COVER SHEET

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SEC Registration Number

CTS GLOBAL EQUITY GROUP, INC.

(Company's Full Name)

27/F East Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City

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

Mr. Lawrence C. Lee

(Contact Person)

(02) 8 635-5735

(Company Telephone Number)

1 2 **3 1**

Month *Day*

(Calendar Year)

17-Q

(Form Type)

March 31, 2024

Month *Day*

(Annual Meeting)

Broker

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/section

Total Amount of Borrowings

4

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **March 31, 2024**

2. Commission identification number **63824**

3. BIR Tax Identification No. **000-322-268-000**

4. Exact name of issuer as specified in its charter: **CTS GLOBAL EQUITY GROUP, INC.**

5. Province, country or other jurisdiction of incorporation or organization: **Pasig City, Philippines**

6. Industry Classification Code: Use Only)

7. Address of issuer's principal office: Postal Code: **1605**
   2701-B East Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City

8. Issuer's telephone number, including area code: **(02) 8635-5735**

9. Former name, former address and former fiscal year, if changed since last report: **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA:

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**6,875,000,000 shares**

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

    Yes [**x**] No [ ]

12. Indicate by check mark whether the registrant:

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

    Yes [x] No [ ]

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

    Yes [x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited financial statements are filed as part of this Form 17-Q.

Item 2. Management's Discussion and Analysis (MD&A) of Financial Conditions and Results of Operations.

The following is a discussion and analysis of the financial performance of CTS Global Equity Group, Inc. The discussion aims to provide readers with an appreciation of its business model and the key factors underlying its financial results. The MD&A should be read in conjunction with the unaudited financial statements of the Company filed as part of this report.

Company Overview

CTS Global Equity Group, Inc. ("CTS Global", "CTS" or the "Company") is a pioneering proprietary trading firm with a legacy of over three decades in the Philippines and global markets. With more than 30 individual traders, the Company actively trades its capital in the Philippine, Hong Kong, US, and other equity markets. Its investments may include assets outside of equities, such as forex and fixed income.

Since its establishment in 1986, CTS Global has built a robust portfolio of intellectual property assets, including expertise in risk management, macroeconomic analysis, and fundamental and technical analysis. This expertise allows the Company to identify and capitalize on opportunities in the local and global markets.

CTS Global's pool of over 30 individual traders operate as separate profit centers, each with its own unique trading system. However, these diverse trading strategies are developed and applied within the overarching framework of the Fundamentals, Technicals, Sentiment, and Risk Management (FTSR) Trading Framework. This trading framework, which has been refined over four decades, is continuously improved through the Company's sister company, Caylum Trading Institute, which provides trading education to new traders and reinforces the Company's trading principles.

At CTS Global, we believe in developing and leveraging our intellectual property to stay ahead of the competition. Our focus on risk management, macroeconomic analysis, and technical analysis enables us to identify and capitalize on market opportunities, while our commitment to the FTSR Trading Framework ensures consistency in our trading practices. As we continue to expand our reach in the global markets, we remain committed to providing sustainable and profitable returns to our stakeholders.

Business Segments

CTS Global Equity Group, Inc. generates revenue through three main business segments: Proprietary Trading, Brokerage Services, and Investment Income. In addition, the company is planning to launch a future business segment, Client Account Management.

Proprietary Trading is the Company's core business and largest revenue contributor. CTS Global has a team of over thirty individual traders who actively trade the Philippine and global equity markets, leveraging the firm's capital, training ecosystem, analytics, and risk management infrastructure to consistently generate returns.

Brokerage Services is another revenue stream for CTS Global. As one of the PSE Trading Participants, the company provides stock brokerage and dealership services at a fee for high net-worth clients. Revenues from this side of the business are generated through fixed commissions based on transaction amounts.

Investment Income is generated through CTS Global's Macroeconomics Desk and Global Research team. These teams provide overall guidance to the trading house's market and foreign exchange exposure and invest in assets with a longer-term horizon. This approach has allowed the firm to capitalize on the movements in the foreign exchange and fixed income markets.

In the future, CTS Global plans to launch its new business segment, Client Account Management. This segment will provide investment management and financial advisory services with the goal of growing clients' portfolios over time while mitigating risk. Currently in its testing phase, the business model for this segment includes a model portfolio.

Overall, CTS Global's business model is focused on leveraging its intellectual property assets, trading expertise, and risk management framework to generate returns for its clients while also exploring revenue streams and investment opportunities.

Industry and Economic Review

The financial markets remained resilient despite major wars, financial institutional collapses, and political turmoil in the past year. As inflation eases during the first quarter of the year, the central bank is expected to halt policy rate hikes. Moreover, the 2024 consensus going forward being that if inflation continues to flatten or wane, we will be looking at the Federal Reserve's decision to cut rates within the year. The S&P 500 ended 1Q2024 on a strong note at +10.7% as technology sector remained a driving force behind market gains. Hong Kong's HSI and the Philippines' PSEi showed returns of -1.7%, and 5.4%, respectively.

Equities. Global equities generally marked a positive performance for the first three months of 2024 with minimal volatility despite the surrounding geopolitical issues. Overall, industries such as cloud computing, artificial intelligence, software development, and semiconductor manufacturing outperformed and pushed the markets higher.

Commodities. Both new and ongoing geopolitical tensions will continue to give way for oil and gold to perform well moving forward. In addition to these circumstances, a surge in China's stockpile on industrial metals and the reversal of global PMIs have also brought favourable price action towards copper, aluminium, and more speculative metals such as silver and tin. Other energy sources such as gas and coal continue to be supply-dominated, while uranium prices have been consolidating after hitting its recent highs, immune to external market forces.

Bonds. The Federal Reserve's uncertainty mixed with economic data coming in stronger than initial expectations led to a higher 10-Year US Treasury yield – shooting from 3.86% to 4.35% during the tail end of February. Despite this Q1 performance, it has had showed no correlation to the equity markets, suggestive that it has priced in the monetary policy changes.

Business Review

Key Performance Indicators

	Quarter Ended March 31, 2024	Quarter Ended March 31, 2023
Revenue/ Capital	2.4%	1.1%
Gross Margin	63.5%	16.8%
Net Margin (Loss)	52.7%	(27.7%)
Global Trading Revenues (Losses) (in millions)	₱8.2	(₱14.6)
Local Trading Revenues (in millions)	₱10.4	₱10.1
Total Revenues (in millions)	₱45.2	₱20.9
Net Liquid Capital (in millions)	₱1,945.6	₱1,931.9
Risk-Based Capital Adequacy (RBCA) Ratio	985%	985%

CTS' **Revenues** improved to ₱45.2 million during the first quarter of 2024 from ₱20.9 million in the same quarter last year while **revenue over capital** also improved to 2.4% as of end March 2024 compared to 1.1% in the same quarter last year. The 115.8% jump in revenues is mainly due to higher trading gains in the first quarter of 2024 from both local and global markets amounting to ₱18.7 million as global stock markets posted strong gains in the first quarter of 2024 amid a resilient US economy, ongoing expectations of rate cuts later this year, and good corporate earnings led by communication services, energy, information technology and financials sectors which boosted S&P 500 index on a strong note at +10.7% by first quarter ended 2024.

Gross margin also improved to 63.5% as of end March 2024 from 16.8% as of end March 2023 level, as revenues grew by ₱24.3 million while cost of services went down by ₱1.0 million. Operating costs slightly increased by ₱0.4 million. Primarily due to higher trading gains as of end March 2024, CTS **net margin** also improved to 52.7% as of end March 2024 compared to (27.7%) as of end March 2023.

On April 13, 2022, CTS completed its initial public offering and for which CTS received net proceeds amounting to ₱1,353.3 million. The additional capital provided CTS the opportunity in the advancement of its proprietary trading segment. As a result, CTS **net liquid capital** improved to ₱1,945.6 million and ₱1,931.9 million as of end March 2024 and 2023, respectively.

CTS continued to meet the stringent rules of regulators in the Philippines. As of end March 2024, CTS' **Risk Based Capital Adequacy Ratio** (RBCA) is 985%, which is considerably higher than the minimum requirement of 110.0%. The ratio ensures that the Company has sufficient capital to sustain operating losses, if any, while maintaining a safe and efficient market.

Material Changes in Financial Condition (March 31, 2024 vs December 31, 2023)

CTS's asset base increased by 1.7% or by ₱37.2 million to ₱2.2 billion as of end March 2024 compared to end December 2023 level.

Cash and cash equivalents (including short-term time deposits) decreased by 9.7% to ₱433.3 million as of end March 2024 from ₱479.6 million as of end 2023 mainly due to the following: income before tax of ₱25.2 million, net increase in equity securities held by ₱209.2 million, decrease in trade receivables by ₱140.1 million mainly due to deployment of deposit with other broker for equity securities purchase, net increase in trade payables and other current liabilities of ₱19.0 million mainly due to increase in payable to clearinghouse as of end March 2024, adjustment for noncash income such as unrealized gain on financial assets at FVPL and unrealized foreign exchange gain totaling ₱7.1 million, adjustment for noncash expense on depreciation amounting to ₱1.2 million, and increase in interest receivable amounting to ₱12.3 million.

Financial assets at FVPL increased to ₱219.3 million as of end March 2024, from ₱7.0 million as of end 2023, mainly due to outstanding equity securities held locally and abroad.

Trade receivables stood at ₱254.0 million as of end March 2024, from ₱389.2 million as of end 2023, mainly due to deployment of deposit with other broker for equity securities purchase in foreign stock markets.

Investments in government fixed-income securities decreased by 0.6% or by ₱7.5 million primarily due to mark-to-market loss of ₱6.9 million as of end March 2024 on government fixed-income securities classified as financial assets at fair value thru other comprehensive income (FVOCI) and net bond amortization of ₱0.7 million.

As of end March 2024, investments in government securities classified as financial assets at amortized cost (for held-to-maturity (HTM) investments) and financial assets at FVOCI (for purposes of collecting contractual cash flows/selling financial assets) amounted to ₱464.2 million and ₱782.5 million, respectively.

The interest rates of investments in government securities at amortized cost and at FVOCI ranges from 4.63% to 7.50% p.a. and 6.25% to 7.25% p.a., respectively. Additionally, cumulative unrealized gain on changes in fair value of financial assets at FVOCI amounted to ₱5.9 million as of end March 2024.

CTS' investments in government fixed-income securities are part of CTS' strategy to boost interest income and cover CTS' operating expenses as global inflation remains affecting market stability and debt securities market provided an alternative opportunity for fixed stream of income. On the other hand, CTS' current liabilities or short-term obligations are sufficiently covered by current assets consisting mainly of cash and cash equivalents resulting in the current ratio of 5.15.

CTS' risk management on its investments in government securities includes diversifying, managing the duration, assessing credit risk, actively monitoring (of economic indicators and economic developments), and sizing positions appropriately, to mitigate the risks and increase the likelihood of achieving CTS' investment objectives.

Property and equipment increased by 10.1% mainly due to leased office space renovation costs amounting to ₱2.2 million and depreciation of ₱0.9 million. Investment property decreased by 1.8% due to depreciation of ₱0.2 million.

Net deferred tax asset increased by 2.4% to ₱18.2 million as of end March 2024 compared to ₱17.8 million as of end 2023. The account comprises of deferred tax assets pertaining to CTS' net operating loss for carryover and retirement liability amounting to ₱21.1 million and ₱6.9 million, respectively, and deferred tax liability of ₱11.1 million mainly due to unrealized gains on foreign exchange and changes in fair value of financial assets at FVOCI.

Other current assets increased by 71.9% to ₱29.4 million as of end March 2024 compared to ₱17.1 million as of end 2023. The account is generally composed of interest receivables of ₱18.8 million from government fixed-income investments and excess tax credit of ₱7.7 million. On the other hand, other noncurrent assets slightly increased by ₱0.3 million mainly due to refundable clearing fund contributions as of end March 2024.

Total liabilities increased by 9.7% to ₱210.7 million as of end March 2024 from ₱192.2 million as of end 2023. The net movement is mainly due to increase in payable to clearinghouse amounting to ₱27.8 million as there were more buying transactions as of end March 2024 compared to the last two trading days of 2023 and decrease in accrued expenses and government payables as end 2023 amounts were settled during the first quarter of 2024.

Stockholders' equity went up by 0.9% to ₱ 2.0 billion as of end March 2024 as a result of ₱23.8 million in net income as of end March 2024 and mark-to-market loss on investment in government fixed-income securities at FVOCI, net of tax, of ₱5.2 million.

Material Changes in the Results of Operations (March 31, 2024 vs March 31, 2023)

CTS's revenues improved by 115.8% to ₱45.2 million as of end March 2024 from ₱21.0 million as of end March 2023. The increase is mainly due to higher trading gains in the first quarter of 2024 amounting to ₱18.7 million compared to trading loss of ₱4.5 million in the same quarter last year. The first quarter of 2024 saw strong gains across global stock markets following US data releases demonstrating ongoing economic resilience, expectations of rate cuts later this year, and some well-received corporate earnings which boosted S&P 500 index.

Cost of services went down by 5.3% or by ₱0.9 million because of lower transaction costs related to trading while partially offset by increase in personnel costs booked under cost of services.

As revenues grew at a faster pace compared to cost of services, gross margin improved to 63.5% as of end March 2024 from 16.8% as of end March 2023 level, or to ₱28.7 million as of end March 2024 from ₱3.5 million as of March 2023.

Operating expenses increased by ₱0.4 million as of end March 2024 mainly due to increase in personnel costs booked under operating expenses.

Personnel costs, booked under cost of services and operating expenses, increased to ₱12.4 million as of end March 2024 compared to ₱9.9 million of the same period last year. The increase in personnel costs is mainly because of salary adjustments made to officers in the fourth quarter of 2023.

Other income as of end March 2024 amounting to ₱4.2 million pertains to unrealized foreign exchange gain on the Company's foreign-currency denominated deposits with a broker abroad. The exchange rates closed at ₱56.28 and ₱54.43 on March 31, 2024 and 2023, respectively.

Mainly due to higher gross profit by ₱25.2 million and marginal increase in operating expenses by ₱0.4 million, CTS booked an income before tax of ₱25.2 million as of end March 2024 compared to its end March 2023 loss before tax of ₱14.2 million.

The provision for current income tax of ₱0.1 million pertains to minimum corporate income tax. The Company sustained a net operating loss position, for tax purposes, of ₱1.4 million as of end March 2024 since the interest income from investments in government fixed-income securities and short-term time deposits are already subjected to 20% final tax and are therefore already exempt from normal income tax computation purposes. On the other hand, the provision for deferred income tax is mainly due to unrealized foreign exchange gain as of end March 2024.

As a result of the foregoing movements, CTS' reported a net income of ₱23.8 million as of end March 2024, a reversal from its end March 2023 net loss of ₱5.8 million.

Material Changes in Financial Condition (March 31, 2023 vs December 31, 2022)

CTS's asset base increased by 1.5% or by ₱32.6 million to ₱2,231.8 million as of first quarter ended 2023 compared to ₱2,199.5 million as of yearend 2022.

Cash and cash equivalents (including short-term time deposits) decreased by 4.6% to ₱455.2 million as of end March 2023 from ₱477.2 million as of end December 2022 mainly due to the following: loss before tax of ₱14.2 million, payments in January 2023 of end 2022 accrued expenses amounting to ₱11.2 million, noncash loss of ₱10.4 million pertaining to unrealized foreign exchange loss, and increase in customer receivables by ₱7.6 million.

Financial assets at FVPL increased by 11,980.1% to ₱166.2 million as of end March 2023 largely due to outstanding equity securities held locally and abroad amounting to ₱69.1 million and ₱97.1 million, respectively.

Trade receivables fell by 26.3% to ₱286.9 million compared to ₱389.1 million as of end 2022. This was largely due to drop in the level of receivables from the clearing house by ₱39.2 million, as there were fewer selling transactions as of end March 2023 compared to the last three trading days of 2022, and deployment of deposits with other brokers to buy stocks in other foreign stock markets.

Investment in fixed income securities which are mainly in the form of government bonds fell by 1.6% or by ₱20.8 million primarily due to maturity of a 3-year government bond last February 2023 amounting to ₱50.0 million and partially offset by mark-to-market gain of ₱29.7 million on government bonds classified as financial assets at fair value thru other comprehensive income (FVOCI).

As of end March 2023, investments in fixed income securities classified as financial assets at amortized cost (for held-to-maturity (HTM) investments) and financial assets at FVOCI (for purposes of collecting contractual cash flows and selling financial assets) amounted to ₱463.9 million and ₱790.4 million, respectively.

CTS' financial assets at amortized cost have a yield to maturity (YTM) of 5.50% to 7.37% for its 5-year to 10-year government bonds. On the other hand, CTS' financial assets at FVOCI have a YTM of 5.78%

for its 3-year government bond and YTM of 5.80% to 6.68% for its 9-year to 10-year government bonds. Additionally, cumulative unrealized gain on changes in fair value of financial assets at FVOCI amounted to ₱11.0 million as of March 2023.

CTS' investments in HTM government securities, sourced from CTS' own cash, are part of CTS' strategy to boost interest income and cover CTS' operating expenses while proprietary trading gains from both local and global stock markets continued to fall as global inflation remains and debt securities market provided an alternative opportunity for fixed stream of income. On the other hand, CTS' current liabilities or short-term obligations are sufficiently covered by current assets consisting mainly of cash and cash equivalents, current portion of government securities and deposits with other brokers resulting to current ratio of 4.52.

CTS' risk management on its investments in government fixed income securities includes diversifying, managing the duration, assessing credit risk, actively monitoring (of economic indicators and economic developments), and sizing positions appropriately, to mitigate the risks and increase the likelihood of achieving CTS' investment objectives.

Property and equipment and investment property decreased by 8.5% and 1.7% to ₱8.2 million and ₱9.5 million, respectively, mostly due to depreciation of ₱0.9 million.

Net deferred tax asset increased by 17.3% to ₱6.5 million compared to ₱5.5 million as of end 2022. The account comprise of deferred tax assets pertaining to CTS' net operating loss carryover and retirement liability amounting to ₱10.6 million and ₱4.6 million, respectively, and deferred tax liabilities pertaining to unrealized foreign exchange gains, unrealized gain on financial asset at FVOCI, and unrealized gain on financial asset at FVPL amounting to ₱5.5 million, ₱2.8 million and ₱0.9 million, respectively.

Other current assets increased by 69.9% to ₱30.5 million compared to ₱17.9 million as of end 2022 mostly because of accrued interest income of ₱19.5 million arising from the Company's investments in fixed income securities. On the other hand, other noncurrent assets increased by ₱0.2 million mainly due to refundable clearing fund contributions during first quarter of 2023.

Total liabilities increased by 7.7% to ₱226.6 million compared to ₱210.5 million as of end 2022. This is due to increase in trade payables or the clients' unused cash balances which rose by 18.1% or by ₱31.2 million partially offset by settlement this year of end 2022 accrued expenses amounting to ₱11.2 million.

Stockholders' equity was up slightly by 0.8% to ₱2,005.5 million compared to ₱1,989.0 million as of end 2022 as a result of net loss of ₱5.8 million in the first quarter of 2023 and mark-to-market gain on financial assets at FVOCI booked under 'Other equity reserves', net of tax, amounting to ₱22.3 million.

Material Changes in the Results of Operations (March 31, 2023 vs March 31, 2022)

CTS's revenues fell by 45.5% to ₱20.9 million during the first quarter of 2023 while cost of services rose by 20.1% to ₱17.4 million bringing gross profit down to ₱3.6 million compared to ₱23.8 million in the same quarter of last year. Operating expenses, which are largely fixed in nature, increased by ₱1.5 million and mostly because of higher provision on client receivables. Other losses of ₱10.4 million is mainly due to unrealized foreign exchange loss for the first quarter of 2023. Deferred tax benefit of ₱8.1 million is mostly due to deferred tax of ₱6.6 million arising from CTS' net operating loss for the first quarter of 2023. Because of the foregoing movements, the Company sustained net loss of ₱5.8 million.

CTS's revenues fell by 45.5% to ₱20.9 million during the first quarter of 2023 compared to ₱38.4 million of the same quarter last year due to trading losses of ₱4.5 million as proprietary trading gains from both local and global stock markets continued to fall as the U.S. Fed kept its stance on keeping interest rates higher for longer to combat high inflation which negatively affected investor appetite for stocks. The drop in trading gains is partially offset by growth in interest income which grew to ₱22.9 million because of management's decision to invest in peso-denominated government debt securities as the bond market presented an alternative opportunity for fixed stream of income.

Cost of services rose by 20.1% or by ₱2.9 million to ₱17.4 million for the first quarter of 2023 mainly due to higher broker transaction costs.

Operating expenses slightly increased by ₱1.5 million in the first quarter of 2023 mainly due to higher provision booked on client receivables.

Personnel costs, booked under cost of services and operating expenses, also slightly increased by ₱1.6 million compared to ₱8.3 million of the same quarter last year.

Other losses during the first quarter of 2023 amounting to ₱10.4 million pertain to unrealized foreign exchange loss on the Company's foreign-currency denominated deposits with brokers abroad. The exchange rates closed at ₱54.43 and ₱6.93 per US$1 and HK$1 on March 31, 2023, respectively, and ₱56.12 and ₱7.20 per US$1 and HK$1 on December 31, 2022, respectively.

Deferred tax benefit of ₱8.1 million is mostly due to booking of deferred tax of ₱6.6 million due to the Company's net operating loss for the first quarter of 2023. The Company sustained a net operating loss position, for tax purposes, of ₱26.4 million for the first quarter of 2023.

As a result of the foregoing movements, CTS' sustained a net loss of ₱5.8 million for the first quarter of 2023 due to insufficient revenues from its trading operations to cover the rest of the Company's operating costs.

Other Matters

a. CTS is not aware of any known trends, demands, commitments, events, or uncertainties that will have a material impact on the Company's liquidity.

b. The Company does not anticipate any cash flow or liquidity problem in the next 12 months. The Company is not in default or breach of any indebtedness or financing arrangement requiring payments. The Company has paid its trade payables within the trade terms stated.

c. CTS is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

d. CTS is not aware of any material commitments for capital expenditures.

e. CTS is not aware of any known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations of the Company.

f. CTS is not aware of any significant elements of income or loss that did not arise from the Company's continuing operations.

g. CTS is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

PART II – OTHER INFORMATION

Not applicable. There are no material disclosures that have not been reported under SEC Form 17-C covered by this period.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **CTS GLOBAL EQUITY GROUP, INC.**

By:

Lawrence C. Lee
President and Chief Executive Officer
May 10, 2024

Edmund C. Lee
Chief Finance Officer
May 10, 2024

CTS GLOBAL EQUITY GROUP, INC.

STATEMENTS OF FINANCIAL POSITION

		March 31, 2024 (Unaudited)			December 31, 2023 (Audited)		
			Security Valuation			Security Valuation	
	Note	Money Balance	Long	Short	Money Balance	Long	Short
ASSETS							
Current Assets							
Cash and cash equivalents	6	**₱ 433,265,377**			₱479,631,777		
Financial assets at fair value through profit or loss (FVPL)	7	**219,288,919**	**₱219,288,919**		6,922,944	₱6,922,944	
Trade receivables	8	**253,974,184**	**838,659,387**		389,213,791	14,603,187	
Other current assets	10	**29,438,659**			17,126,605		
Total Current Assets		**935,967,139**			892,895,117		
Noncurrent Assets							
Investments in government securities	9	**1,246,680,748**			1,254,194,118		
Intangible assets	11	**2,669,949**			2,813,671		
Property and equipment	12	**13,842,327**			12,569,216		
Investment property	13	**8,838,843**			8,999,549		
Net deferred tax assets	21	**18,208,649**			17,780,140		
Other noncurrent assets	14	**12,590,639**			12,331,950		
Total Noncurrent Assets		**1,302,831,155**			1,308,688,644		
Total Assets		**₱2,238,798,294**			₱2,201,583,761		
Securities in Vault, Transfer Offices, and Philippine Depository and Trust Corporation				**₱10,066,014,358**			₱10,402,214,918
LIABILITIES AND EQUITY							
Current Liabilities							
Trade payables	15	**₱175,428,570**	**9,008,066,052**		₱151,504,646	10,380,688,787	
Lease liabilities - current portion	20	**2,049,935**			1,998,815		
Other current liabilities	16	**4,420,089**			9,296,718		
Total Current Liabilities		**181,898,594**			162,800,179		
Noncurrent Liabilities							
Lease liabilities - net of current portion	20	**1,227,387**			1,762,958		
Net retirement benefit liability	19	**27,620,668**			27,620,668		
Total Noncurrent Liabilities		**28,848,055**			29,383,626		
Total Liabilities		**210,746,649**			192,183,805		
Equity							
Capital stock	4	**687,500,000**			687,500,000		
Additional paid-in capital		**1,223,556,878**			1,223,556,878		
Retained earnings:							
Appropriated	4	**14,227,456**			11,927,718		
Unappropriated		**97,256,734**			75,747,336		
Other equity reserves		**5,510,577**			10,668,024		
Total Equity		**2,028,051,645**			2,009,399,956		
Total Liabilities and Equity		**₱2,238,798,294**	**₱10,066,014,358**	**₱10,066,014,358**	₱2,201,583,761	₱10,402,214,918	₱10,402,214,918

See accompanying Notes to Financial Statements.

CTS GLOBAL EQUITY GROUP, INC.

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

	Note	For the Three Months Ended March 31	
		2024	2023
REVENUES			
Interest	6	**₱24,069,227**	₱22,894,049
Trading gains (losses) on financial assets at FVPL - net	7	**18,654,304**	(4,473,062)
Dividends	7	**1,649,074**	364,808
Commissions		**823,524**	2,155,264
		45,196,129	20,941,059
COSTS OF SERVICES			
Personnel costs	18	**8,658,174**	6,918,878
Transaction costs		**3,496,986**	6,032,686
Commissions		**2,463,493**	2,852,022
Research		**679,229**	622,689
Stock exchange dues and fees		**662,870**	568,932
Communications		**296,913**	205,038
Central depository fees		**257,565**	232,077
		16,515,230	17,432,322
GROSS PROFIT		**28,680,899**	3,508,737
OPERATING EXPENSES			
Personnel costs	18	**3,710,646**	2,965,234
Insurance and bonds		**537,722**	456,220
Condominium dues, power and water		**413,574**	532,025
Trainings and seminars		**297,893**	76,191
Security and other manpower services		**291,542**	275,954
Taxes and licenses		**202,286**	291,758
Communications		**198,067**	206,781
Membership fees		**108,982**	65,500
Office supplies		**69,808**	63,458
Professional fees		**50,000**	–
Escrow fees		**45,000**	95,690
Directors' fees		**40,000**	35,000
Repairs and maintenance		**23,523**	70,474
Others		**377,136**	158,640
		6,366,179	5,292,925
Depreciation and amortization	11	**1,237,178**	1,046,463
Interest expense	20	**54,574**	13,289
Provision for credit losses	8	**–**	947,379
		7,657,931	7,300,056
OTHER INCOME (CHARGES)			
Foreign exchange gains (losses) - net		**4,197,763**	(10,393,472)
		4,197,763	(10,393,472)
INCOME (LOSS) BEFORE INCOME TAX		**25,220,731**	(14,184,791)

(Forward)

		For the Three Months Ended March 31	
	Note	**2024**	2023
INCOME (LOSS) BEFORE INCOME TAX		**₱25,220,731**	(₱14,184,791)
INCOME TAX EXPENSE (BENEFIT FROM)	21		
Current		**120,951**	–
Deferred		**1,290,644**	(8,384,862)
		1,411,595	(8,384,862)
NET INCOME (LOSS)		**23,809,136**	(5,799,929)
OTHER COMPREHENSIVE INCOME (LOSS)			
To be reclassified to profit or loss in subsequent periods	9		
Unrealized gain (loss) on changes in fair value of debt securities at fair value through other comprehensive income (FVOCI)		**(6,876,596)**	29,706,298
Deferred income tax benefit		**1,719,149**	(7,426,574)
		(5,157,447)	22,279,724
TOTAL COMPREHENSIVE INCOME		**₱18,651,689**	₱16,479,795
Basic/Diluted Earnings Per Share	22	**₱0.0035**	(₱0.0009)

See accompanying Notes to Financial Statements.

CTS GLOBAL EQUITY GROUP, INC.

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2024

(With Comparative Figures for the Three Months Ended March 31, 2023)

				Retained Earnings			Other Equity Reserves		
	Note	**Capital Stock**	**Additional Paid-In Capital**	**Appropriated**	**Unappropriated**	**Total**	**Cumulative Unrealized Gain (Loss) on Changes in Fair Value of FA at FVOCI**	**Cumulative Remeasurement Gain on Retirement Benefit Liability**	**Total Equity**
Balances at December 31, 2023		**₱687,500,000**	**₱1,223,556,878**	**₱11,927,718**	**₱75,747,336**	**₱87,675,054**	**₱9,561,051**	**₱1,106,973**	**₱2,009,399,956**
Net income		**–**	**–**	**–**	**23,809,136**	**23,809,136**	**–**	**–**	**23,809,136**
Appropriation	**4**	**–**	**–**	**2,299,738**	**(2,299,738)**	**–**	**–**	**–**	**–**
Other comprehensive loss	**9**	**–**	**–**	**–**	**–**	**–**	**(5,157,447)**	**–**	**(5,157,447)**
Balances at March 31, 2024		**₱687,500,000**	**₱1,223,556,878**	**₱14,227,456**	**₱97,256,734**	**₱ 111,484,190**	**₱4,403,604**	**₱1,106,973**	**₱2,028,051,645**

				Retained Earnings			Other Equity Reserves		
	Note	Capital Stock	Deposits for Future Stock Subscriptions	Appropriated	Unappropriated	Total	Cumulative Unrealized Gain (Loss) on Changes In Fair Value of FA at FVOCI	Cumulative Remeasurement Gain on Retirement Benefit Liability	Total Equity
Balances at December 31, 2022		₱687,500,000	₱1,223,556,878	₱6,704,006	₱79,313,664	₱86,017,670	(₱14,014,505)	₱5,989,515	₱1,989,049,558
Net loss		–	–	–	(5,799,929)	(5,799,929)	–	–	(5,799,929)
Other comprehensive income	9	–	–	–	–	–	22,279,724	–	22,279,724
Balances at March 31, 2023		₱687,500,000	₱1,223,556,878	₱6,704,006	₱73,513,735	₱80,217,741	₱8,265,219	₱5,989,515	₱2,005,529,353

CTS GLOBAL EQUITY GROUP, INC.

UNAUDITED STATEMENTS OF CASH FLOWS

	Note	For the Three Months Ended March 31 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**₱25,220,731**	(₱14,184,791)
Adjustments for:			
Interest income	6	**(24,069,227)**	(22,894,048)
Unrealized foreign exchange losses (gains) - net		**(4,197,763)**	10,393,472
Unrealized losses (gains) on financial assets at FVPL - net	7	**(2,914,677)**	(4,209,708)
Dividend income	7	**(1,649,074)**	(364,808)
Depreciation and amortization	11	**1,237,178**	1,046,463
Interest expense	20	**54,574**	13,289
Provision for (reversal of) credit losses	8	**–**	947,379
Operating loss before working capital changes		**(6,318,258)**	(29,252,752)
Decrease (increase) in:			
Financial assets at FVPL		**(209,203,029)**	(163,593,568)
Trade receivables		**140,128,448**	94,026,701
Other current assets		**360,147**	(135,841)
Other noncurrent assets		**(258,689)**	(165,498)
Increase (decrease) in:			
Trade payables		**23,923,924**	31,173,935
Other current liabilities		**(4,876,629)**	(14,714,631)
Net cash used for operations		**(56,244,086)**	(82,661,654)
Interest received		**12,516,463**	11,061,844
Dividend received		**1,179,672**	364,772
Income taxes paid		**(123,276)**	–
Net cash used in operating activities		**(42,671,227)**	(71,235,038)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment	12	**(2,205,861)**	(6,000)
Intangible assets	11	**–**	(247,200)
Proceeds from maturity of investment in a government security	9	**–**	50,000,000
Net cash provided by (used in) investing activities		**(2,205,861)**	49,746,800
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease liabilities	20	**(539,025)**	(352,350)
Net cash used in financing activities		**(539,025)**	(352,350)

(Forward)

	For the Three Months Ended March 31	
	2024	2023
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(₱45,416,113)**	(₱21,840,588)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(950,287)**	(132,205)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**479,631,777**	477,190,696
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱433,265,377**	₱455,217,903

CTS GLOBAL EQUITY GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

CTS Global Equity Group, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 26, 1986. The Company is a licensed broker/dealer of securities with the SEC, and both a stockholder and holder of a trading right of the Philippine Stock Exchange (PSE).

On April 8, 2020, the BOD and stockholders of the Company approved the following amendments to the Company's AOI: (a) the name of the Company shall be "CTS Global Equity Group, Inc." doing business under the trade names and styles of CTS Global, CTS Global Equities, CTS Global Securities, CTS Securities, Citisecurities (formerly Citisecurities, Inc.); and (b) the authorized capital stock of the Company amounting to ₱800.0 million shall be divided into 8.0 billion shares of common stock at ₱0.10 par value per share. These amendments were approved by the SEC on April 14, 2021 (see Note 4).

On November 5, 2021, the BOD and stockholders of the Company authorized the Company to undertake an initial public offering (IPO) of its shares with the PSE. On March 10, 2022 and March 16, 2022, the SEC and the PSE, respectively, approved the Company's application for IPO of its shares.

On April 13, 2022, the Company completed its IPO and was listed in the PSE under the stock symbol CTS. The Company listed 1,375.0 million common shares at an offer price of ₱1.00 per share. The proceeds from the IPO amounted to ₱1,375.0 million (see Note 4).

The registered office address of the Company is 27/F East Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City.

2. Summary of Material Accounting Policy Information

<u>Basis of Preparation</u>

The financial statements 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 Interpretation from International Financial Reporting Interpretations Committee (IFRIC).

The statements of financial position contain some additional information in line with the requirements of Rule 52.1 of the Implementing Rules and Regulations of the Securities Regulation Code (SRC).

Measurement Bases

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

The financial statements have been prepared on a historical cost basis, except for:

- Financial assets measured at fair value through profit or loss (FVPL);
- Financial assets measured at fair value through other comprehensive income (FVOCI);

- Retirement benefit liability that is carried at the present value of defined benefit obligation less fair value of plan assets; and
- Lease liabilities that are carried at initial recognition at the present value of the 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 at the measurement date.

The Company uses observable market 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 markets for identical assets or liabilities;
- Level 2 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 − Valuation techniques for which the lowest level 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 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 disclosed in the following notes to the financial statements:

- Note 5 - Fair Value Measurement
- Note 7 - Financial Assets at FVPL
- Note 9 - Investments in Government Securities
- Note 13 - Investment Property

<u>Amendments to PFRS in Issue But Not Yet Effective or Adopted</u>
Relevant amendments to PFRS, which are not yet effective as at January 1, 2024 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2025 –

- 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 amendments to 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.

Classification of Assets and Liabilities between Current and Noncurrent

The Company presents current and noncurrent assets, and current and noncurrent liabilities, as separate classifications in the notes to financial statements.

Current Assets. The Company classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within 12 months after the reporting period; or
- The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Otherwise, the Company will classify all other assets as noncurrent.

Current Liabilities. The Company classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within 12 months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise, the Company will classify all other liabilities as noncurrent.

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 statements 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 instruments, except for those designated at 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 FVPL, and (c) financial assets at FVOCI.

The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for credit and impairment losses. 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 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 period. Otherwise, these are classified as noncurrent assets.

As at March 31, 2024 and December 31, 2023, the Company's cash and cash equivalents, trade receivables, certain government securities, interest receivables, and receivables from employees (included under "Other current assets" account in the statements of financial position), and refundable deposits (included under "Other noncurrent assets" account in the statements of financial position) are classified under this category (see Notes 6, 8, 9, 10, and 14).

Financial Assets at FVPL. Financial assets at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition.

Dividends from equity instruments held at FVPL are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial assets at FVPL are subsequently measured at fair value. Gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at As at March 31, 2024 and December 31, 2023, the Company's investments in various listed equity securities are classified under this category (see Note 7).

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

These debt securities are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method) and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. Fair value changes are recognized in OCI and presented in the equity section of the statements of financial position. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

As at March 31, 2024 and December 31, 2023, certain investments in government securities are classified under this category (see Note 9).

Reclassification. The Company reclassifies its financial assets 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 OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

Impairment of Financial Assets at Amortized Cost. For trade receivables, the Company has applied the simplified approach and has calculated expected credit losses (ECL) based on the lifetime ECL. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to its customers and the economic environment.

For other financial assets measured at amortized cost, the Company applies a general approach in calculating ECL. The Company recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its other receivables since initial recognition.

The Company considers a financial asset in default when contractual payments are 30 days past due unless it is demonstrated that the non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 March 31, 2024 and December 31, 2023, 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.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently 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 March 31, 2024 and December 31, 2023, the Company's trade payables, other current liabilities (excluding statutory payables) and lease liabilities are classified under this category (see Notes 15, 16 and 20).

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 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 statements of financial position if, and 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 statements of financial position.

Intangible Assets
Intangible assets pertain to software and licenses, exchange trading right and intangible assets under development.

Software and Licenses. Software and licenses are measured on initial recognition at cost. Subsequent to initial recognition, software and licenses are carried at cost less accumulated amortization and any accumulated impairment losses. Software and licenses are amortized over its estimated economic life of 10 years and assessed for impairment whenever there is an indication that the software and licenses may be impaired.

The amortization period and method are reviewed at least at each reporting date. Changes in the expected economic life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Exchange Trading Right. Exchange trading right is initially measured at cost. It is an intangible asset with indefinite useful life and is tested for impairment annually. Exchange trading right is not amortized but is carried at cost less accumulated impairment losses, if any. The exchange trading right is deemed to have indefinite useful lives as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. The assumption that the exchange trading right remains to be an intangible asset with an indefinite life is reviewed annually to determine whether this continues to be supportable as such. If not, the carrying amount of the asset is amortized over its remaining useful life on a straight-line basis unless a more appropriate amortization method is warranted. Any impairment losses determined are recognized in profit or loss.

Intangible Assets under Development. Intangible assets under development are measured at cost, net of any accumulated impairment losses. Cost includes cost of development and other directly attributable costs. Intangible assets under development are not amortized until such time that the relevant intangible assets are completed and ready for intended use.

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and recognized in profit or loss in the period of derecognition.

Property and Equipment

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

The initial cost of property and equipment comprises its purchase price, after deducting trade discounts and rebates, and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally recognized in profit or loss in the year these 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.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the property and equipment:

	Number of Years
Office condominium units and improvements	10 to 20
Leasehold improvements	10 or lease term, whichever is shorter
Furniture, fixtures, and office equipment	2 to 5

The estimated useful lives and depreciation and amortization method are reviewed periodically 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 account until they are no longer in use and no further change for depreciation is made in respect of those assets.

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

Construction in progress represents properties under construction and is stated at cost, including costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

Investment Property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost, less accumulated depreciation and any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Depreciation of investment property is calculated on a straight-line basis over a 20-year estimated useful life. The estimated useful life and depreciation method are reviewed periodically to ensure that these are consistent with expected pattern of economic benefits of investment property.

Investment property is derecognized when either they have been disposed of or the investment property is permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment property are recognized in profit or loss in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

For transfers from investment property to owner-occupied properties or inventories, the cost for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such in accordance with the policy under property and equipment up to the date of change in use.

Other Nonfinancial Assets

Other nonfinancial assets pertain to excess tax credits, prepayments and input value-added tax (VAT).

Excess Tax Credits. Excess tax credits pertain to creditable withholding tax (CWT) and prepaid income tax. CWT pertains to tax on the Company's income withheld and remitted to the Bureau of Internal Revenue (BIR) by customers and deducted from income tax payable on the same year the income was recognized. Prepaid income tax pertains to excess income tax payments of the Company over the amount due. Unapplied or excess income tax payments are carried forward and can be utilized in succeeding years.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and included in profit or loss when incurred. Prepayments that are expected to be realized for not more than 12 months after the financial reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

VAT. VAT is a tax on consumption levied on the sale, barter, exchange, or lease of goods or properties and services, and on importation of goods in the Philippines. It is an indirect tax, which may be shifted or passed on to the buyer, transferee or lessee of goods, properties or services.

Revenue, expenses, and assets are recognized net of the amount of VAT, except:

- Where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of "Other current assets" or "Other current liabilities" accounts, respectively, in the statements of financial position.

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, except for the exchange trading right where test of impairment is done annually. If any such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units (CGU) are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount that would be received to sell an asset in an orderly transaction between participants at the measurement date less costs 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the 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, had no impairment loss 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 in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued and outstanding.

Additional Paid-in Capital (APIC). APIC represents the proceeds and/or fair value of consideration received in excess of the par value of the shares issued. Incremental costs directly attributable to the issuance of new common stocks are recognized as deduction to APIC, net of any tax effects.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, net of any dividend declarations. At each reporting date, net income or loss of the Company is transferred to retained earnings.

Unappropriated retained earnings pertain to the unrestricted portion available for dividend declaration. Appropriated retained earnings pertain to the restricted portion which is intended for the reserve fund in compliance with the SRC Rule 49.1 (B).

Other Equity Reserves. Other equity reserves consist of the cumulative balance of items of income and expense that are not recognized in profit or loss in accordance with PFRS. Other equity reserves of the Company pertain to cumulative unrealized gains or losses on changes in fair value of financial assets at FVOCI, net of related deferred tax, and cumulative remeasurement gains or losses on retirement liability, net of related deferred tax.

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 perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does 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 agent in its brokerage transactions. The Company acts as a principal in its income from other sources.

Commissions. These pertain to the revenue from brokerage transactions, which are recorded on trade date basis as trade transaction occurs.

The following specific recognition criteria must also be met for other revenues:

Interests. Interest income is recognized in profit or loss as it accrues, taking into account the effective yield of the asset, net of final tax.

Trading Gains or Losses on Financial Assets at FVPL. Trading gains or losses on financial assets at FVPL include all gains and losses from changes in fair value and disposal of financial assets at FVPL. Unrealized gains or losses are recognized in profit or loss upon remeasurement of the financial assets at FVPL at each reporting date. Gains or losses from sale of financial assets at FVPL are recognized in profit or loss upon confirmation of trade deals.

Dividends. Dividend income is recognized when the Company's right to receive the payment is established.

Other Income. Income from other sources is recognized when earned during the period.

Cost and Expense Recognition
Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Costs of Services. Costs of services such as direct personnel costs, commission, transaction costs, research costs, stock exchange dues and fees, central depository fees and communication costs are recognized when the related revenue is recognized or when the service is rendered.

Operating Expenses. Operating expenses incurred by the Company such as indirect personnel costs, utility costs, and other operating expenses are administrative overhead costs and recognized in profit or loss when incurred.

Employee Benefits

Short-term Benefits. The Company recognizes short-term employee benefits based on contractual arrangements with employees. Unpaid portion of the short-term employee benefits is measured on an undiscounted basis and included as part of "Other current liabilities" account in the statements 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 liability 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 service costs, comprising of current service costs and past service costs in profit or loss. Net interest costs on retirement benefit liability is presented as part of "Interest expense" account in the statements of comprehensive income.

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

Remeasurements of the net retirement benefit liability, comprising of actuarial gains and losses, return on plan assets (excluding interest), and effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI and are not reclassified to profit or loss in subsequent periods.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The net retirement benefit liability recognized by the Company is the aggregate of the present value of the defined benefit liability reduced by the fair value of plan assets, out of which the obligations are to be settled directly. The present value of the defined benefit liability 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 benefit liability. Actuarial valuations are made so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Leases

The Company assesses whether the contract is, or contains, a lease at the inception of the contract. To assess whether a contract conveys the right to control the use of an identified assets 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 recognizes a right-of-use (ROU) asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee.

Company as a Lessee. At the commencement date, the Company recognizes an ROU asset and a 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 as an expense on a straight-line basis.

ROU Assets. At commencement date of the lease contract, the Company measures an ROU asset (presented as part of property and equipment account) at cost. The initial measurement of ROU assets includes the following:

- The amount of the initial measurement of lease liability;
- Lease payments made at or before the commencement date less any lease incentives received;
- 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 assets are carried at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are depreciated over the shorter of the lease terms or the useful lives of the underlying assets.

Lease Liabilities. 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.

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

- Fixed payments, including in-substance fixed payments;
- 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 reasonable certain not to terminate early.

A lease liability is subsequently measured at amortized cost. Interest expense 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. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

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.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount 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 that are expected to increase future taxable income. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from the 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 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 recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets 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 is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized to equity or in OCI.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off 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 transfer of resources, services or obligations between the Company and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. Related parties may be individual or corporate entities. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to non-related parties in an economically comparable market. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

Related party transactions are considered material and/or significant if i) these transactions amount to 10% or higher of the Company's total assets, or ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Company's total assets.

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. Differences arising on settlement or translation of monetary assets and liabilities are recognized in profit or loss.

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 the initial transaction. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Segment Reporting

The Company reports separate information about each operating segment identified. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components; from whose operating results are regularly reviewed to make decisions about resources to be allocated to the segment; and for which discrete information is available.

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. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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, provisions are discounted using a current pre-tax rate that reflects current market assessments 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 an 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.

Earnings per Share (EPS)

Basic EPS is calculated by dividing the net income (less preferred dividends net of tax, if any) for the year attributable to common stockholders by the weighted average number of common stocks outstanding during the year, with retroactive adjustment for any stock dividends or stock splits declared during the year.

Diluted EPS is computed by dividing net income by the weighted average number of common stocks outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

Events after the Reporting Date

Post year-end events that provide additional information about the Company's financial position as 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. Summary of 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 and accounting estimates, and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

Judgments

Determination of the Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be Philippine Peso, which is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences economic value of the income and costs from the Company's operations.

Classification and Measurement of Financial Assets. Classification and measurement of financial assets depends on the results of the "solely for payments of principal and interests" and the business model test. 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 FVPL, FVOCI or 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.

As at March 31, 2024 and December 31, 2023, the Company's investments in various listed equity securities are classified as financial assets at FVPL, while certain investments in government securities are classified as financial assets at FVOCI and amortized cost (see Notes 7 and 9).

Cash and cash equivalents, trade receivables, certain investments in government securities, interest receivables and receivables from employees (included under "Other current assets" account in the statements of financial position), and refundable deposits (included under "Other noncurrent assets" account in the statements of financial position) were 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 solely for principal and interest (see Notes 6, 8, 9, 10 and 14).

Determination of the Lease Term of Contracts with Renewal and Termination Options - Company as Lessee. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company is not reasonably certain to exercise any renewal or termination option on its leases. Hence, only the enforceable portion of the lease term (i.e. legal term of the contract) was considered in the computation of ROU assets and lease liabilities.

Determination of the Operating Segments. Determination of operating segments is based on the information about components of the Company that the management uses to make decisions about operating matters. The Company is organized into operating segments based on business activities as allowed under PFRS 8, *Operating Segments,* due to their similar characteristics.

As at March 31, 2024 and December 31, 2023, the Company determined that it has two operating segments which pertain to local and global trading (see Note 23).

Accounting Estimates and Assumptions

Fair Value Measurement of Financial Instruments. The fair values of securities that are actively traded in organized financial markets are determined by reference to unadjusted quoted market prices at the close of business on the reporting date.

When the fair values of financial assets recorded in the statements of financial position cannot be measured based on quoted prices in active market, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to this model are taken from observable market when possible, but when this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

In accordance with the amendments to PFRS 7, *Financial Instruments: Disclosures*, disclosures about the level in the fair value hierarchy are required in which the fair value measurements are categorized for assets and liabilities measured in the statements of financial position.

Assumptions and methods of determining the fair values of financial instruments are presented in Note 5 to the financial statements.

Assessment of the ECL on Trade Receivables. The Company, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due. The Company also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Company then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions. The Company regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate. Accordingly, the provision for credit losses on trade receivables is sensitive to changes in assumptions about forecasted economic conditions.

Provision for credit losses on trade receivables is as follows:

	Note	**March 31, 2024 (Unaudited)**	March 31, 2023 (Unaudited)
Provision for credit losses on trade receivables	8	**₱–**	₱947,379

The carrying amounts of trade receivables and related allowance for credit losses are as follows:

	Note	**March 31, 2024 (Unaudited)**	December 31, 2023 (Audited)
Trade receivables	8	**₱253,974,184**	₱389,213,791
Allowance for credit losses	8	**359,618**	359,618

Assessment of the ECL on Other Financial Assets at Amortized Cost. The Company determines the allowance for ECL using general approach. The Company calculates ECL for its other financial assets at amortized cost at initial recognition by considering the occurrences and probabilities of possible defaults only for the next 12 months, rather than the life of the asset. It continues to apply this method until a significant increase in credit risk has occurred, at which point the loss allowance is measured 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 borrower.

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 borrower.

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 into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for credit losses on other financial assets at amortized cost was recognized in March 2024 and 2023.

The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**March 31, 2024 (Unaudited)**	December 31, 2023 (Audited)
Cash and cash equivalents	6	**₱433,265,377**	₱479,631,777
Investments in government securities*	9	**457,437,483**	464,135,145
Interest receivables**	10	**19,189,889**	6,993,595
Receivables from employees**	10	**859,062**	911,326
Dividend receivable**	10	**507,101**	33,519
Refundable deposits***	14	**12,259,839**	12,005,688

**Excluding investments in government securities measured at FVOCI.*
***Included under "Other current assets" account in the statements of financial position.*
****Included under "Other noncurrent assets" account in the statements of financial position.*

Estimation of the Useful Lives of Intangible Assets, Property and Equipment (including Right-of-Use Assets), and Investment Property. The exchange trading right is deemed to have indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. The useful lives of software and licenses, property and equipment, and investment property are estimated based on the period over which the assets are expected to be available for use and are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of software and licenses, property and equipment and investment property.

The useful lives are updated if expectations differ from previous estimates due to physical wear and tear, and technical and commercial obsolescence. Any reduction in the estimated useful lives of these assets would increase the Company's recorded operating expenses and decrease noncurrent assets.

There is no change in the estimated useful lives of software and licenses, property and equipment and investment property in March 2024 and 2023.

Assessment of the Impairment of Nonfinancial Assets. The Company assesses impairment on intangible assets, property and equipment (including right-of-use assets), investment property, and other nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or Company of assets 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.

No impairment loss on intangible assets, property and equipment, investment property and other nonfinancial assets was recognized in March 2024 and 2023.

The carrying amounts of nonfinancial assets are as follows:

	Note	**March 31, 2024 (Unaudited)**	December 31, 2023 (Audited)
Other current assets*	10	**₱8,882,607**	₱9,188,165
Intangible assets	11	**2,669,949**	2,813,671
Property and equipment	12	**13,842,327**	12,569,216
Investment property	13	**8,838,843**	8,999,549
Other noncurrent assets**	14	**330,800**	326,262

**Excluding interest receivables, receivables from employees, and dividend receivable aggregating ₱20.6 million and 7.9 million as at March 31, 2024 and December 31, 2023, respectively.*
***Excluding refundable deposits amounting ₱12.3 million and ₱12.0 million as at March 31, 2024 and December 31, 2023, respectively.*

Determination of the Incremental Borrowing Rate (IBR). The Company uses its IBR to measure lease liabilities. 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 right-of-use 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 weighted average IBR ranging from 4.9% to 6.3% as of March 31, 2024 and December 31, 2023, for the computation of lease liabilities and ROU assets.

Lease liabilities amounted to ₱3.3 million and ₱3.8 million as at March 31, 2024 and December 31, 2023, respectively. The carrying amounts of ROU assets are ₱3.2 million and ₱3.7 million as at March 31, 2024 and December 31, 2023, respectively (see Note 20).

Determination of the Retirement Liability. The determination of the obligation and cost of retirement benefit is dependent on the assumptions used by the actuary in calculating such amounts. The assumptions are described in Note 19 to the financial statements and include, among others, discount rates and salary increase rates. Actual results that differ from the Company's assumptions are recognized in OCI and, therefore, generally affect the recorded obligation in such future periods.

Net retirement benefit liability amounted to ₱27.6 million as at March 31, 2024 and December 31, 2023, respectively (see Note 19).

Recognition of Deferred Tax Assets. The Company reviews the carrying amount of deferred tax assets at each reporting date and adjusts the balance to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized within the period allowed by the tax regulations.

The Company recognized deferred tax assets amounting to ₱29.3 million and ₱29.4 million as at March 31, 2024 and December 31, 2023, respectively, because management believes that the Company will be able to generate sufficient taxable income against which these deferred tax assets can be utilized (see Note 21).

4. Financial Risk Management Objectives and Policies

The main risks arising from the Company's use of financial instruments include credit risk, liquidity risk, and market risk. The Company's overall risk management process focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. 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 when the counterparty fails to fulfill its financial commitments to the Company under the prevailing contractual terms. Financial instruments that potentially subject the Company to credit risk consist primarily of trade receivables and other financial assets at amortized cost.

The carrying amounts of the financial assets at amortized cost represent its maximum credit exposure, without taking into account any collateral, other credit enhancements or credit risk mitigating features.

The table below presents the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired, if any, are separately presented.

	March 31, 2024 (Unaudited)			
	12-month ECL	**Lifetime ECL – Not Credit-Impaired**	**Lifetime ECL – Credit-Impaired**	**Total**
Financial asset at amortized cost:				
Cash in banks and cash equivalents	**₱433,235,377**	**₱–**	**₱–**	**₱433,235,377**
Trade receivables	**–**	**253,974,184**	**359,618**	**254,333,802**
Investments in government securities*	**457,437,483**	**–**	**–**	**457,437,483**
Interest receivables**	**–**	**19,189,889**	**–**	**19,189,889**
Receivables from employees**	**–**	**859,062**	**–**	**859,062**
Dividend receivable**	**–**	**507,101**	**–**	**507,101**
Refundable deposits***	**–**	**12,259,839**	**–**	**12,259,839**
	₱890,672,860	**₱286,790,075**	**₱359,618**	**₱1,177,822,553**

	December 31, 2023 (Audited)			
	12-month ECL	Lifetime ECL – Not Credit-Impaired	Lifetime ECL – Credit-Impaired	Total
Financial asset at amortized cost:				
Cash in banks and cash equivalents	₱479,619,777	₱–	₱–	₱479,619,777
Trade receivables	–	389,213,791	359,618	389,573,409
Investments in government securities*	464,135,145	–	–	464,135,145
Interest receivables**	–	6,993,595	–	6,993,595
Receivables from employees**	–	911,326	–	911,326
Dividend receivable**	–	33,519	–	33,519
Refundable deposits***	–	12,005,688	–	12,005,688
	₱943,754,922	₱409,157,919	₱359,618	₱1,353,272,459

**Excluding investments in government securities measured at FVOCI.*
***Included under "Other current assets" account in the statements of financial position.*
****Included under "Other noncurrent assets" account in the statements of financial position.*

The Company limits its exposure to credit risk by maintaining its cash and cash equivalents with highly reputable and pre-approved financial institutions and by transacting with recognized and creditworthy counterparties. In addition, customers are initially assessed for creditworthiness based on their profile (i.e., financial capacity, reputation, collateral). The Company also monitors receivable balances regularly. In accordance with the Risk-Based Capital Adequacy (RBCA) requirements, limits are imposed to avoid large exposure to a single client or counterparty and single equity relative to a particular issuer company or group of companies. Furthermore, credit exposures are minimized by collateral held in the form of securities purchased.

The Company has no significant concentration of credit risk with any single counterparty or Company of counterparties having similar characteristics.

Trade Receivables
The Company uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments analyzed by customer type, credit terms, and number of days outstanding. The Company adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment (i.e. percentage change in gross domestic product). At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed.

The aging analysis of the Company's receivables from customers is as follows:

	March 31, 2024 (Unaudited)		
Days from Transaction Date of Counterparty	**Amount**	**Collateral (net of haircut)**	**Counterparty Exposure**
1 - 2 days	**₱278,710**	**₱530,353,210**	**₱–**
3 - 13 days	**–**	**–**	**–**
14 - 31 days	**–**	**–**	**–**
Over 31 days	**362,210**	**14,971,847**	**359,618**
	₱640,920	**₱545,325,057**	**₱359,618**

Days from Transaction Date of Counterparty	December 31, 2023 (Audited) Amount	Collateral (net of haircut)	Counterparty Exposure
1 - 2 days	₱–	₱–	₱–
3 - 13 days	–	–	–
14 - 31 days	340	28,934	–
Over 31 days	362,064	10,748,170	359,618
	₱362,404	₱10,777,104	₱359,618

The Securities Regulation Code (SRC) requires broker/dealers to maintain a stock record for each cash and margin account of every customer regardless of the frequency of transactions. The stock record is a record of accountability reflecting all securities for which the Company has custodial responsibility or proprietary ownership. Transactions in the customer accounts cover both money balances and security positions, with the security transaction and related money generally recorded on the settlement date.

On a regular basis, collateral valuations of customers' accounts are analyzed to ensure that these are sufficient to cover the outstanding balances due to the Company.

As at March 31, 2024 and December 31, 2023, receivables from customers amounting to ₱0.6 million and ₱0.4 million, respectively, are secured by collateral comprising of equity securities of listed companies with a total market value of ₱838.7 million and ₱14.6 million, respectively (see Note 8).

Receivables from other brokers pertain to funds held by other brokers for the Company's global trading activities. The Company has assessed that ECL on these receivables are insignificant because the counterparties are companies with good credit standing and low risk of defaults. Further, the funds held by other brokers as at the end of the reporting period were subsequently reinvested to various equity and debt securities in other foreign markets. On the other hand, receivables from clearing house are due and collectible after two (2) business days from the transaction date. Accordingly, no provision for credit losses on receivables from other brokers and clearing house was recognized in March 31, 2024 and 2023.

Other Financial Assets at Amortized Cost
It is the Company's policy to measure ECL on other financial assets at amortized cost 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 Company has assessed, considering the factors discussed in Note 3 to the financial statements, that the ECL on other financial assets at amortized cost is insignificant because the transactions with respect to these financial assets are with reputable banks and companies with good credit standing and low risk of defaults. Accordingly, no provision for credit losses on other financial assets at amortized cost was recognized in March 31, 2024 and 2023.

Liquidity Risk
Liquidity risk arises when the Company encounters 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.

The Company monitors its cash flows, particularly the receivables from customers' collections and the funding requirements of operations, to ensure an adequate balance of inflows and outflows.

Further, special reserve requirements for the customers of the Company are maintained in the bank (see Note 6).

The table below summarizes the maturity profile of the financial liabilities of the Company based on remaining undiscounted cash flows:

	March 31, 2024 (Unaudited)				
	On Demand	**1 to 3 Months**	**>3 to 12 Months**	**>1 to 5 Years**	**Total**
Trade payables	**₱29,126,198**	**₱146,302,372**	**₱–**	**₱–**	**₱ 175,428,570**
Lease liabilities	**–**	**539,025**	**1,654,079**	**1,251,906**	**3,445,010**
Other current liabilities*	**–**	**624,429**	**1,507,516**	**–**	**2,131,945**
	₱29,126,198	**₱147,465,826**	**₱3,161,595**	**₱1,251,906**	**₱181,005,525**

**Excluding statutory liabilities amounting to ₱2.3 million as at March 31, 2024.*

	December 31, 2023 (Audited)				
	On Demand	1 to 3 Months	>3 to 12 Months	>1 to 5 Years	Total
Trade payables	₱ 1,331,029	₱150,173,617	₱–	₱–	₱151,504,646
Lease liabilities	–	539,025	1,633,420	1,811,590	3,984,035
Other current liabilities*	–	512,981	6,070,448	–	6,583,429
	₱1,331,029	₱151,225,623	₱7,703,868	₱1,811,590	₱162,072,110

**Excluding statutory liabilities amounting to ₱2.7 million as at December 31, 2023.*

<u>Market Risks</u>

The Company is exposed to market risks, primarily those related to foreign currency risk and equity price risk. Management actively monitors these exposures, as follows:

Foreign Currency Risk. Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company periodically reviews the trend of the foreign exchange rates to address its exposure in foreign currency risk. The Company's policy is to maintain foreign currency exposure within acceptable limits and within the existing regulatory guidelines. The Company believes that its profile of foreign currency exposure on its assets is within conservative limits for a financial institution engaged in the type of business in which the Company is engaged.

The following table shows the Company's foreign currency-denominated monetary financial assets:

	March 31, 2024 (Unaudited)			
	United States (US) Dollar	**Philippine Peso**	**Indonesian (ID) Rupiah**	**Philippine Peso**
Financial assets:				
Cash in banks	**\$501,393**	**₱28,218,918**	**Rp-**	**₱-**
Receivables from other brokers	**4,493,433**	**252,894,903**	**1,022,372**	**3,681**
	\$4,994,826	**₱281,113,821**	**Rp1,022,372**	**₱3,681**

	December 31, 2023 (Audited)			
	United States (US) Dollar	Philippine Peso	Indonesian (ID) Rupiah	Philippine Peso
Financial assets:				
Cash in banks	\$6,376	₱354,293	Rp–	₱–
Receivables from other brokers	6,453,191	358,584,464	7,814,578,688	28,132,483
	\$6,459,567	₱358,938,757	₱7,814,578,688	₱28,132,483

For purposes of restating the outstanding balances of the Company's foreign currency-denominated monetary financial assets as at March 31, 2024, the exchange rates applied are ₱56.28 and ₱0.0036 per US\$1 and IDR1, respectively. As at December 31, 2023, the exchange rates applied were ₱55.57 and ₱0.0036 per US\$1 and IDR1, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, HK dollar and ID rupiah exchange rates, with all other variables held constant, of the Company's income before tax and equity. There is no other impact on the Company's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate		Effect on Income before Tax	
	US Dollar	ID Rupiah	US Dollar	ID Rupiah
March 31, 2024	**+ 0.28**	**+0.00008**	**₱1,380,071**	**₱85**
	-0.28	**-0.00008**	**(1,380,071)**	**(85)**
March 31, 2023	+ 0.44	+0.00004	₱1,790,041	₱269,776
	-0.44	-0.00004	(1,790,041)	(269,776)

Equity Price Risk. Equity price risk arise when the fair values of quoted equity securities decrease as the result of the adverse changes in the quoted equity prices as affected by both rational and irrational market forces. The Company's equity risk exposure is mainly from its financial assets at FVPL. The Company's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

<u>Capital Management</u>

The Company's objective in managing capital is to ensure that a stable capital base is maintained in accordance with industry regulations, while maintaining investor, creditor, and market confidence to sustain the future development of the business.

The Company's BOD has the overall responsibility for monitoring capital proportion to risks. The Associated Person designated by the Company monitors compliance with minimum net capital requirements imposed by the PSE and the SEC.

The Company, being a broker/dealer in securities, is regulated by PSE and SEC and subject to the following capital requirements in accordance with the SRC.

<u>Required Capitalization for Broker/Dealers</u>

In compliance with SRC Rule 28 of the 2015 *Implementing Rules and Regulations of Securities Regulation Code*, trading participants, who will be participating in a registered clearing agency, are required to have a minimum unimpaired capital of ₱100.0 million effective November 9, 2015.

Unimpaired paid-up capital pertains to the Company's paid-up capital less any deficit. The unimpaired paid-up capital of the Company amounted to ₱1,911.1 as at March 31, 2024 and December 31, 2023, respectively.

Details of the Company's common shares at ₱0.10 par value per share are as follows:

	March 31, 2024 (Unaudited)		December 31, 2023 (Audited)	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized Capital Stock				
Balance at beginning of year	**8,000,000,000**	**₱800,000,000**	8,000,000,000	₱800,000,000
Effect of stock split	**–**	**–**	–	–
Balance at end of year	**8,000,000,000**	**₱800,000,000**	8,000,000,000	₱800,000,000
Issued and Outstanding				
Balance at beginning of year	**6,875,000,000**	**₱687,500,000**	6,875,000,000	₱687,500,000
Addition	**–**	**–**	–	–
Effect of stock split	**–**	**–**	–	–
Balance at end of year	**6,875,000,000**	**₱687,500,000**	6,875,000,000	₱687,500,000

On April 8, 2020, the BOD and stockholders of the Company approved that the authorized capital stock of the Company amounting to ₱800.0 million shall be divided into 8.0 billion shares of common stock at ₱0.10 par value per share.

On April 14, 2021, the SEC approved the Company's change in par value of its authorized capital stock.

On July 15, 2021, the Company issued additional 500.0 million shares at ₱0.10 par value per share from the Company's unissued capital stock. Stock issuance costs pertaining to documentary stamp tax paid by the Company amounted to ₱0.5 million.

On December 13, 2021, the Company incurred additional stock issuance costs amounting to ₱1.6 million in relation to the application for registration of securities with the SEC for its initial public offering.

On April 13, 2022, the Company, upon listing in the PSE, issued 1,375.0 million shares from the Company's unissued capital stock at an offer price of ₱1.00 per share. The proceeds from the IPO amounted to ₱1,375.0 million. The excess of ₱1.00 offer price over ₱0.10 par value of the issued shares, equivalent to ₱ 1,237.5 million, was recognized as additional paid-in capital. Costs directly attributable to IPO that were recognized as deduction from additional paid-in capital amounted to ₱13.9 million.

Portion of the net proceeds for the IPO were used in the Company's scaling of global trading operations and general corporate purposes as at March 31, 2024.

The unapplied proceeds as at March 31, 2024 amounting to ₱785.0 million are maintained in the Company's cash in bank and certain investments in government securities. The unapplied proceeds will be used for the Company's scaling of global trading operations, general corporate purposes and client account management expansion.

In 2023, the Company's BOD approved the declaration and payment of the following cash dividends:

Date of Declaration	Record Date	Payment Date	Dividend per Share	Amount
May 12, 2023	June 9, 2023	July 5, 2023	₱0.00078	₱5,335,000
May 12, 2023	June 9, 2023	July 5, 2023	0.00233	16,005,000
				₱21,340,000

Reserve Fund

The Company shall annually appropriate a certain minimum percentage of its previous year's audited net income and transfer the same to "Appropriated Retained Earnings" in compliance with SRC Rule 49.1 (B).

The Company appropriated a reserve fund amounting to ₱2.3 million, ₱5.2 million and ₱2.0 million in 2024, 2023 and 2022, respectively.

The total amount of appropriated retained earnings amounted to ₱14.2 million, ₱11.9 million, ₱6.7 million as at March 2024, December 31, 2023 and 2022, respectively.

Net Liquid Capital (NLC)

The Company is required, at all times, to have and maintain an NLC of at least ₱5.0 million or 5% of its Aggregate Indebtedness (AI), whichever is higher.

In computing for NLC, all non-allowable assets/equities and collateralized liabilities will be deducted, and allowable liabilities and equities are added to equity per books. The equity eligible for NLC pertains to the sum of the following:

- Equity per books;

- Liabilities subordinated to the claims of creditors in conformity with SRC Rule 49.1 and in accordance with a prescribed schedule; and
- Deposits for future stock subscription for which an application for increase in capital stock or request for exemption for registration has been presented for filing or has been filed with the SEC.

The equity eligible for NLC shall exclude deferred income tax, revaluation reserves, and minority interest and any outside investment in affiliates and associates. In computing for NLC, the equity eligible for NLC is adjusted by the following:

- Adding unrealized gains (or deducting unrealized losses) in the accounts of the Company;
- Deducting fixed assets and assets which cannot be readily converted into cash (less any AI in accordance with SRC Rule 49.1);
- Deducting general guarantees and indemnities for loans and indebtedness other than those incurred by the Company, unless otherwise permitted by the SEC; and
- Deducting long and short securities differences.

AI shall mean the total money liabilities of a broker/dealer arising in connection with any transaction whatsoever and includes, among others, money borrowed, money payable against securities loaned and securities failed to receive, market value of securities borrowed to the extent to which no equivalent value is paid or credited (other than the market value of margin securities borrowed from customers and margin securities borrowed from non-customers), customers' and non-customers' free credit balances, and credit balances in customers' and non-customers' accounts having short positions in securities, but excluding the items set out in SRC Rule 49.1 (1) (D).

The Company's NLC met the minimum prescribed amounts as shown below:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
NLC:		
Equity eligible for NLC	**₱1,993,266,746**	₱1,969,337,470
Less ineligible assets	**47,683,426**	46,827,078
	1,945,583,320	1,922,510,392
Required NLC:		
Higher of:		
5% of AI	**9,652,438**	8,447,083
Minimum amount	**5,000,000**	5,000,000
	9,652,438	8,447,083
Net risk-based capital excess	**₱1,935,930,881**	₱1,914,063,309

Ratio of AI to NLC

The Company shall not permit its AI to all other persons to exceed 2,000% of its NLC.

The Company's ratio of AI to NLC is 10% and 9%, as at March 2024 and December 31, 2023, respectively.

RBCA Requirement/Ratio

The RBCA requirement/ratio refers to the minimum level of capital to be maintained by firms which are licensed or securing a broker/dealer license, taking into consideration the firm size, complexity, and business risk. Such risks that are considered in determining the capital requirement include, among others, operational, position, counterparty, large exposure, underwriting, and margin financing risks. The RBCA ratio should be greater than or equal to 1.1.

The RBCA ratio is the ratio linking the NLC of the Company to its Total Risk Capital Requirement

(TRCR), calculated as the Company's NLC divided by its TRCR. The TRCR is the sum of:

- Operational Risk Requirement (ORR);
- Credit Risk Requirement which include requirements for Counterparty Risk, Settlement Risk, Large Exposure Risk, and Margin Lending/Financing Risk; and
- Position or Market Risk Requirement.

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
NLC	**₱1,945,583,320**	₱1,922,510,392
TRCR:		
Operational risk	**27,886,792**	32,253,457
Credit risk	**33,922,630**	34,544,618
Position risk	**135,690,144**	66,694,340
Total risk capital requirement	**₱197,499,566**	₱133,492,415
RBCA ratio	**985%**	1,440%

As at March 31, 2024 and December 31, 2023, the Company is compliant with the required RBCA ratio.

Ratio of Core Equity to ORR

The Company's core equity shall be at all times greater than its ORR.

Core equity refers to the sum of paid-up common stock, common stock dividends distributable, additional paid-in capital, surplus reserves excluding revaluation reserves or appraisal capital, and opening retained earnings adjusted for all current year movements. Core equity shall exclude treasury shares and unbooked valuation reserves and other capital adjustments (such as unrealized gain in value of financial assets at FVOCI).

The Company's ratio of core equity to ORR is as follows:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Capital stock	**₱687,500,000**	₱687,500,000
Additional paid-capital	**1,223,556,878**	1,223,556,878
Beginning retained earnings	**87,675,054**	86,017,670
Less: Dividends declared	**–**	(21,340,000)
Core equity	**1,998,731,932**	1,975,734,548
ORR	**27,886,792**	32,253,457
Ratio of Core Equity to ORR	**7,167%**	6,126%

5. **Fair Value Measurement**

The following table presents the carrying amount and fair value of the Company's assets measured at fair value and for which fair value is disclosed, and the corresponding fair value hierarchy:

		March 31, 2024 (Unaudited)			
			Fair Value		
	Note	**Carrying Amount**	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Asset measured at fair value:					
Financial assets at FVPL	**7**	**₱219,288,919**	**₱219,288,919**	**₱–**	**₱–**
Investments in government securities measured at FVOCI	**9**	**782,464,712**	**782,464,712**	**–**	**–**
Assets for which fair value is disclosed:					
Investment property	**13**	**8,838,843**	**–**	**–**	**29,052,000**
Investments in government securities measured at amortized cost	**9**	**464,216,036**	**–**	**464,216,036**	**–**
		₱1,474,808,510	**₱1,001,753,631**	**₱464,216,036**	**₱29,052,000**

		December 31, 2023 (Audited)			
			Fair Value		
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	7	₱6,922,944	₱6,922,944	₱–	₱–
Investments in government securities measured at FVOCI	9	790,058,973	790,058,973	–	–
Assets for which fair value is disclosed:					
Investment property	13	8,999,549	–	–	29,052,000
Investments in government securities measured at amortized cost	9	464,135,145	–	484,691,222	–
		₱1,270,116,611	₱796,981,917	₱484,691,222	₱29,052,000

The Company used the following valuation techniques to determine fair value measurements:

Financial Assets at FVPL. The Company's financial assets at FVPL as at March 31, 2024 and December 31, 2023 are carried at fair values based on sources classified under the Level 1 category. The fair values of financial assets at FVPL are based on prevailing quoted market prices, which are usually the closing prices from active markets as at reporting date.

Investments in Government Securities. The fair value of investments in government securities are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Investment Property. Valuations were derived on the basis of recent sales of similar properties in the same areas as the investment property and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. The fair valuation is classified under Level 3 category.

The significant unobservable inputs used in the fair value measurement of the Company's investment property are the estimated net price per square meter and various factors such as size, location, and utility, among others. Significant increases (decreases) in the estimated net price per square meter in isolation would result in a significantly higher (lower) fair value measurement. Further, choosing comparable with different inputs would result in a significantly different fair value measurement.

The Company has determined that the current use of its investment property as at March 31, 2024 and December 31, 2023 is its highest and best use.

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements in 2024 and 2023.

The table below presents the financial assets and liabilities whose carrying amount approximates their fair value because of their short-term nature or their fair value cannot be reliably determined:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Financial assets at amortized cost:		
Cash and cash equivalents	**₱433,265,377**	₱479,631,777
Trade receivables	**253,974,184**	389,213,791
Interest receivables*	**19,189,889**	6,993,595
Dividend receivables*	**507,101**	33,519
Receivables from employees*	**859,062**	911,326
Refundable deposits**	**12,259,839**	12,005,688
	₱720,055,452	₱888,789,696

**Included under "Other current assets" account in the statements of financial position.*
***Included under "Other noncurrent assets" account in the statements of financial position.*

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Other financial liabilities at amortized cost:		
Trade payables	**₱175,428,570**	₱151,504,646
Other current liabilities*	**2,131,945**	6,583,429
	₱177,560,515	₱158,088,075

**Excluding statutory liabilities aggregating to ₱2.3 million and ₱2.7 million as at March 31, 2024 and December 31, 2023, respectively.*

Current Financial Assets and Liabilities. The carrying amounts of cash and cash equivalents, trade receivables, interest receivables, receivables from employees, trade payables, and other current liabilities (excluding statutory liabilities) approximate their fair values due to their short-term nature.

Refundable Deposits. The carrying amount of refundable deposits approximates fair value. The management believes that the effect of discounting the future receipts from these financial instruments using the prevailing market rates is not significant.

6. Cash and Cash Equivalents

This account consists of:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Cash on hand and in banks	**₱206,262,053**	₱177,748,233
Short-term placements	**227,003,324**	301,883,544
	₱433,265,377	₱479,631,777

Cash in banks earn interest at prevailing bank deposit rates. Short-term placements are made for varying periods of up to three (3) months, depending on the Company's immediate cash requirements, and earn interest at the respective short-term placement rates ranging from 5.9% to 6.3% and 5.4% to 6.3% per annum as of the period ended March 31, 2024 and December 31, 2023, respectively.

Interest income was derived from:

	Note	**March 31, 2024 (Unaudited)**	March 31, 2023 (Unaudited)
Investments in government securities	9	**₱16,049,365**	₱16,387,872
Receivables from other brokers	8	**5,033,982**	3,704,911
Short-term placements		**2,513,142**	2,574,818
Cash in banks		**472,738**	226,448
		₱24,069,227	₱22,894,049

In compliance with SRC Rule 49.2-1 covering customer protection and custody of securities, the Company maintains a special reserve bank account for the exclusive benefit of its customers amounting to ₱416.7 million and ₱458.2 million as at March 31, 2024 and December 31, 2023, respectively.

The Company's reserve requirement is determined weekly based on the SEC's prescribed computation. As at March 31, 2024 and December 31, 2023, the Company's reserve accounts are adequate to cover its reserve requirements.

7. Financial Assets at FVPL

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Listed shares:		
Local	**₱97,098,120**	₱6,922,944
Global	**122,190,799**	–
	₱219,288,919	₱6,922,944

The Company's financial assets at FVPL as at March 31, 2024 and December 31, 2023 are carried at fair values based on sources classified under the Level 1 category. The fair values of financial assets at FVPL are based on prevailing quoted market prices or bidding dealer price quotations from active market as at the reporting date (see Note 5).

Dividend income earned from investments in securities amounted to ₱1.6 million and ₱0.4 million in March 31, 2024 and 2023, respectively.

Net trading gains on investments in securities consist of the following:

	March 31, 2024 (Unaudited)	March 31, 2023 (Unaudited)
Realized fair value gains (losses) from:		
Global trading	**₱7,575,993**	(₱18,796,145)
Local trading	**8,163,634**	10,113,374
Unrealized gains (losses) on fair value changes on stocks held from:		
Global trading	**653,692**	4,223,922
Local trading	**2,260,985**	(14,213)
	₱18,654,304	(₱4,473,062)

8. **Trade Receivables**

This account consists of:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Receivables from:		
Other brokers	**₱252,898,466**	₱386,716,956
Clearinghouse	**794,416**	2,494,049
Customers	**640,920**	362,404
	254,333,802	389,573,409
Less allowance for credit losses	**359,618**	359,618
	₱253,974,184	₱389,213,791

Receivables from other brokers pertain to the funds deposited with other brokers as at March 31, 2024 and December 31, 2023 in order for the Company to trade in other foreign markets. Interest income earned from receivables from other brokers amounted to ₱5.0 million and ₱3.7 million as at March 31, 2024 and 2023, respectively (see Note 6).

Receivables from clearing house are due and collectible after two (2) business days from the transaction date. Accordingly, balances as at March 31, 2024 and December 31, 2023, were fully collected in April 2024 and January 2024, respectively.

Receivables from customers consist of amounts due within two (2) business days from the reporting date as follows:

	March 31, 2024 (Unaudited)		December 31, 2023 (Audited)	
	Money Balances	**Security Valuation - Long**	Money Balances	Security Valuation - Long
Cash and fully secured accounts:				
More than 250%	**₱280,366**	**₱838,657,947**	₱1,850	₱14,601,747
Between 200% and 250%	–	–	–	–
Between 150% and 200%	–	–	–	–
Between 100% and 150%	–	–	–	–
Partially secured accounts	**4,252**	**1,440**	4,252	1,440
Unsecured accounts	**356,302**	–	356,302	–
	640,920	**838,659,387**	362,404	14,603,187
Less allowance for credit losses	**359,618**	–	359,618	–
	₱281,302	**₱838,659,387**	₱2,786	₱14,603,187

Collaterals related to receivables from customers pertain to listed equity securities amounting to ₱838.7 million and ₱14.6 million as at March 31, 2024 and December 31, 2023, respectively. The fair values of these securities are based on prevailing quoted market prices, which are usually the closing prices from active markets as at the reporting date.

Provision for credit losses pertains to specific provisions on past due receivables from customers. The movements in the allowance for credit losses are as follows:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Balance at beginning of year	**₱359,618**	₱366,646
Reversal of credit losses	–	(7,028)
Balance at end of period	**₱359,618**	₱359,618

9. **Investments in Government Securities**

The balances and movements of this account are as follows:

	March 31, 2024 (Unaudited)		
	Financial Assets at		
	FVOCI	**Amortized Cost**	**Total**
Balance at beginning of year	**₱790,058,973**	**₱464,135,145**	**₱1,254,194,118**
Net amortization of discount (premium)	**(717,665)**	**80,891**	**(636,774)**
Net unrealized fair value loss	**(6,876,596)**	**–**	**(6,876,596)**
Balance at end of year	**₱782,464,712**	**₱464,216,036**	**₱1,246,680,748**

	December 31, 2023 (Audited)		
	Financial Assets at		
	FVOCI	Amortized Cost	Total
Balance at beginning of year	₱761,395,966	₱513,818,936	₱1,275,214,902
Net amortization of discount (premium)	(2,771,068)	316,209	(2,454,859)
Maturity	–	(50,000,000)	(50,000,000)
Net unrealized fair value gain	31,434,075	–	31,434,075
Balance at end of year	₱790,058,973	₱464,135,145	₱1,254,194,118

The interest rates of financial assets at amortized cost ranges from 4.625% to 7.50% per annum as at March 31, 2024 and December 31, 2023.

The interest rates of financial assets at FVOCI ranges from 6.25% to 7.25% per annum as at March 31, 2024 and December 31, 2023.

Interest income on investments in government securities consists of:

	Note	**March 31, 2024 (Unaudited)**	March 31, 2023 (Unaudited)
Financial assets at amortized cost		**₱6,208,296**	₱6,436,033
Financial assets at FVOCI	6	**9,841,069**	9,951,839
		₱16,049,365	₱16,387,872

The cumulative unrealized gains (losses) on fair value changes of financial assets at FVOCI recognized in the statements of financial position are as follows:

	March 31 2024 (Unaudited)		
	Cumulative Unrealized Gains (Losses)	**Deferred Tax Benefit (Expense)**	**Net**
Balances at beginning of year	**₱12,748,068**	**(₱3,187,017)**	**₱9,561,051**
Remeasurement loss	**(6,876,596)**	**1,719,149**	**(5,157,447)**
Balances at end of year	**₱5,871,472**	**(₱1,467,868)**	**₱4,403,604**

	December 31, 2023 (Audited)		
	Cumulative Unrealized Gains (Losses)	Deferred Tax Benefit (Expense)	Net
Balances at beginning of year	(₱18,686,007)	₱4,671,502	(₱14,014,505)
Remeasurement loss	31,434,075	(7,858,519)	23,575,556
Balances at end of year	₱12,748,068	(3,187,017)	₱9,561,051

10. **Other Current Assets**

This account consists of:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Excess tax credits	**₱7,590,058**	₱7,708,685
Interest receivables	**19,189,889**	6,993,595
Prepayments	**1,225,454**	1,411,653
Receivable from employees	**859,062**	911,326
Dividends receivable	**507,101**	33,519
Others	**67,095**	67,827
	₱29,438,659	₱17,126,605

Excess tax credits pertains to the Company's excess income tax payments over the amount due. Unapplied or excess income tax payments are carried forward and can be utilized in succeeding years.

Interest receivables which are related to short-term placements, receivables from other brokers, and investments in government securities are generally collectible within one (1) year.

Prepayments which are related to rentals, subscriptions, insurance, and taxes and licenses, are amortized over the period covered by the payment.

Receivable from employees are unsecured, noninterest-bearing and generally collectible within one (1) year.

Other receivables are noninterest-bearing and generally settled within one (1) year.

11. **Intangible Assets**

This account consists of:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Software and licenses	**₱2,194,949**	₱2,338,671
Exchange trading right	**475,000**	475,000
	₱2,669,949	₱2,813,671

Software and Licenses

The balance and movements of software and licenses are as follows:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Cost		
Balance at beginning of year	**₱5,376,327**	₱4,140,327
Additions	**-**	1,236,000
Balance at end of year	**5,376,327**	5,376,327
Accumulated Amortization		
Balance at beginning of year	**3,037,656**	2,477,480
Amortization	**143,722**	560,176
Balance at end of year	**3,181,378**	3,037,656
Carrying Amount	**₱2,194,949**	₱2,338,671

Exchange Trading Right

Under the PSE rules, all exchange trading rights are pledged at its full value to PSE to secure the payment of all debts due to other members of the exchange arising out of, or in connection with, the present or future members' contracts.

Republic Act (RA) No. 8799 entitled SRC to prescribe the conversion of PSE from a non-stock corporation into a stock corporation (demutualization) effective August 8, 2001, pursuant to a conversion plan approved by the SEC.

As a result of the conversion plan and on the basis of the relative fair values of the PSE shares and the exchange trading right as of the time of the demutualization, the Company's membership in the PSE, originally amounting to ₱1.0 million was bifurcated equally into (a) investment in PSE shares (classified as financial assets at FVPL) and (b) exchange trading right. The investment in PSE shares was sold in 2020.

As at March 31, 2024 and 2023, the carrying amount of the exchange trading right is ₱0.5 million.

As at March 31, 2024 and 2023, the latest transacted price of the exchange trading right, as provided by the PSE, is ₱8.0 million.

Details of depreciation and amortization are:

	Note	**March 31, 2024 (Unaudited)**	March 31, 2023 (Unaudited)
Intangible assets		**₱143,722**	₱ 120,180
Property and equipment	12	**932,750**	765,577
Investment property	13	**160,706**	160,706
		₱1,237,178	₱1,046,463

No impairment loss was recognized on intangible assets in March 31, 2024 and 2023.

12. **Property and Equipment**

The balances and movements of this account are as follows:

		March 31, 2024 (Unaudited)				
	Note	**Office Condominium Units and Improvements**	**Leasehold Improvements**	**Furniture, Fixtures, and Office Equipment**	**Construction in Progress**	**Total**
Cost						
Balances at beginning of year		**₱21,123,830**	**₱5,017,465**	**₱22,059,175**	**₱2,924,238**	**₱51,124,708**
Additions		**–**	**–**	**–**	**2,205,861**	**2,205,861**
Derecognition		–	–	–	–	–
Balances at end of year		**21,123,830**	**5,017,465**	**22,059,175**	**5,130,099**	**53,330,569**
Accumulated Depreciation and Amortization						
Balances at beginning of year		**13,829,627**	**3,141,377**	**21,584,488**	**–**	**38,555,492**
Depreciation and amortization	11	**750,422**	**123,909**	**58,419**	**–**	**932,750**
Derecognition		–	–	–	–	–
Balances at end of year		**14,580,049**	**3,265,286**	**21,642,907**	**–**	**39,488,242**
Carrying Amounts		**₱6,543,781**	**₱1,752,179**	**₱416,268**	**₱5,130,099**	**₱13,842,327**

		December 31, 2023 (Audited)				
	Note	Office Condominium Units and Improvements	Leasehold Improvements	Furniture, Fixtures, and Office Equipment	Construction in Progress	Total
Cost						
Balances at beginning of year		₱22,776,802	₱5,017,465	₱22,028,345	₱–	₱49,822,612
Additions		3,561,283	–	272,259	2,924,238	6,757,780
Derecognition		(5,214,255)	–	(241,429)	–	(5,455,684)
Balances at end of year		21,123,830	5,017,465	22,059,175	2,924,238	51,124,708
Accumulated Depreciation and Amortization						
Balances at beginning of year		16,607,646	2,645,740	21,585,314	–	40,838,700
Depreciation and amortization	11	2,436,236	495,637	240,603	–	3,172,476
Derecognition		(5,214,255)	–	(241,429)	–	(5,455,684)
Balances at end of year		13,829,627	3,141,377	21,584,488	–	38,555,492
Carrying Amounts		₱7,294,203	₱1,876,088	₱474,687	₱2,924,238	₱12,569,216

Additions to ROU assets (included as part of “Office condominium units and improvements” in “Property and equipment”) amounting to ₱3.5 million as at December 31, 2023 is considered as noncash financial information in the statements of cash flows (see Note 20).

In 2023, ROU assets amounting to ₱5.2 million were derecognized due to the expiration of the related lease contracts (see Note 20), and fully-depreciated equipment were sold for ₱1,786 resulting to a gain of the same amount.

As at March 31, 2024 and December 31 2023, cost of fully-depreciated assets still in use amounted to ₱28.3 million.

Construction Commitment

The Company entered into a construction contract for its leased office space in Ortigas Center, Pasig City. Total costs incurred in construction in progress amounted to ₱5.1 million as at March 31, 2024. Total contractual commitment to complete the construction project amounted to ₱0.3 million as at March 31, 2024.The construction is expected to be completed in 2024.

13. **Investment Property**

The balance and movements of this account are as follows:

	Note	**March 31, 2024 (Unaudited)**	December 31, 2023 (Audited)
Cost			
Balances at beginning and end of year		**₱12,856,487**	₱12,856,487
Accumulated Depreciation			
Balances at beginning of year		**3,856,938**	3,214,115
Depreciation	11	**160,706**	642,823
Balances at end of year		**4,017,644**	3,856,938
Carrying Amount		**₱8,838,843**	₱8,999,549

Investment property pertains to the condominium unit which is currently held by the Company for undetermined use.
The Company did not earn any rental income from its investment property in March 31, 2024 and 2023.

The fair value of investment property amounted to ₱29.1 million as at March 31, 2024 and December 31, 2023, respectively. The fair values were determined using the Sales Comparison Approach. This approach compares sales of similar or substitute properties and related market data to establish an estimated value. The fair value of investment property is categorized under Level 3 (significant unobservable inputs) (see Note 5).

As at March 31, 2024 and December 31, 2023, the investment property is not pledged as collateral.

14. **Other Noncurrent Assets**

This account consists of:

	Note	**March 31, 2024 (Unaudited)**	December 31, 2023 (Audited)
Refundable deposits from:			
Clearing and Trade Guarantee Fund (CTGF) contributions		**₱11,884,643**	₱11,630,492
Rental	20	**375,196**	375,196
Others		**330,801**	326,262
		₱12,590,640	₱12,331,950

Refundable deposit from CTGF pertains to the monthly contributions paid by the Company, as a Clearing Member, to the CTGF maintained by the Securities Clearing Corporation of the Philippines (SCCP). The monthly contribution is equivalent to 1/500 of 1% applied to the Clearing Member’s total monthly turnover value less block sales and cross transactions of the same flag. The deposit is refundable upon the cessation of the business and/or termination of the membership with the SCCP, provided that all liabilities owing to the SCCP at the time of termination, whether actual or contingent, shall have been satisfied or paid in full.

15. **Trade Payables**

This account consists of:

	March 31, 2024 (Unaudited)		December 31, 2023 (Audited)	
	Money Balance	**Security Valuation - Long**	Money Balance	Security Valuation - Long
Payable to customers:				
With money balance	**₱146,302,372**	**₱5,568,995,379**	₱150,173,617	₱5,995,210,304
Without money balance	–	**3,439,070,673**	–	4,385,478,483
	146,302,372	**9,008,066,052**	150,173,617	10,380,688,787
Dividends payable to customers	**1,331,029**	–	1,331,029	–
Others	**27,795,169**	–	–	–
	₱175,428,570	**₱9,008,066,052**	₱151,504,646	₱10,380,688,787

Payable to customers pertains to segregated bank balances received and held for customers in the course of its regulated trading activities. These are noninterest-bearing and payable on demand.

Dividends payable to customers are noninterest-bearing and payable on demand.

16. **Other Current Liabilities**

This account consists of:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Due to the BIR	**₱1,845,778**	₱2,325,409
Accruals for:		
Commissions	**–**	4,195,230
Professional fees	**987,840**	1,045,390
Others	**307,921**	571,913
Accounts payable	**211,755**	512,981
Trading fee payable	**624,429**	257,915
Social Security System, Pag-IBIG, and PhilHealth payable	**442,366**	387,880
	₱4,420,089	₱9,296,718

Taxes payable, which pertains to output tax, withholding tax, and percentage tax payable to the BIR, are generally settled in the succeeding month from transaction date.

Accruals and accounts payable are noninterest-bearing and generally settled within one (1) year.

Trading fee payable and Social Security System, Pag-IBIG, and PhilHealth payable are generally settled in the succeeding month from the transaction date.

17. **Related Party Transactions**

The Company has transactions with its related parties in the ordinary course of business as follows:

	Nature of Transactions	Amount of Transactions: **March 31, 2024 (Unaudited)**	Amount of Transactions: March 31, 2023 (Unaudited)	Outstanding Balance: **March 31, 2024 (Unaudited)**	Outstanding Balance: December 31, 2023 (Audited)	Terms and Conditions
Trade Receivables						
Affiliate with common officers and stockholders	Commission income	**₱42,229**	₱459,121	**₱1,571,814**	₱213,477	Noninterest-bearing, secured and generally collected in cash within one (1) year
Trade Payables						
Affiliate with common officers and stockholders	Commission expense	**₱-**	₱1,602,722	**₱-**	₱2,762,263	3-day; noninterest-bearing; secured; no guarantee; settled in cash
Key management personnel	Commission income	**35,401**	913	**9,881,677**	10,793,345	
		₱ 35,401	₱1,603,635	**₱9,881,677**	₱13,555,608	
Other Current Liabilities						
Affiliate with common officers and stockholders	Purchase of goods	**₱ 1,315,783**	₱6,000	**₱–**	₱–	Noninterest-bearing, unsecured; settled in cash within one (1) year
Personnel Costs						
Key management personnel	Short-term employee benefits	**₱1,065,000**	₱1,347,455	**₱–**	₱–	Noninterest-bearing, unsecured and payable within the month of incurrence
	Directors' fees	**40,000**	35,000	**–**	–	

No impairment loss was recognized on trade receivables from related parties in March 31, 2024 and 2023.

Revenue Regulations No. 34-2020 of the BIR

As at March 31, 2024 and December 31, 2023, 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.

18. **Personnel Costs**

This account consists of:

	March 31, 2024 (Unaudited)	March 31, 2023 (Unaudited)
Salaries and wages	**₱8,366,644**	₱7,382,289
Other benefits	**4,002,176**	2,501,823
	₱12,368,820	₱9,884,112

Personnel costs were distributed as follows:

	March 31, 2024 (Unaudited)	March 31, 2023 (Unaudited)
Cost of services	**₱8,658,174**	₱6,918,878
Operating expenses	**3,710,646**	2,965,234
	₱12,368,820	₱9,884,112

19. **Retirement Benefits**

The Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. The benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The funded 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 defined benefit retirement plan shall not be less than the minimum mandated benefit under RA No. 7641, *The Retirement Pay Law*. There were no termination, curtailment, or settlement in March 31, 2024 and December 31, 2023. The latest actuarial valuation report of the Company is dated January 26, 2024.

20. **Leases**

The Company, as lessee, has lease agreements for its office spaces with lease terms ranging from two (2) to three (3) years as at March 31, 2024 and December 31, 2023, respectively. The leases are renewable upon mutual agreement of the parties. Refundable deposits on these lease agreements amounted to ₱0.4 million as at March 31, 2024 and December 31, 2023, respectively (see Note 14).

The balance and movements of the ROU assets (included as component of "Property and equipment") are as follows:

	Note	**March 31, 2024 (Unaudited)**	December 31, 2023 (Audited)
Cost			
Balance at beginning of year		**₱4,406,706**	₱6,076,476
Additions	12	–	3,544,485
Write-off		–	(5,214,255)
Balance at end of year		**4,406,706**	4,406,706
Accumulated Depreciation			
Balance at beginning of year		**678,584**	4,397,640
Depreciation		**514,913**	1,495,199
Write-off			(5,214,255)
Balance at end of year		**1,193,497**	678,584
Carrying Amount		**₱3,213,209**	₱3,728,122

The balance and movements of lease liabilities are as follows:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Balance at beginning of year	**₱3,761,773**	₱1,695,532
Additions	**-**	3,544,485
Interest expense	**54,574**	58,056
Lease payments	**(539,025)**	(1,536,300)
Balance at end of year	**₱3,277,322**	₱3,761,773

Lease liabilities are presented in the statements of financial position as follows:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Current	**₱2,049,935**	₱1,998,815
Noncurrent	**1,227,387**	1,762,958
	₱3,277,322	₱3,761,773

The Company recognized the following lease-related expenses:

	March 31, 2024 (Unaudited)	March 31, 2023 (Audited)
Depreciation	**₱514,913**	₱345,578
Interest expense on lease liabilities	**54,574**	13,289
	₱569,487	₱358,867

Future minimum lease commitments under non-cancellable leases as at March 31, 2024 are as follows:

Within one (1) year	₱2,193,104
After one (1) year but no more than three (3) years	1,251,906
	₱3,445,010

21. **Income Taxes**

The components of income taxes as reported in the statements of comprehensive income are as follows:

	March 31, 2024 (Unaudited)	March 31, 2023 (Unaudited)
Reported in Profit or Loss		
Current tax expense (MCIT)	**₱120,951**	₱–
Deferred tax expense (benefit)	**1,290,644**	(8,384,862)
	₱1,411,595	(₱8,384,862)
Reported in OCI		
Deferred tax expense (benefit) on:		
Cumulative unrealized gains on changes in fair value of financial assets at FVOCI	**(1,719,149)**	₱7,426,574
	(₱1,719,149)	₱7,426,574

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

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Deferred tax assets:		
NOLCO	**₱21,073,108**	₱20,733,560
Net retirement benefit liability	**6,905,167**	6,905,167
Lease liabilities	**819,331**	940,443
Excess MCIT over RCIT	**386,811**	265,860
Allowance for credit losses	**89,905**	89,905
Excess of cost over fair value of financial assets at FVPL	**–**	459,527
	29,274,322	29,394,462
Deferred tax liabilities:		
Unrealized foreign exchange gain	**8,393,331**	7,343,890
Unrealized gain on changes in fair value of FA at FVOCI	**1,467,868**	3,187,017
ROU assets	**803,302**	932,031
Excess of fair value over cost of financial assets at FVPL	**265,037**	–
Others	**136,135**	151,384
	11,065,673	11,614,322
	₱18,208,649	₱17,780,140

The details of NOLCO and excess MCIT over RCIT are as follows:

	Inception Year	Amount	Applied/Expired	Ending Balance	Expiry Year
NOLCO	2024	₱1,358,193	₱–	₱1,358,193	2027
	2023	66,754,999	–	66,754,999	2026
	2022	16,179,239	–	16,179,239	2025
		₱84,292,431	–	₱84,292,431	

	Inception Year	Amount	Applied/Expired	Ending Balance	Expiry Year
Excess MCIT over RCIT	2024	₱120,951	₱–	₱120,951	2027
	2022	265,860	–	265,860	2025
		₱386,811	–	₱386,811	

The reconciliation between the income tax expense (benefit) based on statutory income tax rates and effective income tax rates is as follows:

	March 31, 2024 (Unaudited)	March 31, 2023 (Audited)
Income tax expense (benefit) at statutory tax rate	**₱6,305,183**	(₱3,546,197)
Effect of change in tax rate in deferred tax		
Effect of change in tax rate in current tax		
Tax effects of:		
Interest income already subjected to final tax	**(4,758,811)**	(4,797,285)
Dividend income exempt from tax	**(170,851)**	(74,540)
Nondeductible expenses	**40,176**	40,176
Others	**(4,102)**	(7,016)
Income tax at effective tax rate	**₱1,411,595**	(₱8,384,862)

22. **Earnings per Share**

Basic and diluted EPS are computed as follows:

	March 31, 2024 (Unaudited)	March 31, 2023 (Audited)
Net income attributable to common stockholders	**₱23,809,136**	(₱5,799,929)
Divided by weighted average number of outstanding common shares	**6,875,000,000**	6,817,708,333
Per share amounts: Basic and diluted EPS	**₱0.0035**	(₱0.0009)

Diluted EPS equals the basic EPS as the Company does not have any dilutive potential common shares at the end of each of the years presented.

23. **Segment Reporting**

<u>Business Segments</u>
The Company's business segments consist of local and global trading.

<u>Segment Assets and Liabilities</u>
Segment assets include all operating assets used by a segment and consist primarily of operating cash, financial assets at FVPL, investments in government securities, receivables, property and equipment, investment property, and intangible assets (net of allowances, accumulated depreciation and amortization, and impairment) and other current and noncurrent assets. Segment liabilities include all operating liabilities and consist primarily of trade payables and other current and noncurrent liabilities.

<u>Major Customer</u>
The Company does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Company.

Financial information about reportable segments are as follows:

	March 31, 2024 (Unaudited)		
	Local Trading	Global Trading	Total
REVENUES			
Trading gains on financial assets at FVPL- net	**₱10,424,619**	**₱8,229,685**	**₱18,654,304**
Commissions	**823,524**	**–**	**823,524**
Interests	**19,035,245**	**5,033,982**	**24,069,227**
Dividends	**683,405**	**965,669**	**1,649,074**
	30,966,793	**14,229,336**	**45,196,129**
COST OF SERVICES			
Personnel costs	**4,329,087**	**4,329,087**	**8,658,174**
Transaction costs	**972,939**	**2,524,047**	**3,496,986**
Commissions	**1,801,593**	**661,900**	**2,463,493**
Research	**–**	**679,229**	**679,229**
Stock exchange dues and fees	**662,870**	**–**	**662,870**
Communications	**296,913**	**–**	**296,913**
Central depository fees	**257,565**	**–**	**257,565**
	8,320,967	**8,194,263**	**16,515,230**
GROSS PROFIT	**22,645,826**	**6,035,073**	**28,680,899**
OPERATING EXPENSES	**(7,047,448)**	**(610,483)**	**(7,657,931)**
OTHER INCOME (LOSSES)			
Foreign exchange gains (losses)	**(950,281)**	**5,148,044**	**4,197,763**
INCOME BEFORE INCOME TAX	**14,648,097**	**10,572,634**	**25,220,731**
PROVISION FOR INCOME TAX (BENEFIT)	**(1,794,612)**	**3,206,207**	**1,411,595**
NET INCOME	**₱16,442,708**	**₱7,366,427**	**₱23,809,136**
SEGMENT ASSETS	**₱1,862,805,609**	**₱375,992,685**	**₱2,238,798,294**
SEGMENT LIABILITIES	**₱210,746,649**	**₱–**	**210,746,649**
CAPITAL EXPENDITURES			
Fixed assets	**₱2,205,861**	**₱–**	**₱2,205,861**
CASH FLOWS ARISING FROM:			
Operating activities	**(₱65,285,211)**	**₱22,613,984**	**(₱42,671,227)**
Investing activities	**25,923,045**	**(28,128,905)**	**(2,205,861)**
Financing activities	**(539,025)**	**–**	**(539,025)**

	December 31, 2023 (Audited)		
	Local Trading	Global Trading	Total
REVENUES			
Trading gains (losses) on financial assets at FVPL- net	₱20,571,407	(₱20,143,546)	₱427,861
Commissions	5,290,848	–	5,290,848
Interests	77,522,310	18,222,492	95,744,802
Dividends	1,535,623	709,788	2,245,411
	104,920,188	(1,211,266)	103,708,922
COST OF SERVICES			
Personnel costs	16,089,560	16,089,559	32,179,119
Transaction costs	2,416,327	12,872,984	15,289,311
Commissions	7,257,084	1,907,096	9,164,180
Research	–	2,533,446	2,533,446
Stock exchange dues and fees	1,710,872	–	1,710,872
Communications	1,070,503	–	1,070,503
Central depository fees	1,033,088	–	1,033,088
	29,577,434	33,403,085	62,980,519
GROSS PROFIT (LOSS)	75,342,754	(34,614,351)	40,728,403
OPERATING EXPENSES	(29,700,670)	(3,643,442)	(33,344,112)
OTHER INCOME (LOSSES)			
Foreign exchange losses	(120,568)	(2,739,995)	(2,860,563)
Other income	1,786	–	1,786
INCOME (LOSS) BEFORE INCOME TAX	45,523,302	(40,997,788)	4,525,514
INCOME TAX BENEFIT	(10,051,940)	(8,419,930)	(18,471,870)
NET INCOME (LOSS)	₱55,575,242	(₱32,577,858)	₱22,997,384
SEGMENT ASSETS	₱1,815,080,283	₱386,503,478	₱2,201,583,761
SEGMENT LIABILITIES	₱192,183,805	₱–	₱192,183,805
CAPITAL EXPENDITURES			
Fixed assets	₱3,460,495	₱–	₱3,460,495
CASH FLOWS ARISING FROM:			
Operating activities	₱56,013,197	(₱76,816,539)	(₱20,803,342)
Investing activities	(7,901,413)	54,142,704	46,241,291
Financing activities	(22,876,300)	–	(22,876,300)

SCHEDULE I

CTS GLOBAL EQUITY GROUP, INC.
SUPPLEMENTARY SCHEDULE OF
FINANCIAL SOUNDNESS INDICATORS UNDER REVISED SRC RULE 68

	March 31, 2024	March 31, 2023
Current/liquidity ratio	**5.15**	4.52
Current assets	**₱935,967,139**	₱938,778,323
Current liabilities	**181,898,594**	207,919,192
Solvency ratio	**0.12**	(0.02)
After-tax income (loss) before depreciation	**₱25,046,314**	(₱4,753,466)
Total liabilities	**210,746,649**	226,594,908
Debt-to-equity ratio	**0.10**	0.11
Total liabilities	**₱210,746,649**	₱226,594,908
Total equity	**2,028,051,645**	2,005,529,353
Asset-to-equity ratio	**1.10**	1.11
Total assets	**₱2,238,798,294**	₱2,232,124,261
Total equity	**2,028,051,645**	2,005,529,353
Interest rate coverage ratio	**463.14**	(1,066.41)
Income (loss) before interest and taxes	**₱25,275,305**	(₱14,171,502)
Interest expense	**54,574**	13,289
Return on Equity	**0.01**	(0.00)
After-tax income (loss)	**₱23,809,136**	(₱5,799,929)
Total equity	**2,028,051,645**	2,005,529,353
Return on assets	**0.01**	(0.00)
After-tax income (loss)	**₱23,809,136**	(₱5,799,929)
Total assets	**2,238,798,294**	2,232,124,261
Other relevant ratios		
RBCA ratio	**985%**	985%
Ratio of AI to NLC	**9.9%**	9.5%
Ratio of Core Equity to ORR	**7,167%**	6,192%