a reasonable cost by maintaining the debt covenant from related party. The gearing ratio at end of the reporting period was as follows:

		2022
Debt	**₱**	**141,380,526**
Cash		**4,217,385**
Net debt		**137,163,141**
Equity		**40,181,390**
Debt to equity ratio		**3.41:1**

Debt is composed of total liabilities, while equity includes all stockholder's equity of the Company that are managed as capital.

25. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities is as follows:

		2022
Availment of loans	₱	**44,020,380**
Finance cost incurred		**1,803,995**
Unrealized foreign exchange loss		**314,420**
Balance, December 31	₱	**46,138,795**

26. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issuance by the Board of Directors on March 16, 2023.

27. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS NO. 15–2010

The Bureau of Internal Revenue (BIR) released a revenue regulation dated November 25, 2010 amending Revenue Regulations No. 21-2002 setting forth additional disclosures on Notes to Financial Statements. Below are the disclosures required by the said regulation:

27.01 Taxes and Licenses Paid or Accrued

The details of the Company's taxes and licenses fees paid or accrued in 2022 are as follows:

27.01.01 Documentary Stamp Tax

An analysis on the Company's documentary stamp tax paid or accrued during the year is as follows:

		Amount of transaction		DST thereon
Mortgages, pledged and deeds of trust		171,442,710		753,963
Loan agreements, instruments and papers	₱	43,818,535	₱	328,639
Lease		278,667		559
	₱	**215,539,912**	₱	**1,083,161**

27.01.02 Taxes and Licenses

An analysis on the Company's other taxes and licenses and permit fees paid or accrued during the year is as follows:

Gross receipt tax	₱	728,266
Notarial fees		561,890
Others		74,880
	₱	**1,365,036**

27.01.03 Withholding Taxes

An analysis on the Company's withholding taxes paid or accrued during the year is as follows:

Withholding tax on compensation and benefits	₱	715,146
Expanded withholding taxes		534,315
	₱	**1,249,461**

Expanded withholding tax arose from dealer's incentive, rent, and professional fees.

28. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS NO. 19–2011

Pursuant to Section 244 in relation to Section 6(H) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are prescribed to revise BIR Form No. 1702 setting forth the following schedules. Below are the disclosures required by the said regulation:

28.01 Revenue

The Company's revenue for the taxable year is ₱3,513,138.

28.02 Direct Cost

The Company's financing cost for the taxable year is ₱1,803,995.

28.03 Non-operating and Taxable Other Income

The Company's non-operating and taxable other income are as follows:

Penalties	₱	92,012
Others		375,417
	₱	**467,429**

28.04 Itemized Deductions

The following is an analysis of the Company's itemized deductions for the taxable year:

Salaries, wages, and other benefits	₱	6,458,208
Taxes, permits, and licenses		2,448,197
Professional fees		1,273,146
Realized foreign exchange loss		869,927
Rental		617,294
Legal		302,617
Subscriptions		273,541
Travel and transportation		229,965
SSS, PhilHealth and HDMF Benefits		205,325
Chattel mortgage		150,895
Credit investigation		120,400
Office supplies		72,176
Depreciation		54,530
Representation		35,132
Amortization		20,235
Fines and penalties		11,716
Miscellaneous		426,060
	₱	**13,569,364**

ANNEX A

C CREDIT FINANCING, INC.
SCHEDULE REQUIRED TO ALL OF SECONDARY LICENSES OF SEC UNDER REVISED SRC RULE 68
December 31, 2022
(In Philippine Peso)

			2022
CURRENT RATIOS			
A. SHORT-TERM LIQUIDITY RATIO			-
1	CURRENT RATIO		**1.26**
		Current Assets	**178,292,999**
		Current Liabilities	**141,380,527**
2	ACID TEST RATIO		**1.26**
		Quick Assets	**178,292,999**
		Current Liabilities	**141,380,527**
			-
3	DAYS SALES IN RECEIVABLES		**17,885.78**
		Accounts Receivable - net	**172,150,594**
		(Credit Sales / 365 days)	**9,625**
4	WORKING CAPITAL TO ASSETS		**0.20**
		(Current Assets - Current Liabilities)	**36,912,472**
		Total Assets	**181,561,917**
B. MOVEMENT OF CURRENT ASSETS			
5	ACCOUNTS RECEIVABLE TURNOVER		**0.04**
		Credit Sales	**3,513,138**
		Average Accounts Receivable	**86,075,297**
6	AVERAGE DAYS TO COLLECT		**438,218.90**
		No. of days sales in receivables	**17,886**
		Accounts Receivable Turnover	**0.04**
7	OPERATING CYCLE		**438,218.90**
	Average days to Collect + Average Days to Sell		

ANNEX A

C CREDIT FINANCING, INC.

SCHEDULE REQUIRED TO ALL OF SECONDARY LICENSES OF SEC UNDER REVISED SRC RULE 68

December 31, 2022

(In Philippine Peso)

		2022
SOLVENCY RATIOS, DEBT TO EQUITY RATIOS, ASSET TO EQUITY RATIOS, INTEREST RATE COVERAGE RATIOS		
C. LONG-TERM SOLVENCY		
8	DEBT TO EQUITY	**3.52**
	Total Liabilities	**141,380,526**
	Shareholders' Equity	**40,181,391**
9	LONG-TERM DEBT TO EQUITY	-
	Long-Term Debt	-
	Shareholders' Equity	**40,181,391**
10	FIXED ASSETS TO EQUITY	**0.01**
	(Fixed Assets - Accumulated Depreciation)	**578,547**
	Shareholders' Equity	**40,181,391**
11	CREDITORS EQUITY TO TOTAL ASSETS	**0.78**
	Total Liabilities	**141,380,526**
	Total Assets	**181,561,917**
12	FIXED ASSETS TO LONG-TERM DEBT	-
	(Fixed Assets - Accumulated Depreciation)	**578,547**
	Long-Term Debt	-
13	ASSET TO EQUITY RATIO	**4.52**
	Total Assets	**181,561,917**
	Shareholders' Equity	**40,181,391**
14	TIME INTEREST EARNED RATIOS	**(5.75)**
	Operating profit	**(10,377,577)**
	Interest expense	**1,803,995.00**

ANNEX A

C CREDIT FINANCING, INC.
SCHEDULE REQUIRED TO ALL OF SECONDARY LICENSES OF SEC UNDER REVISED SRC RULE 68

December 31, 2022

(In Philippine Peso)

		2022
PROFITABILITY RATIOS		
D. RETURN ON INVESTMENTS (RETURNS RATIOS)		
15	RATE OF RETURN ON TOTAL ASSETS	**(0.09)**
	Net Income	**(7,818,609)**
	Average Total Assets	**90,780,959**
16	RATE OF RETURN ON EQUITY	**(0.39)**
	Net Income	**(7,818,609)**
	Average Stockholders' Equity	**20,090,696**
17	CASH RETURN ON ASSETS	**(0.49)**
	Cash flow from Operating Activities	**(88,630,343)**
	Total Assets	**181,561,917**
E. OPERATING PERFORMANCE RATIOS (MARGIN RATIOS)		
18	GROSS INCOME (GROSS PROFIT MARGIN)	**0.49**
	Gross Income	**1,709,143**
	Net Sales	**3,513,138**
19	OPERATING INCOME TO SALES (OPERATING PROFIT MARGIN)	**0.49**
	Income from Operations	**1,709,143**
	Net Sales	**3,513,138**
20	PRETAX INCOME TO SALES	**(2.95)**
	Pretax Income	**(10,377,577)**
	Net Sales	**3,513,138**
21	NET INCOME TO SALES (NET PROFIT MARGIN)	**(2.23)**
	Net Income	**(7,818,609)**
	Net Sales	**3,513,138**

ANNEX A

C CREDIT FINANCING, INC.

SCHEDULE REQUIRED TO ALL OF SECONDARY LICENSES OF SEC UNDER REVISED SRC RULE 68

December 31, 2022

(In Philippine Peso)

		2022
22	CASH FLOW TO SALES (CASH FLOW MARGIN)	**(25.23)**
	Cash flow from Operating Activities	**(88,630,343)**
	Net Sales	**3,513,138**
F.	**ASSET UTILIZATION RATIOS**	
23	SALES TO CASH	**0.83**
	Net Sales	**3,513,138**
	Cash	**4,217,385**
24	SALES TO ACCOUNTS RECEIVABLE	**0.02**
	Net Sales	**3,513,138**
	Accounts Receivable - net	**172,150,594**
25	SALES TO INVENTORIES	**-**
	Net Sales	**3,513,138**
	Inventories	**-**

ANNEX A

C CREDIT FINANCING, INC.
SCHEDULE REQUIRED TO ALL OF SECONDARY LICENSES OF SEC UNDER REVISED SRC RULE 68
December 31, 2022
(In Philippine Peso)

		2022
26	SALES TO WORKING CAPITAL	**0.10**
	Net Sales	**3,513,138**
	Working Capital	**36,912,472**
27	SALES TO FIXED ASSETS	**6.07**
	Net Sales	**3,513,138**
	(Fixed Assets - Accumulated Depreciation)	**578,547**
28	SALES TO OTHER ASSETS	**0.68**
	Net Sales	**3,513,138**
	Other Assets	**5,193,938**
29	SALES TO TOTAL ASSETS	**0.02**
	Net Sales	**3,513,138**
	Total Assets	**181,561,917**

ANNEX B

C CREDIT FINANCING, INC.
SCHEDULE REQUIRED TO ALL FINANCING COMPANIES UNDER REVISED SRC RULE 68
December 31, 2022
(In Philippine Peso)

		2022
OTHER RATIOS		
1	TOTAL REAL ESTATE INVESTMENT TO TOTAL ASSETS	-
	Real estate investment	-
	Total assets	181,561,917
2	TOTAL RECEIVABLES TO TOTAL ASSETS	0.95
	Total receivables	172,150,594
	Total assets	181,561,917
3	DOSRI Receivables to Net worth	-
	Total Directors, Officers, Stakeholders, and other Related Interests (DOSRI)	-
	Net Worth	40,181,391
4	Receivables from a single corporation to total re	-
	Receivables from a single corporation	-
	Total receivables	172,150,594

SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
C CREDIT FINANCING INC.
9/F M1 Tower, 141 H.V. Dela Costa Street
Salcedo Village, Makati City

We have audited the financial statements of **C CREDIT FINANCING INC.** for the period ended December 31, 2022 on which we have rendered the attached report dated March 17, 2023.

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

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Company has only one (1) stockholder owning one hundred (100) or more shares.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until May 28, 2024
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2023
Valid from January 31, 2023 until January 30, 2026
IC Group A Accredited
Accreditation No. 0300-IC
Valid until 2026 audit period

ANTHONY D. PAÑO
Partner
CPA Certificate No.141730
SEC Group A Accredited
Accreditation No. 141730-SEC
Valid until 2025 audit period
BSP Group C Accredited
Accreditation No. 141730-BSP
Valid until 2025 audit period
BIR Accreditation No. 08-007679-000-2022
Valid from March 30, 2022 until March 29, 2025
Tax Identification No. 415-160-393
PTR No. 9567818
Issued on January 4, 2023 at Makati City

March 17, 2023