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Company TIN: **008-861-350**

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**“STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS”**

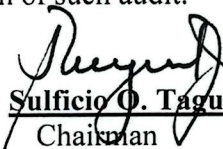
The management of **PawnHero Pawnshop Philippines Inc.** (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, 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.

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 schedules attached therein, and submits the same to the members.

Reyes Tacandong & Co., the independent auditor and appointed by the members, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature: 
Sulficio O. Tagud Jr
Chairman

Signature: 
Jeremias E. Cruzabra
President and CEO

Signature: 
Iris Shell T. Pastor
Treasurer

Signed this 26 day of April 2024



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
PawnHero Pawnshop Philippines, Inc.
7/F The Vecshares Center
1132 University Parkway North
Fort Bonifacio Global City, Taguig City

Opinion

We have audited the accompanying financial statements of PawnHero Pawnshop Philippines, Inc. (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

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

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

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



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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.

REYES TACANDONG & Co.

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782/P-006; Valid until June 6, 2026

BIR Accreditation No. 08-005144-006-2022

Valid until October 16, 2025

PTR No. 10072408

Issued January 2, 2024, Makati City

April 26, 2024

Makati City, Metro Manila

PAWNHERO PAWNSHOP PHILIPPINES, INC.

STATEMENTS OF FINANCIAL POSITION

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		December 31	
	Note	2023	2022
ASSETS			
Current Assets			
Cash	4	₱19,738,513	₱11,377,870
Loans and other receivables	5	56,009,528	67,466,719
Foreclosed assets	6	27,054,060	31,605,840
Other current assets	7	2,078,272	1,749,506
Total Current Assets		104,880,373	112,199,935
Noncurrent Assets			
Property and equipment	8	2,074,427	1,976,936
Right-of-use asset	16	13,262,944	17,052,356
Intangible assets	9	500,442	1,029,607
Net deferred tax assets	17	14,827,245	18,580,516
Total Noncurrent Assets		30,665,058	38,639,415
		₱135,545,431	₱150,839,350
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	10	₱13,845,369	₱18,051,746
Notes payable	11	64,086,667	77,586,667
Current portion of lease liability	16	3,379,047	2,838,525
Income tax payable		197,544	192,181
Advances from a related party	14	2,839,769	2,839,769
Total Current Liabilities		84,348,396	101,508,888
Noncurrent Liabilities			
Lease liability - net of current portion	16	11,452,948	14,831,994
Retirement liability	15	863,330	513,705
Total Noncurrent Liabilities		12,316,278	15,345,699
Total Liabilities		96,664,674	116,854,587
Equity			
Capital stock	12	239,892,081	239,892,081
Deficit		(201,168,459)	(206,210,729)
Cumulative remeasurement gains on retirement liability	15	157,135	303,411
		38,880,757	33,984,763
		₱135,545,431	₱150,839,350

See accompanying Notes to Financial Statements.

PAWNERO PAWNSHOP PHILIPPINES, INC.

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	2023	2022
REVENUE			
Interest income	4	₱38,037,052	₱36,688,389
Gain on disposal of foreclosed assets	6	33,433,387	29,502,463
Others		285,789	313,145
		71,756,228	66,503,997
OPERATING EXPENSES	13	(53,982,317)	(52,773,768)
FINANCE COSTS	11	(8,016,562)	(8,137,716)
INCOME BEFORE INCOME TAX		9,757,349	5,592,513
INCOME TAX EXPENSE (BENEFIT)	17		
Current		913,050	654,761
Deferred		3,802,029	(1,115,582)
		4,715,079	(460,821)
NET INCOME		5,042,270	6,053,334
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Item not to be reclassified to profit or loss in subsequent years</i>			
Remeasurement gains (losses) on retirement liability, net of deferred tax	15	(146,276)	150,119
TOTAL COMPREHENSIVE INCOME		₱4,895,994	₱6,203,453

See accompanying Notes to Financial Statements.

PAWNERO PAWNSHOP PHILIPPINES, INC.

STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31	
		2023	2022
CAPITAL STOCK			
	12		
Preferred Stock			
Balance at beginning of year		₱233,492,081	₱63,492,081
Issuance		–	170,000,000
Balance at end of year		233,492,081	233,492,081
Common Stock			
Balance at beginning and end of year		6,400,000	6,400,000
		239,892,081	239,892,081
DEFICIT			
Balance at beginning of year		(206,210,729)	(210,564,063)
Net income		5,042,270	6,053,334
Stock issuance costs	12	–	(1,700,000)
Balance at end of year		(201,168,459)	(206,210,729)
CUMULATIVE REMEASUREMENT GAINS ON RETIREMENT LIABILITY			
	15		
Balance at beginning of year		303,411	153,292
Remeasurement gains (losses), net of deferred tax		(146,276)	150,119
Balance at end of year		157,135	303,411
		₱38,880,757	₱33,984,763

See accompanying Notes to Financial Statements.

PAWNERO PAWNSHOP PHILIPPINES, INC.

STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱9,757,349	₱5,592,513
Adjustments for:			
Gain on disposal of foreclosed assets	6	(33,433,387)	(29,502,463)
Finance costs	11	8,016,562	8,137,716
Depreciation and amortization	8	5,155,540	5,711,753
Reversal of impairment losses on foreclosed assets	6	(1,029,478)	(1,014,229)
Retirement benefits	15	154,591	167,894
Provision for probable losses	13	–	1,752,024
Unrealized foreign exchange gain		–	(7,277)
Operating loss before working capital changes		(11,378,823)	(9,162,069)
Decrease (increase) in:			
Loans and other receivables		11,457,191	(2,092,732)
Foreclosed assets		37,164,046	39,405,745
Other current assets		(328,766)	821,283
Increase (decrease) in accounts and other payables		(1,333,310)	(9,967,138)
Net cash generated from operations		35,580,338	19,005,089
Income taxes paid		(907,687)	(701,565)
Net cash provided by operating activities		34,672,651	18,303,524
CASH FLOW FROM AN INVESTING ACTIVITY			
Additions to property and equipment	8	(493,855)	(1,688,545)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Notes payable	11	(22,290,000)	(24,160,000)
Interest	11	(9,130,930)	(5,648,005)
Lease liability	16	(4,597,223)	(3,310,967)
Stock issuance costs	12	–	(1,700,000)
Proceeds from availment of notes payable	11	10,200,000	20,800,000
Net cash used in financing activities		(25,818,153)	(14,018,972)
NET INCREASE IN CASH		8,360,643	2,596,007
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATE		–	7,277
CASH AT BEGINNING OF YEAR		11,377,870	8,774,586
CASH AT END OF YEAR		₱19,738,513	₱11,377,870

		Years Ended December 31	
	Note	2023	2022
OPERATING CASH FLOW FROM INTEREST			
Interest received		₱38,037,052	₱36,688,389
NONCASH INFORMATION			
Acquisition of foreclosed assets in settlement of loans receivable	6	₱33,147,178	₱37,637,779
Application of foreclosed assets in settlement of notes payable	11	1,410,000	–
Reclassification of foreclosed assets to property and equipment	8	440,599	98,398
Conversion of advances from a related party into preferred stock	12	–	170,000,000
Recognition of right-of-use asset and lease liability	16	–	18,947,062

See accompanying Notes to Financial Statements.

PAWNERO PAWNSHOP PHILIPPINES, INC.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

PawnHero Pawnshop Philippines, Inc. (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) and with the Bureau of Internal Revenue (BIR) on September 12, 2014 and October 1, 2014, respectively. The Company has a Certificate of Authority from the Bangko Sentral ng Pilipinas (BSP).

The Company's primary purpose is to engage in the business of lending money on personal property delivered as security for loans in accordance with Presidential Decree 114 otherwise known as Pawnshop Regulation Act, provided the Company shall not engage in financing business as defined under Republic Act (RA) 5980, *An Act Regulating the Company and Operation of Financing Companies, As Amended*; and to engage in pawnshop business online including but not limited to establishment and maintenance of sites for e-pawnshop business and other electronic business applications and services or undertaking that is expedient in furtherance and/or connected with or related to the herein purpose.

The Company is 45%-owned by Hatchd Inc., 30%-owned by Pawnhero Philippines, Pte. Ltd., and 25%-owned by an individual shareholder. Hatchd, Inc. and Pawnhero Philippines, Pte. Ltd. are domiciled in the Philippines and Singapore, respectively.

The Company's registered office address is located at the 7/F of The AVECshares Center, 1132 University Parkway North, Fort Bonifacio Global City, Taguig City.

Approval of the Financial Statements

The financial statements of the Company as at and for the years ended December 31, 2023 and 2022 were approved and authorized for issuance by the BOD on April 26, 2024.

2. Material Accounting Policy Information

Basis of Preparation and Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine interpretations from International Financial Reporting Interpretations Committee.

Measurement Bases

The financial statements are presented in Philippine Peso, the Company's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

The financial statements have been prepared under the historical cost basis, except for:

- Retirement liability that is carried at the present value of defined benefit obligation; and
- Lease liability that is initially measured at the present value of remaining lease payments, discounted using an appropriate discount rate.

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability. 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 as at measurement date.

The Company uses market observable data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the following valuation techniques:

- Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level of input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 19 to the financial statements.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS effective January 1, 2023.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that 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 (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that 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 profit or loss in the current period, or the profit or loss of both the current and future periods.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity’s right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

The adoption of the amendments to PFRS did not materially affect the financial statements of the Company. Additional disclosures were included in the financial statements.

Amended PFRS but Not yet Effective or Adopted

Relevant amended PFRS, which are not yet effective as at December 31, 2023 and have not been applied in preparing the financial statements, are summarized below.

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* – The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity or a financial liability or equity instrument of another entity.

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference.

Financial Assets

Initial Recognition and Measurement. Financial assets are recognized initially at fair value, which is the fair value of the consideration given. The initial measurement of financial assets, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at fair value through other comprehensive income (FVOCI), and (c) financial assets at FVPL. The classification of a financial asset at initial recognition largely depends on the Company’s business model for managing the asset and its contractual cash flow characteristics.

As at December 31, 2023 and 2022, the Company does not have financial assets at FVPL and financial assets at FVOCI.

Financial Assets at Amortized Cost. Financial assets are 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.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition, and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized, impaired and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting date. Otherwise, these are classified as noncurrent assets.

As at December 31, 2023 and 2022, the Company's cash, loans and other receivables, and security deposits are classified under this category (see Notes 4, 5 and 7).

Reclassification. The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

Impairment of Financial Assets at Amortized Cost. The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with all debt instruments not held at FVPL. ECL is based on the difference between the cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The measurement of ECL reflects: (a) an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECL is a function of the probability of default, loss given default and exposure of default, with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The probability of default represents the likelihood that the borrower will default either over the next 12 months or over the remaining life of the asset. Loss given default represents the Company's expectation of the extent of loss on a default exposure. Exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

The Company measures loss allowances at an amount equal to the 12-month ECL for loans receivable and other financial assets at amortized cost.

The 12-month ECL is the portion of ECL that results from default events on financial assets that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is determined, are referred to as "Stage 1 financial assets".

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. Lifetime ECL is the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is determined but which are not credit-impaired, are referred to as "Stage 2 financial assets".

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Company also considers downgrade of credit risk rating or changes in the computed probabilities of default to determine whether significant increase in credit risk has occurred subsequent to initial recognition date. In subsequent reporting years, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the Company reverts them to Stage 1.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. ECL for credit-impaired financial assets is based on the difference between the gross carrying amount and present value of estimated future cash flows. The Company transfers credit exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both the quantitative and qualitative indicators of probable collection prior to the transfer. The quantitative indicator is characterized by payments made within an observation period. The qualitative indicator pertains to the results of assessment of the borrower's financial capacity.

Financial assets at amortized cost are written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Derecognition. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The right to receive cash flows from the asset has expired;
- The Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- The Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are recognized initially at fair value, which is the fair value of the consideration received. In case of financial liabilities at amortized cost, the initial measurement is net of any directly attributable transaction costs.

Classification. The Company classifies its financial liabilities at initial recognition as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at December 31, 2023 and 2022, the Company does not have financial liabilities at FVPL.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue, and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2023 and 2022, the Company’s accounts and other payables (excluding statutory payables), notes payable, and advances from a related party are classified under this category (see Notes 10, 11 and 14).

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Classification of Financial Instrument between Liability and Equity. A financial instrument is classified as a liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Foreclosed Assets

Foreclosed assets are initially recognized at the amortized cost of the related outstanding loans on the date of repossession, which is generally below the net realizable value (NRV) of the foreclosed assets. Upon repossession of the assets, the related loans together with the related impairment allowances, if any, are derecognized from the statement of financial position. Subsequently, foreclosed assets are carried at the lower of the amount initially recognized or NRV and are therefore written down if and when the NRV falls to below the carrying amount of the asset. The excess or deficiency of the net proceeds over the carrying amount of the foreclosed assets is recognized as a gain/loss upon the disposal of the assets.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price after deducting trade discounts and rebates, import duties, non-refundable purchase taxes, and any other costs directly attributable in bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operations, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. The cost of replacing a component of an item of property and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of property and equipment have different useful lives, these are accounted for as items (major components) of property and equipment.

Depreciation and amortization of property and equipment begin when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

	Number of Years
Leasehold improvements	5 or term of the lease, whichever is shorter
Appraisal equipment	10
Office equipment	3
Furniture and fixtures	3

The estimated useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully-depreciated assets are retained in the accounts until these are no longer in use.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization, and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Intangible Assets

Intangible assets pertain to computer software that are stated at cost, which includes purchase price and other direct costs, less accumulated amortization and any impairment in value. Intangible assets with finite life are amortized over its useful life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets with finite useful life are recognized in profit or loss.

The useful life of an intangible assets arising from contractual or other legal rights should not exceed the period of those rights, but may be shorter depending on the period over which the intangible assets is expected to be used by the Company. The computer software is amortized on a straight-line basis over five years.

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. If such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost of disposal and value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating units (CGU) to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charges are adjusted prospectively to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Equity

Preferred Stock. Preferred stock is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. It is measured at par value for all shares issued. Dividends thereon are recognized as distributions within equity upon approval by the Company's BOD.

Common Stock. Common stock is measured at par value for all shares issued and subscribed.

Deficit. Deficit represents the cumulative balance of the Company's net income or loss.

Other Comprehensive Income. Other comprehensive income pertains to cumulative remeasurement gains or losses on retirement liability, which is not recognized in profit or loss in accordance with PFRS. This will not be reclassified to profit or loss in subsequent years.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in its revenue arrangements.

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

Interest Income. Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Gain on Disposal of Foreclosed Assets. Gain on disposal of foreclosed assets represents the excess of the proceeds from the sale of foreclosed assets acquired and the cost of the foreclosed assets acquired, net of cost to sell. Revenue is recognized when delivery has taken place.

Other Income. Income from other sources, which includes fines and penalties, consignment income and authentication fee, is recognized as revenue when earned.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss 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.

Operating Expenses. Operating expenses constitute cost of administering the business. These are expensed when incurred.

Finance Costs. Finance costs are recognized in profit or loss using the effective interest method.

Employee Benefits

Short-term Employee Benefits. The Company recognizes short-term employee benefits based on contractual arrangements with employees. The unpaid portion of the short-term employee benefits is measured on an undiscounted basis and is included as part of "Accounts and other payables" account in the statement of financial position.

Retirement Benefits. Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. The calculation of defined benefit obligations is performed annually by a qualified actuary. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

The Company recognizes retirement benefit costs, comprising current service costs, past service costs and interest costs, in profit or loss.

The Company determines the net interest costs by applying the discount rate to the retirement liability at the beginning of the annual period, taking into account any changes in the retirement liability during the period as a result of contributions and benefit payments.

Remeasurements of the retirement liability, which comprise actuarial gains and losses, are recognized immediately in OCI and are not reclassified to profit or loss in subsequent periods.

The retirement liability recognized by the Company pertains to the present value of the retirement liability which is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related retirement liability.

Leases

The Company assesses whether the contract is, or contains a lease. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term. The Company also assesses whether a contract contains a lease for each potential separate lease component.

The Company as a Lessee. At the commencement date, the Company recognizes right-of-use (ROU) asset and lease liability for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value, in which case the lease payments associated with those leases are recognized in profit or loss on a straight-line basis throughout the lease term.

ROU Asset. ROU asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the related lease liability. The cost of ROU asset includes:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- An estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

After the commencement date, the ROU asset is carried at cost less any accumulated amortization and any accumulated impairment losses, and adjusted for any remeasurement of the related lease liability. The ROU asset is amortized over the shorter of the lease term or the useful lives of the underlying asset of five years.

Lease Liability. At commencement date, the Company measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Company uses its incremental borrowing rate (IBR).

Lease payments included in the measurement of a lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Any variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early, when applicable.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of initial transaction. Differences arising on settlement or translation of monetary assets and liabilities are recognized in profit or loss.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used in the computation are those that have been enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized. Deferred 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, affects neither the accounting profit nor taxable profit or loss.

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

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

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions

Related party transactions are transfers of resources, services or obligations between the Company and its related parties.

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders.

Provisions and Contingencies

Provisions. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, the estimated cash flows are discounted using a current pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

Events after the Reporting Date

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

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements requires management to exercise judgments, and make accounting estimates and assumptions that affect the amounts reported in the financial statements and related notes. The judgments, accounting estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances at the reporting date.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The following are the significant judgments, accounting estimates and assumptions made by the Company:

Judgments

Classification and Measurement of Financial Assets. Classification and measurement of financial assets depends on the results of the contractual cash flow and the business model tests. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets, and how these risks are managed. The Company monitors financial assets measured at amortized cost that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate. Otherwise, change in the business model should result to a change in the classification of those financial assets.

Cash, loans and other receivables and security deposits are classified as financial assets at amortized cost because the Company's primary business model in relation to these assets is to hold the financial assets to collect contractual cash flows, on specified dates, solely for principal and interest (see Notes 4, 5 and 7).

Determining the Term of Lease Contracts with Renewal and Termination Options - Company as Lessee. The Company considers the renewal option in determining the term of its lease contract since the Company believes that it is reasonably certain that it will renew the contract. Accordingly, the computation of ROU includes the expected lease payments upon renewal of lease contract.

The Company included the renewal period as part of the lease term for the lease of office space because the Company is certain that it will renew and not terminate the lease contract. The Company determined that the term of the lease contract is five years as at commencement date.

Evaluation of Adequacy of Tax Liabilities. The Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Accounting Estimates and Assumptions

Assessment for ECL on Financial Assets at Amortized Cost. The Company determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the counterparty.

The Company also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the counterparty.

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered only with banks and companies with good credit standing and relatively low risk of default. Further, for loans receivable, the Company holds pawned items as collaterals. As at December 31, 2023 and 2022, the fair value of pawned items fully covers the carrying amount of loans receivable. Accordingly, no provision for ECL on financial assets at amortized cost was recognized in 2023 and 2022.

The carrying amounts of financial assets at amortized cost as at December 31, 2023 and 2022 and disclosed in Notes 4, 5 and 7.

Determination of NRV of Foreclosed Assets. The Company writes down its foreclosed assets to NRV whenever the selling price less costs to sell foreclosed assets becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. However, when the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in NRV because of changed economic circumstances, the amount of the write-down is reversed. These are being reviewed by the Company on a regular basis.

Allowance for impairment losses and carrying amounts of foreclosed assets are disclosed in Note 6.

Estimation of Useful Lives of Property and Equipment and Intangible Assets. The Company estimates the useful lives of its property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The Company reviews the estimated useful lives of property and equipment and intangible assets at each reporting date based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes, anticipated use of the assets, and experience with similar assets.

There were no changes in the estimated useful lives of property and equipment and intangible assets in 2023 and 2022. The carrying amounts of property and equipment and intangible assets are disclosed in Notes 8 and 9, respectively.

Assessment for Impairment of Nonfinancial Assets. The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or cash generating units may not be recoverable. The relevant factors that the Company considers in deciding whether to perform an asset impairment review include, among others, the following:

- Significant underperformance of a business in relation to expectations;
- Significant negative industry or economic trends; and
- Significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs. The recoverable amount of the asset is the greater of the fair value less cost of disposal or value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction less cost of disposal. 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. The carrying amounts of other nonfinancial assets are disclosed in Notes 7, 8, 9 and 16.

Determination of Retirement Liability. The determination of the retirement liability and expense is dependent on the assumptions used by the actuary in calculating such amounts. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense and recorded liability in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement liability. Information of the Company's retirement benefits in 2023 and 2022 are disclosed in Note 15.

Estimating the IBR for the Computation of ROU Asset and Lease Liability. The Company uses its IBR in computing for the present value of lease liability. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Company estimates the IBR using available observable inputs, such as the prevailing Bloomberg Valuation Service (BVAL) interest rates, adjusted for entity-specific estimates, to reflect the terms and conditions of the lease.

The Company has applied IBRs ranging from 8.0% to 10.71% for the computation of lease liability and ROU asset. The carrying amounts of ROU asset and lease liability as at December 31 2023 and 2022 are disclosed in Note 16.

Estimation of Provisions. The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

Provision for probable losses as at December 31, 2022 is disclosed in Note 10.

Recognition of Deferred Tax Asset. The Company reviews the carrying amount of deferred tax asset at each reporting date and reduces the balance to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management believes that Company will be able to utilize in the future all its deferred tax asset on deductible temporary differences based on the Company's projected taxable income in the subsequent reporting periods.

Information of the Company's recognized deferred tax assets as at December 31, 2023 and 2022 are disclosed in Note 17.

4. Cash

This account consists of:

	2023	2022
Cash on hand	₱3,066,641	₱1,604,857
Cash in banks	16,492,246	9,586,989
Other cash items	179,626	186,024
	₱19,738,513	₱11,377,870

Cash in banks are available for use in the current operations.

Other cash items pertain to electronic wallets which are used for selected online disbursement transactions. These are unrestricted and available for use in the current operations.

Interest income is recognized from the following:

	Note	2023	2022
Loans receivable	5	₱38,028,359	₱36,682,041
Cash in banks		8,693	6,348
		₱38,037,052	₱36,688,389

5. Loans and Other Receivables

This account consists of:

	2023	2022
Loans receivable	₱54,178,162	₱67,318,468
Amounts owed by third parties	1,728,848	54,917
Advances to employees	102,518	93,334
	₱56,009,528	₱67,466,719

Loans receivable pertain to loans granted to customers in exchange of pawning their personal items. Terms of the loans range from one to three months in 2023, and one to 12 months in 2022. These loans are fully secured by pawned items and earn monthly interest ranging from 3.5% to 6.0% and 3.5% to 4.99% in 2023 and 2022, respectively (see Note 18).

The acquisition of foreclosed assets in settlement of loans receivable amounted to ₱33,147,178 and ₱37,637,779 in 2023 and 2022, respectively (see Note 6).

The principal activity of the Company is the granting of pawn loans in the Philippines. Interest income earned on loans receivable amounted to ₱38,028,359 and ₱36,682,041 in 2023 and 2022, respectively (see Note 4).

Amounts owed by third parties pertain to payments made by pawners to third parties pending remittance to the Company.

Advances to employees pertain to amounts given to employees that are paid through salary deduction.

6. Foreclosed Assets

This account consists of:

	2023	2022
At cost	₱17,643,278	₱24,391,200
At NRV	9,410,782	7,214,640
	₱27,054,060	₱31,605,840

The cost of foreclosed assets measured at NRV amounted to ₱19,796,119 and ₱18,629,455 as at December 31, 2023 and 2022, respectively.

The balance and movements of the foreclosed assets are follows:

	Note	2023	2022
Balance at beginning of year		₱43,020,655	₱53,022,326
Acquired in settlement of loan receivables	5	33,147,178	37,637,779
Cost of sold foreclosed assets		(36,877,837)	(47,541,061)
Applied in settlement of notes payable	11	(1,410,000)	-
Reclassifications	8	(440,599)	(98,389)
Balance at end of year		37,439,397	43,020,655
Allowance for impairment losses		(10,385,337)	(11,414,815)
Carrying amount		₱27,054,060	₱31,605,840

Foreclosed assets amounting to ₱4,007,879 are used as security for notes payable with Directors, Officers, and Stockholders and their Related Interests (DOSRI) amounting to ₱4,000,000 as at December 31, 2022 (see Note 11). In 2023, foreclosed assets amounting to ₱1,056,998 were applied in settlement of notes payable amounting to ₱1,410,000 (see Note 11).

The movements in allowance for impairment losses on foreclosed assets are as follows:

	2023	2022
Balance at beginning of year	₱11,414,815	₱12,429,044
Reversal	(1,029,478)	(1,014,229)
Balance at end of year	₱10,385,337	₱11,414,815

The Company sold foreclosed assets in 2023 and 2022 resulting to a gain on disposal amounting to ₱33,433,387 and ₱29,502,463, respectively.

7. Other Current Assets

This account consists of:

	Note	2023	2022
Security deposits	16	₱1,323,564	₱1,232,652
Others		754,708	516,854
		₱2,078,272	₱1,749,506

Security deposits are noninterest-bearing deposits for the Company's office to answer for any unpaid bills and damages to premises. Security deposits represent rental payments ranging from one to three months.

8. Property and Equipment

The balances and movements of this account are as follows:

	Note	2023				Total
		Leasehold Improvements	Appraisal Equipment	Office Equipment	Furniture and Fixtures	
Cost						
Balances at beginning of year		₱4,608,818	₱1,370,408	₱3,988,829	₱1,382,476	₱11,350,531
Additions		–	–	385,735	108,120	493,855
Reclassifications	6	–	–	440,599	–	440,599
Balance at end of year		4,608,818	1,370,408	4,815,163	1,490,596	12,284,985
Accumulated Depreciation and Amortization						
Balances at beginning of year		3,766,218	1,048,034	3,383,484	1,175,859	9,373,595
Depreciation		187,244	137,041	408,207	104,471	836,963
Balances at end of year		3,953,462	1,185,075	3,791,691	1,280,330	10,210,558
Carrying Amounts		₱655,356	₱185,333	₱1,023,472	₱210,266	₱2,074,427
2022						
	Note	Leasehold Improvements	Appraisal Equipment	Office Equipment	Furniture and Fixtures	Total
Cost						
Balances at beginning of year		₱3,672,596	₱1,370,408	₱3,392,538	₱1,128,055	₱9,563,597
Additions		936,222	–	497,902	254,421	1,688,545
Reclassifications	6	–	–	98,389	–	98,389
Balance at end of year		4,608,818	1,370,408	3,988,829	1,382,476	11,350,531
Accumulated Depreciation and Amortization						
Balances at beginning of year		3,672,596	910,994	3,038,917	1,121,100	8,743,607
Depreciation		93,622	137,040	344,567	54,759	629,988
Balances at end of year		3,766,218	1,048,034	3,383,484	1,175,859	9,373,595
Carrying Amounts		₱842,600	₱322,374	₱605,345	₱206,617	₱1,976,936

Depreciation and amortization consist of:

	Note	2023	2022
ROU asset	16	₱3,789,412	₱4,056,998
Property and equipment		836,963	629,988
Intangible assets	9	529,165	1,024,767
		₱5,155,540	₱5,711,753

Reclassifications amounting to ₱440,599 and ₱98,389 in 2023 and 2022, respectively, are foreclosed assets transferred to property and equipment to be used in the Company's operations (see Note 6).

9. Intangible Assets

This account pertains to computer software. The balance and movements of this account are as follows:

	Note	2023	2022
Cost			
Balance at beginning and end of year		₱6,660,087	₱6,660,087
Accumulated Amortization			
Balance at beginning of year		5,630,480	4,605,713
Amortization	8	529,165	1,024,767
Balance at end of year		6,159,645	5,630,480
Carrying Amount		₱500,442	₱1,029,607

10. Accounts and Other Payables

This account consists of:

	Note	2023	2022
Accrued interest	11	₱9,699,733	₱12,572,800
Statutory payables		2,128,072	2,833,509
Accounts payable		1,965,354	893,413
Provisions	13	–	1,752,024
Others		52,210	–
		₱13,845,369	₱18,051,746

Accounts and statutory payables are unsecured, noninterest-bearing and due within one year.

Provisions as at December 31, 2022 pertain to estimated liability for probable losses related to potential claims which was fully settled in 2023. As allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, further information are not disclosed so that the Company's position on these potential claims will not be prejudiced.

11. Notes Payable

The Company has various loans from related parties and third parties for working capital requirements with an original maturity of up to 180 days and which bear annual interest ranging from 8.00% to 12.00% in 2023 and 2022, respectively. The loans' maturity dates can be extended through mutual agreement between the Company and lenders.

Details of notes payable are as follows:

	Note	2023	2022
Related party	14	₱39,086,667	₱39,086,667
DOSRI	14	13,000,000	20,500,000
Third parties		12,000,000	18,000,000
		₱64,086,667	₱77,586,667

Notes payable with DOSRI amounting to ₱4,000,000 are secured with foreclosed assets amounting to ₱4,007,879 as at December 31, 2022. In 2023, foreclosed assets amounting to ₱1,056,998 were applied in settlement of notes payable amounting to ₱1,410,000 (see Note 6).

Finance costs are recognized from the following:

	Note	2023	2022
Notes payable		₱6,257,863	₱7,160,465
Lease liability	16	1,758,699	977,251
		₱8,016,562	₱8,137,716

Accrued interest amounted to ₱9,699,733 and ₱12,572,800 as at December 31, 2023 and 2022, respectively (see Note 10).

Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Company's liabilities arising from financing activities:

	2023			2022		
	Advances from a Related Party (see Note 14)	Notes Payable*	Lease Liability (see Note 16)	Advances from a Related Party (see Note 14)	Notes Payable*	Lease Liability (see Note 16)
Balances at beginning of year	₱2,839,769	₱90,159,467	₱17,670,519	₱172,839,769	₱92,007,007	₱1,057,173
Cash changes:						
Principal payments	-	(22,290,000)	(4,597,223)	-	(24,160,000)	(3,310,967)
Availments	-	10,200,000	-	-	20,800,000	-
Interest payments	-	(9,130,930)	-	-	(5,648,005)	-
Noncash changes:						
Applied against foreclosed assets	-	(1,410,000)	-	-	-	-
Interest expense	-	6,257,863	1,758,699	-	7,160,465	977,251
Conversion to preferred Stock	-	-	-	(170,000,000)	-	-
Additions	-	-	-	-	-	18,947,062
Balances at end of year	₱2,839,769	₱73,786,400	₱14,831,995	₱2,839,769	₱90,159,467	₱17,670,519

*Inclusive of interest payable amounting to ₱9,699,733 and ₱12,572,800 as at December 31, 2023 and 2022, respectively.

Regulatory Requirement

Under Section 201-P, Maximum Borrowings, of Manual of Regulations for Non-Bank Financial Institutions (MORNBFII) - Pawnshop (P) Regulations of the BSP, the maximum borrowings of a pawnshop business, expressed as a percentage of total borrowings to pledge loans, shall not exceed 50.00%: Provided, that borrowings shall not be from more than 19 creditors. Borrowings for purposes of acquiring fixed assets used for business operations shall not be included in the aforementioned limit.

As at December 31, 2023 and 2022, the Company's total borrowings exceeds 50% of the pledge loans. To address this, the Company plans to convert its notes payable with a related party, including the corresponding interest payable aggregating to ₱48,786,399 to preferred stock. Further, the management has established advertising and marketing strategies to liquidate its foreclosed assets while continuously looking for opportunities to raise equity capital which will be largely used for operations and for pay-off of notes payable to various lenders.

12. Equity

The balances and movements in this account are as follows:

	2023		2022	
	No. of Shares	Amount	No. of Shares	Amount
Preferred Stock - ₱1,000 par value				
Authorized	250,000,000	₱250,000,000	250,000,000	₱250,000,000
Issued and Outstanding				
Balance at beginning of year	233,492,081	₱233,492,081	63,492,081	₱63,492,081
Issuance	–	–	170,000,000	170,000,000
Balance at end of year	233,492,081	233,492,081	233,492,081	₱233,492,081
Common Stock - ₱1 par value				
Authorized	6,400,000	₱6,400,000	6,400,000	₱6,400,000
Issued and Outstanding	6,400,000	₱6,400,000	6,400,000	₱6,400,000

Preferred stock is non-cumulative, non-participating, non-voting, and non-redeemable. The holders of preferred shares have the option to convert one (1) preferred share to one (1) common share subject to the approval of the preferred shareholders representing the majority of the issued and outstanding preferred shares, provided that no conversion of preferred stocks will reduce the ownership of Filipino citizens to less than the required percentage of the capital as provided by existing laws.

On August 15, 2022, the BOD approved the conversion of advances from a related party amounting to ₱170,000,000 into noncumulative, nonvoting preferred stock of the same amount (see Note 14). Stock issuance costs related to the issuance of preferred stock in 2022 amounted to ₱1,700,000.

13. Operating Expenses

This account consists of:

	Note	2023	2022
Personnel costs		₱18,918,841	₱17,008,550
Taxes and licenses		5,657,505	5,886,827
Depreciation and amortization	8	5,155,540	5,711,753
Marketing		4,764,308	6,428,405
Utilities		3,436,434	2,408,827
Information and technology		2,669,489	3,562,176
Outside services		2,506,686	1,652,144
Processing fees		1,407,536	319,286
Association dues		1,089,480	814,486
Supplies		904,943	967,360
Insurance		675,745	244,108
Transportation and travel		425,651	435,114
Repairs and maintenance		275,817	435,244
Provision for probable losses	10	–	1,752,024
Others		6,094,342	5,147,464
		₱53,982,317	₱52,773,768

Personnel costs consist of:

	Note	2023	2022
Salaries and other employee benefits		₱18,764,250	₱16,840,656
Retirement benefits	15	154,591	167,894
		₱18,918,841	₱17,008,550

14. Related Party Transactions and Balances

The following table summarizes the related party balances and transactions of the Company:

Nature of Relationship	Nature of Transaction	Amount of Transaction		Outstanding Balance	
		2023	2022	2023	2022
Notes Payable (see Note 11)					
Entity under common control	Working capital advances	₱–	₱–	₱39,086,667	₱39,086,667
DOSRI	Working capital advances	10,200,000	20,800,000	13,000,000	20,500,000
				₱52,086,667	₱59,586,667
Advances from a Related Party					
Shareholder	Working capital advances	₱–	₱–	₱2,839,769	₱2,839,769
Accrued Interest (see Note 11)					
Entity under common control	Interest expense	₱3,126,933	₱3,126,933	₱9,699,733	₱12,572,800
DOSRI	Interest expense	1,280,580	1,203,932	–	–
				₱9,699,733	₱12,572,800
Personnel Costs					
Key management personnel	Short-term employee benefits	₱3,285,681	₱2,232,739	₱–	₱–
	Retirement benefits	50,776	54,425	166,524	166,524
				₱166,524	₱166,524

Advances from a related party are unsecured, unimpaired, noninterest-bearing, generally settled in cash, and payable on demand. Notes payable bear interest ranging from 8.00% to 12.00% and secured by certain foreclosed assets.

Conversion of Advances from a Related Party to Preferred Stock

On August 15, 2022, the BOD approved the conversion of advances from a related party amounting to ₱170,000,000 into preferred stock of the same amount (see Note 12).

Revenue Regulations No. 34-2020

In 2022, the Company did not meet the criteria prescribed in RR No. 34-2020 to file and submit the Related Party Transaction Form or the BIR Form 1709 together with the Annual Income Tax Return. Accordingly, the Company is not also required to prepare and submit a transfer pricing documentation as prescribed in the said regulation.

15. Retirement Benefits

The Company has an unfunded, noncontributory, defined benefits retirement plan covering substantially all of its regular qualified employees. The retirement benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The benefit obligation under the defined benefit retirement plan is determined using the projected unit credit method. The benefits to be received by the employees under the Company's defined benefit retirement plan meet the minimum mandated benefit under R.A. No. 7641, *The Retirement Pay Law*. The latest actuarial valuation report of the Company was as at December 31, 2023.

The components of retirement benefits included under "Personnel costs" account in the statements of comprehensive income are as follows (see Note 13):

	2023	2022
Current service costs	₱116,936	₱139,722
Interest costs	37,655	28,172
	₱154,591	₱167,894

Movements of the retirement liability recognized in the statements of financial position are as follows:

	2023	2022
Balance at beginning of year	₱513,705	₱545,970
Retirement benefits	154,591	167,894
Remeasurement gains recognized in OCI:		
Experience adjustments	131,794	(3,575)
Changes in financial assumptions	63,240	(196,584)
Balance at end of year	₱863,330	₱513,705

The principal assumptions used to determine the retirement liability are as follows:

	2023	2022
Discount rate	6.12%	7.33%
Salary increase rate	5.00%	5.00%

Sensitivity analysis on the retirement liability is as follows:

	Change in Assumption	Effect on Retirement Liability	
		2023	2022
Discount rate	+1.00%	(P752,175)	(P445,016)
	-1.00%	994,791	595,263
Salary increase rate	+1.00%	P998,212	P598,369
	-1.00%	(747,584)	(441,494)

The sensitivity analysis above has been determined based in a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring as at the end of the reporting period.

Movements of the cumulative remeasurement gains are as follows:

	2023		
	Cumulative Remeasurement Gains	Deferred Tax Liability (see Note 17)	Net
Balance at beginning of year	P404,549	(P101,138)	P303,411
Remeasurement losses	(195,034)	48,758	(146,276)
Balance at end of year	P209,515	(P52,380)	P157,135

	2022		
	Cumulative Remeasurement Gains	Deferred Tax Liability (see Note 17)	Net
Balance at beginning of year	P204,390	(P51,098)	P153,292
Remeasurement gains	200,159	(50,040)	150,119
Balance at end of year	P404,549	(P101,138)	P303,411

The maturity analysis of the undiscounted benefit payments as at December 31, 2023 is as follows:

Less than one (1) year	P-
More than one (1) year to 10 years	-
More than 10 year to less than 20 years	4,332,036
More than 20 years	7,012,261
	P11,344,297

The average duration of the retirement liability is 17.08 years as at December 31, 2023.

16. Lease

In 2022, the Company, as a lessee, entered into a new lease agreement for its new office location due to the expiration of its contract related to its old office location. The new lease agreement covers its office space, outlet, and warehouse for a term of five years renewable under such terms and conditions unless sooner terminated by the Company.

Security deposits related to the lease agreement amounted to ₱1,323,564 and ₱1,232,652 as at December 31, 2023 and 2022, respectively (see Note 7).

The balance and movements of the ROU asset are as follows:

	Note	2023	2022
Cost			
Balance at beginning of year		₱18,947,062	₱15,106,234
Additions		–	18,947,062
Derecognition		–	(15,106,234)
Balance at end of year		18,947,062	18,947,062
Accumulated Amortization			
Balance at beginning of year		1,894,706	12,943,942
Depreciation	8	3,789,412	4,056,998
Derecognition		–	(15,106,234)
Balance at end of year		5,684,118	1,894,706
		₱13,262,944	₱17,052,356

The balance and movements of the lease liability are as follows:

	Note	2023	2022
Balance at beginning of year		₱17,670,519	₱1,057,173
Additions		–	18,947,062
Accretion of interest	11	1,758,699	977,251
Payments		(4,597,223)	(3,310,967)
Balance at end of year		₱14,831,995	₱17,670,519

Lease liability is classified in the statements of financial position as follows:

	2023	2022
Current	₱3,379,047	₱2,838,525
Noncurrent	11,452,948	14,831,994
	₱14,831,995	₱17,670,519

The total cash outflows for leases in 2023 and 2022 amounted to ₱4,597,223 and ₱3,310,967 respectively.

Future minimum lease payments over the remaining term of the leases as at December 31, 2023 are as follows:

Within one year	₱4,827,085
More than one year but less than five years	13,116,131
	₱17,943,216

17. Income Taxes

The Company's income tax expense (benefit) consists of:

	Note	2023	2022
Reported in Profit or Loss			
Current - MCIT		₱913,050	₱654,761
Deferred		3,802,029	(1,115,582)
		₱4,715,079	(₱460,821)
Reported in OCI			
Deferred tax expense (benefit) on remeasurement gains (losses) on retirement liability	15	₱48,758	(₱50,040)

The reconciliation between the income tax expense (benefit) based on statutory income tax rate and as presented in the statements of comprehensive income is as follows:

	2023	2022
Income tax expense at statutory income tax rate	₱2,439,337	₱1,398,128
Increase (decrease) in income tax resulting from tax effects of:		
Nondeductible expenses	1,539,584	1,519,482
Expired MCIT	738,331	–
Interest income already subjected to final tax	(2,173)	(1,587)
Expired NOLCO	–	5,035,728
Stock issuance costs	–	(425,000)
Change in unrecognized deferred tax assets	–	(7,987,572)
Income tax expense (benefit) at effective income tax rates	₱4,715,079	(₱460,821)

The components of the Company's net deferred tax assets are as follows:

	2023	2022
Deferred tax assets:		
NOLCO	₱9,603,543	₱13,599,291
Lease liability	3,707,999	4,417,630
Allowance for impairment losses on foreclosed assets	2,596,334	2,853,704
Excess MCIT over RCIT	2,019,273	1,844,554
Retirement liability	215,832	128,426
	18,142,981	22,843,605
Deferred tax liability - ROU asset	3,315,736	4,263,089
	₱14,827,245	₱18,580,516

Details of the Company's NOLCO are as follows:

Year Incurred	Amount	Applied	Ending Balance	Year of Expiration
2021	₱18,761,191	₱-	₱18,761,191	2026
2020	35,635,972	15,982,993	19,652,979	2025
	₱54,397,163	₱15,982,993	₱38,414,170	

In accordance with Revenue Regulations (RR) No. 25-2020 which implements R.A. No. 11494, "Bayanihan to Recover as One Act", net operating losses for taxable years 2020 and 2021 are allowed to be carried over for the next five consecutive taxable years immediately following the year of such loss.

Details of the Company's excess of MCIT over RCIT are as follows:

Year Incurred	Amount	Applied/Expired	Ending Balance	Year of Expiration
2023	₱913,050	₱-	₱913,050	2026
2022	654,761	-	654,761	2025
2021	451,462	-	451,462	2024
2020	738,331	738,331	-	2023
	₱2,757,604	₱738,331	₱2,019,273	

18. Financial Risk Management Objectives and Policies

The Company's financial instruments consist of cash, loans and other receivables, security deposits, accounts and other payables, notes payable, advances from a related party and lease liability.

The main financial risks arising from the Company's use of financial instruments include credit risk, liquidity risk, and interest rate risk. The BOD regularly reviews and approves the appropriate policies for managing these financial risks, as summarized below.

Credit Risk

The Company's exposure to credit risk arises from the failure of its counterparty in fulfilling its financial commitments to the Company under the prevailing contractual terms. Financial instruments that potentially subject the Company to credit risk consist primarily of loans receivable and other financial assets at amortized cost.

Generally, the Company manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Company's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk. Further, the Company has regular internal control reviews to monitor the granting of credit and management of credit exposures.

The carrying amounts of loans receivable and financial assets at amortized cost represent the Company's maximum credit exposure.

The aging per class of financial assets are as follows:

	2023					
	Neither Past Due nor Impaired	Past Due but not Impaired				Total
		30 Days	31 – 60 Days	61 – 90 Days	91 – 120 Days	
Cash in banks and other cash items	₱16,671,872	₱–	₱–	₱–	₱–	₱ 16,671,872
Loans receivable	34,428,932	11,317,503	8,424,171	7,556	–	54,178,162
Other receivables	1,831,366	–	–	–	–	1,831,366
Security deposits	1,323,564	–	–	–	–	1,323,564
	₱54,255,734	₱11,317,503	₱8,424,171	₱7,556	₱–	₱74,004,964

	2022					
	Neither Past Due nor Impaired	Past Due but not Impaired				Total
		30 Days	31 – 60 Days	61 – 90 Days	91 – 120 Days	
Cash in banks and other cash items	₱9,773,013	₱–	₱–	₱–	₱–	₱9,773,013
Loans receivable	54,250,807	4,525,418	6,395,492	2,051,597	95,154	67,318,468
Other receivables	148,251	–	–	–	–	148,251
Security deposits	1,232,652	–	–	–	–	1,232,652
	₱65,404,723	₱4,525,418	₱6,395,492	₱2,051,597	₱95,154	₱78,472,384

For loans receivable, the Company limits its exposure to credit risk by transacting mainly with recognized and creditworthy borrowers that have undergone its credit evaluation and approval process. Loans are granted by the Company based on the creditworthiness and payment history of borrowers. In addition, the Company continuously monitors defaults of borrowers identified individually, and incorporate this information into its credit risk controls.

The Company holds collaterals against loans receivable in the form of pledge. The fair values of pawned items related to loans receivable are as follows:

	Carrying Amount of Loans Receivable	Fair Value of Pawned Items
2023	₱54,178,162	₱88,799,990
2022	67,318,468	109,685,091

For other financial assets at amortized cost, the Company limits its exposure to credit risk by depositing its cash only with banks that have good credit standing and reputation in the local and international banking industry and by transacting with counterparties that have good credit standing and relatively low risk of default.

It is the Company's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The table below presents the summary of the Company's exposure to credit risk by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL.

2023				
Financial Assets at Amortized Cost				
	12-month ECL (Stage 1)	Lifetime ECL - Not Credit impaired (Stage 2)	Lifetime ECL - Credit Impaired (Stage 3)	Total
Cash in banks and other cash items	P16,671,872	P-	P-	P16,671,872
Loans receivable	45,746,435	8,431,727	-	54,178,162
Other receivables	1,831,366	-	-	1,831,366
Security deposits	1,323,564	-	-	1,323,564
	P65,573,237	P8,431,727	P-	P74,004,964

2022				
Financial Assets at Amortized Cost				
	12-month ECL (Stage 1)	Lifetime ECL - Not Credit impaired (Stage 2)	Lifetime ECL - Credit Impaired (Stage 3)	Total
Cash in banks and other cash items	P9,773,013	P-	P-	P9,773,013
Loans receivable	58,776,225	8,542,243	-	67,318,468
Other receivables	148,251	-	-	148,251
Security deposits	1,232,652	-	-	1,232,652
	P69,930,141	P8,542,243	P-	P78,472,384

The table below shows the credit quality of the Company's financial assets based on its historical experience with the corresponding counterparties.

December 31, 2023				
	Grade A	Grade B	Grade C	Total
Cash in banks and other cash items	P16,671,872	P-	P-	P16,671,872
Loans receivable	-	54,178,162	-	54,178,162
Other receivables	-	1,831,366	-	1,831,366
Security deposits	-	1,323,564	-	1,323,564
	P16,671,872	P57,333,092	P-	P74,004,964

December 31, 2022				
	Grade A	Grade B	Grade C	Total
Cash in banks and other cash items	P9,773,013	P-	P-	P9,773,013
Loans receivable	-	67,318,468	-	67,318,468
Other receivables	-	148,251	-	148,251
Security deposits	-	1,232,652	-	1,232,652
	P9,773,013	P68,699,371	P-	P78,472,384

Grade A receivables pertain to those receivables from counterparties that always pay on time or even before the maturity date. Grade B includes receivables that are collected on their due dates provided that they were reminded or followed up by the Company. Those receivables which are collected consistently beyond their due dates and require persistent effort from the Company are included under Grade C.

Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising adequate funds to meet its financial commitments at a reasonable cost. The Company's objectives in effectively managing its liquidity are: (a) to ensure that adequate funding is available at all times; (b) to meet the commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost.

To manage this exposure and to ensure sufficient liquidity levels, the Company closely monitors its collections and expenditures by preparing cash position reports that present actual and projected cash flows for the subsequent month.

The table below present the maturity profile of the financial liabilities of the Company based on remaining contractual undiscounted obligations or on the estimated timing of net cash flows:

	2023			2022		
	Due within One Year	Due beyond One Year	Total	Due within One Year	Due beyond One Year	Total
Accounts and other payables*	₱11,717,297	₱-	₱11,717,297	₱13,466,213	₱-	₱13,466,213
Advances from a related party	2,839,769	-	2,839,769	2,839,769	-	2,839,769
Notes payable**	69,573,600	-	69,573,600	15,660,000	68,733,600	84,393,600
Lease liabilities	4,827,085	13,116,131	17,943,216	4,597,223	17,943,215	22,540,438
	₱88,957,751	₱13,116,131	₱102,073,882	₱36,563,205	₱86,676,815	₱123,240,020

*Excluding nonfinancial liabilities amounting to ₱2,128,072 and ₱4,585,533 as at December 31, 2023 and 2022, respectively

**Inclusive of future interest payments

Interest Rate Risk

Interest rate risk arises from the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company follows a prudent policy on managing its financial assets and liabilities so as to ensure that exposures to fluctuations in interest rate are kept within acceptable limits.

The Company regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take.

As at December 31, 2023 and 2022, all interest-bearing financial instruments of the Company have fixed-interest rates. Accordingly, the Company's exposure to interest rate risk is minimal.

Capital Management

The primary objective of the Company's capital management is to ensure that it complies with externally-imposed capital requirements. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

Regulatory Qualifying Capital

On December 23, 2016, the Bangko Sentral ng Pilipinas (BSP) issued Circular No. 938, Amendments to the MORNBF - P Regulations. Under Circular No. 938, virtual pawnshop operators shall have a minimum paid-in capital of ₱50.0 million.

As at December 31, 2023 and 2022, the Company has complied with the minimum paid-in capital of ₱50.0 million.

19. Fair Value Measurements

The table below presents the Company's financial assets and liabilities whose carrying amounts approximate their fair values because of their short-term nature or their fair values cannot be reliably determined:

	2023	2022
Financial assets at amortized cost:		
Cash	₱19,738,513	₱11,377,870
Loans receivable	54,178,162	67,318,468
Other receivables	1,831,366	148,251
Security deposits	1,323,564	1,232,652
	77,071,605	80,077,241
Financial liabilities at amortized cost:		
Accounts and other payables*	11,717,297	13,466,213
Advances from a related party	2,839,769	2,839,769
	₱14,557,066	₱16,305,982

**Excluding nonfinancial liabilities amounting to ₱2,128,072 and ₱4,585,533 as at December 31, 2023 and 2022, respectively*



**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
PawnHero Pawnshop Philippines, Inc.
7/F The Avecshares Center
1132 University Parkway North
Fort Bonifacio Global City, Taguig City

We have audited the accompanying financial statements of PawnHero Pawnshop Philippines, Inc. (the Company) as at and for the years ended December 31, 2023 and 2022, on which we have rendered our report dated April 26, 2024.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has three stockholders owning 100 or more shares each as at December 31, 2023 and 2022.

REYES TACANDONG & Co.


HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782/P-006; Valid until June 6, 2026

BIR Accreditation No. 08-005144-006-2022

Valid until October 16, 2025

PTR No. 10072408

Issued January 2, 2024, Makati City

April 26, 2024
Makati City, Metro Manila



Republic of the Philippines
Department of Finance
Bureau of Internal Revenue

For BIR Use Only: BCS/Item:

BIR Form No. 1702-RT January 2018(ENCS) Page 1	Annual Income Tax Return For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate <i>Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.</i>	 1702-RT 01/18ENCS P1
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1 For <input checked="" type="radio"/> Calendar <input type="radio"/> Fiscal 2 Year Ended (MM/20YY) 12/2023	3 Amended Return? <input type="radio"/> Yes <input checked="" type="radio"/> No	4 Short Period Return? <input type="radio"/> Yes <input checked="" type="radio"/> No	5 Alphanumeric Tax Code (ATC) IC055 <input type="checkbox"/> Minimum Corporate Income Tax (MCIT) <input checked="" type="checkbox"/> IC010 <input checked="" type="checkbox"/> DOMESTIC CORPORATION IN GENERAL <input checked="" type="checkbox"/>
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Part I - Background Information			
6 Taxpayer Identification Number (TIN)	008 - 861 - 350 - 000	7 RDO Code	044
8 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) PAWNHERO PAWNSHOP PHILIPPINES, INC.			
9A Registered Address (Indicate complete registered address) 7TH FLR THE AVECSHARES CENTER 1132 UNIVERSITY PARKWAY NORTH FORT BONIFACIO TAGUIG CITY, NCR, FOURTH DISTR			
9B Zipcode 1634			
10 Date of Incorporation/Organization (MM/DD/YYYY)			09/12/2014
11 Contact Number		12 Email Address	
NO VALUE FROM SOURCE		finance@pawhero.ph	

13 Method of Deductions Itemized Deductions [Section 34 (A-J), NIRC] Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]


Part II - Total Tax Payable (Do NOT enter Centavos)	
14 Total Income Tax Due (Overpayment) (From Part IV Item 43)	913,050
15 Less: Total Tax Credits/Payments (From Part IV Item 55)	715,506
16 Net Tax Payable (Overpayment) (Item 14 Less Item 15) (From Part IV Item 56)	197,544
Add Penalties	
17 Surcharge	0
18 Interest	0
19 Compromise	0
20 Total Penalties (Sum of Items 17 to 19)	0
21 TOTAL AMOUNT PAYABLE (Overpayment) (Sum of Item 16 and 20)	197,544
If Overpayment, mark "X" one box only (Once the choice is made, the same is irrevocable)	
<input type="checkbox"/> To be refunded <input type="checkbox"/> To be issued a Tax Credit Certificate (TCC) <input type="checkbox"/> To be carried over as tax credit next year/quarter	


We declare under the penalties of perjury that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If Authorized Representative, attach authorization for back and indicate TIN)

Signature over printed name of President/Principal Officer/Authorized Representative Jeremias Cruzabra	Signature over printed name of Treasurer/Assistant Treasurer Iris Shelly T. Pastor	22 Number of Attachments 4
Title of Signatory: PRESIDENT TIN: 213167437	Title of Signatory: TREASURER TIN: 213167437	

Part III - Details of Payment				
Particulars	Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount
23 Cash/Bank Debit Memo				0
24 Check				0
25 Tax Debit Memo				0
26 Others (Specify Below)				0

Machine Validation/Revenue Official Receipts Details (if not filed with an Authorized Agent Bank)	Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)
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BIR Form No. 1702-RT January 2018(ENCS) Page 2		Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate		 1702-RT 01/18ENCS P2	
Taxpayer Identification Number (TIN)			Registered Name		
008	-861	-350	-000	PAWNHERO PAWNSHOP PHILIPPINES, INC.	
Part IV - Computation of Tax (Do NOT enter Centavos)					
27 Sales/Receipts/Revenues/Fees				70,432,268	
28 Less: Sales Returns, Allowances and Discounts				0	
29 Net Sales/Receipts/Revenues/Fees (Item 27 Less Item 28)				70,432,268	
30 Less: Cost of Sales/Services				9,848,081	
31 Gross Income from Operation (Item 29 Less Item 30)				60,584,187	
32 Add: Other Taxable Income Not Subjected to Final Tax				285,789	
33 Total Taxable Income (Sum of Items 31 and 32)				60,869,976	
Less: Deductions Allowable under Existing Law					
34 Ordinary Allowable Itemized Deductions (From Part VI Schedule I Item 18)				44,886,983	
35 Special Allowable Itemized Deductions (From Part VI Schedule II Item 5)				0	
36 NOLCO (only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Part VI Schedule III Item 8)				15,982,993	
37 Total Deductions (Sum of Items 34 to 36)				60,869,976	
OR [in case taxable under Sec 27(A) & 28(A)(1)]					
38 Optional Standard Deduction (40% of Item 33)				0	
39 Net Taxable Income/(Loss) (If Itemized: Item 33 Less Item 37; If OSD: Item 33 Less Item 38)				0	
40 Applicable Income Tax Rate				25%	
41 Income Tax Due other than Minimum Corporate Income Tax (MCIT) (Item 39 x Item 40)				0	
42 MCIT Due (2% of Item 33)				913,050	
43 Tax Due (Normal Income Tax Due in Item 41 OR the MCIT Due in Item 42, whichever is higher) (To Part II Item 14)				913,050	
Less: Tax Credits/Payments (attach proof)					
44 Prior Year's Excess Credits Other Than MCIT				0	
45 Income Tax Payment under MCIT from Previous Quarter/s				0	
46 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s				707,792	
47 Excess MCIT Applied this Current Taxable Year (From Part VI Schedule IV Item 4)				0	
48 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307				0	
49 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter				7,714	
50 Foreign Tax Credits, if applicable				0	
51 Tax Paid in Return Previously Filed, if this is an Amended Return				0	
52 Special Tax Credits (To Part V Item 58)				0	
Other Credits/Payments (Specify)					
53				0	
54				0	
55 Total Tax Credits/Payments (Sum of Items 44 to 54) (To Part II Item 15)				715,506	
56 Net Tax Payable / (Overpayment) (Item 43 Less Item 55) (To Part II Item 16)				197,544	
Part V - Tax Relief Availment					
57 Special Allowable Itemized Deductions (Item 35 of Part IV x Applicable Income Tax Rate)				0	
58 Add: Special Tax Credits (From Part IV Item 52)				0	
59 Total Tax Relief Availment (Sum of Items 57 and 58)				0	

BIR Form No. 1702-RT January 2018(ENCS) Page 4	Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	 1702-RT 01/18ENCS P4
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Taxpayer Identification Number (TIN) 008 -861 -350 -000	Registered Name PAWNERO PAWNSHOP PHILIPPINES, INC.
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Schedule III - Computation of Net Operating Loss Carry Over (NOLCO)	
1 Gross Income (From Part IV Item 33)	0
2 Less: Ordinary Allowable Itemized Deductions (From Part VI Schedule I Item 18)	0
3 Net Operating Loss (Item 1 Less Item 2) (To Schedule IIIA, Item 7A)	0

Schedule IIIA - Computation of Available Net Operating Loss Carry Over (NOLCO) (DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

Net Operating Loss		B) NOLCO Applied Previous Year
Year Incurred	A) Amount	
4	0	0
5 2021	18,761,191	0
6 2020	35,635,972	0
7	0	0

Continuation of Schedule IIIA (Item numbers continue from table above)

C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied) [E = A Less (B + C + D)]
4 0	0	0
5 0	0	18,761,191
6 0	15,982,993	19,652,979
7 0	0	0
8 Total NOLCO (Sum of Items 4D to 7D) (To Part IV, Item 36)	15,982,993	

Schedule IV - Computation of Minimum Corporate Income Tax (MCIT)

Year	A) Normal Income Tax as adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1 2022	0	654,761	654,761
2 2021	0	451,462	451,462
3 2020	0	738,331	738,331

Continuation of Schedule IV (Item numbers continue from table above)

D) Excess MCIT Applied/Used in Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [G = C Less (D + E + F)]
1 0	0	0	654,761
2 0	0	0	451,462
3 0	738,331	0	0
Total Excess MCIT Applied (Sum of Items 1F to 3F) (To Part IV Item 47)		0	

Schedule V - Reconciliation of Net Income per Books Against Taxable Income (attach additional sheet/s, if necessary)

1 Net Income/(Loss) per books	9,757,349
Add: Non-deductible Expenses/Taxable Other Income	
2 DEPRECIATION OF ROU ASSET	3,789,412
3 OTHERS	8,071,626
<hr/>	
4 Total (Sum of Items 1 to 3)	21,618,387
Less: A) Non-Taxable Income and Income Subjected to Final Tax	
5 INTEREST INCOME SUBJECTED TO FINAL TAX	8,693
6 OTHERS	5,626,701
<hr/>	
B) Special Deductions	
7 APPLIED NOLCO	15,982,993
8	0
<hr/>	
9 Total (Sum of Items 5 to 8)	21,618,387
10 Net Taxable Income/(Loss) (Item 4 Less Item 9)	0