From: noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph>
Sent: April 15, 2021 10:29 AM
Subject: SEC CiFSS-OST Final Acceptance

Greetings!

SEC Registration No: 0000063824
Company Name: CTS GLOBAL EQUITY GROUP, INC.
Document Code: AFS

Your submission has been reviewed and accepted. Please see attached file as proof of acceptance.

Thank you.

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City,
1307, Metro Manila, Philippines

From: eafs@bir.gov.ph [mailto:eafs@bir.gov.ph]
Sent: Wednesday, April 14, 2021 2:57 PM
To: CTSBIREFPS@CTSGLOBALGROUP.COM
Cc: CTSBIREFPS@CTSGLOBALGROUP.COM
Subject: Your BIR AFS eSubmission uploads were received

Hi CTS GLOBAL EQUITY GROUP INC,

Valid files

- EAFS000322268OTHTY122020.pdf
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Transaction Code: **AFS-0-86DK9C6C0Q1Q1VSM1Q12TN2SV0P2Z1TVVX**
Submission Date/Time: **Apr 14, 2021 02:56 PM**
Company TIN: **000-322-268**

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- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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C O M P A N Y   N A M E

CTS GLOBAL EQUITY GROUP, INC.
(FORMERLY CITISECURITIES, INC.)

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town/Province)*

27/F East Tower, PSE Centre,
Exchange Road, Ortigas Center, Pasig
City

Form Type	Department requiring the report	Secondary License Type, If Applicable
52AR	MSRD	**Broker/Dealer**

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number/s	Mobile Number
compliance@ctsglobalgroup.com	**(02) 8 635-5735**	**0961 078 5433**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
15	**Any Date of March**	**December 31**

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Lawrence C. Lee	**lawrence@ctsglobalgroup.com**	**(02) 8 635-5735**	**–**

CONTACT PERSON'S ADDRESS

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

NOTE 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.*

CTS GLOBAL EQUITY GROUP, INC.
ANNUAL AUDITED FINANCIAL REPORT
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DECEMBER 31, 2020

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Metro Manila, Philippines

COVER PAGE

Information Required of Brokers and Dealers Pursuant to Rule 52.1-5 of the SRC.

Report for the Year Beginning January 1, 2020 and Ended December 31, 2020.

IDENTIFICATION OF BROKER OR DEALER	
Name of Broker/Dealer:	CTS Global Equity Group, Inc.
Address of Principal Place of Business:	27/F East Tower PSE Centre, Exchange Road Ortigas Center, Pasig City
Name and Phone Number of Person to Contact in Regard to this Report:	
Name: Ms. Catherine L. Ong	Tel. No.: (02) 8 635-5735 Fax No.: (02) 8 634-6696

IDENTIFICATION OF ACCOUNTANT	
Name of Independent Auditor whose opinion is contained in this report:	
Name: Reyes Tacandong & Co. SEC Accreditation No. 0207-FR-3 Group A; Valid until August 28, 2022	Tel. No.: (02) 8 982-9100 Fax No.: (02) 8 982-9111
Address: 26th Floor BDO Towers Valero (formerly Citibank Tower), 8741 Paseo de Roxas, Makati City	
JOSEPH C. BILANGBILIN Partner CPA Certificate No. 102884 Tax Identification No. 210-181-965-000 BOA Accreditation No. 4782; Valid until August 15, 2021 SEC Accreditation No. 1778-A; Valid until September 23, 2022 BIR Accreditation No. 08-005144-011-2020; Valid until January 1, 2023 PTR No. 8534278 Issued January 5, 2021, Makati City	

CTS GLOBAL
EQUITY GROUP

CTS Global Equity Group, Inc. (Formerly Citisecurities, Inc.)
2701-B East Tower, Philippine Stock Exchange Centre
Exchange Road, Ortigas Center Pasig City 1605 Philippines
Trading Floor: +632 634 6976 - 77 **Facsimile**: +632 634 6696
Office: +632 635 5735 - 40
WWW.CTSGLOBALGROUP.COM
PSE Trading Participant, SCCP & SIPF Member

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **CTS Global Equity Group, Inc. (Formerly Citisecurities, Inc.)** (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Edward K. Lee
Chairman of the Board

Lawrence C. Lee
President

Alexander C. Yu
Treasurer

Signed this 10TH day of MARCH 2021

SUBSCRIBED AND SWORN to before me this APR 0 6 2021 2021, at Pasig, affiants exhibited to me their respective passports, as follows:

Name	Passport No.	Date/Place Issued
Edward K. Lee	P5099380B	March 11, 2020/ DFA NCR East
Lawrence C. Lee	P6416803B	March 3, 2021/DFA NCR East
Alexander C. Yu	P6253471B	Feb. 9, 2021/ DFA NCR Central

Doc. No. : 245
Page No. : 57
Book No. : 28
Series of 2021

ATTY. FERDINAND D. AYAHAO
Notary Public
Until December 31, 2021
Appointment No. 184 (2020-2021)
For Pasig City, Pateros and San Juan City
Roll No. 46377; MCLE VI-0025705; 04-02-19
IBP LRN 02459; O.R. No. 535886; 06-21-2001
TIN 123-011-785; PTR 7206699; 01-06-21, Pasig
Unit 5, West Tower PSE, Exchange Road
Ortigas Center, Pasig City Tel. +632-86314090

BDO Towers Valero (formerly Citibank Tower)
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
CTS Global Equity Group, Inc.
27/F East Tower, PSE Centre, Exchange Road
Ortigas Center, Pasig City

Opinion

We have audited the accompanying financial statements of CTS Global Equity Group, Inc. (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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

REYES TACANDONG & CO.

JOSEPH C. BILANGBILIN
Partner
CPA Certificate No. 102884
Tax Identification No. 210-181-965-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1778-A
Valid until September 23, 2022
BIR Accreditation No. 08-005144-011-2020
Valid until January 1, 2023
PTR No. 8534278
Issued January 5, 2021, Makati City

March 10, 2021
Makati City, Metro Manila

CTS GLOBAL EQUITY GROUP, INC.

STATEMENTS OF FINANCIAL POSITION

		December 31					
		2020			2019		
			Security Valuation			Security Valuation	
	Note	**Money Balance**	**Long**	**Short**	Money Balance	Long	Short
ASSETS							
Current Assets							
Cash and cash equivalents	7	**₱423,021,672**			₱469,228,089		
Financial assets at fair value through profit or loss (FVPL)	8	**112,755**	**₱112,755**		41,180,888	₱41,180,888	
Trade receivables	9	**321,195,364**	**257,176,336**		257,600,266	660,902,495	
Other current assets	10	**2,746,821**			3,145,430		
Total Current Assets		**747,076,612**			771,154,673		
Noncurrent Assets							
Intangible assets	11	**2,494,683**			2,753,219		
Property and equipment	12	**11,945,183**			27,326,577		
Investment property	13	**10,928,018**			11,570,841		
Net deferred tax assets	21	**10,267,108**			14,909,789		
Other noncurrent assets	14	**59,901,424**			10,783,563		
Total Noncurrent Assets		**95,536,416**			67,343,989		
Total Assets		**₱842,613,028**			₱838,498,662		
Securities in Vault, Transfer Offices, and Philippine Depository and Trust Corporation				**₱8,692,397,117**			₱5,965,466,351
LIABILITIES AND EQUITY							
Current Liabilities							
Trade payables	15	**₱291,870,158**	**8,435,108,026**		₱334,277,643	5,263,382,968	
Lease liabilities - current portion	20	**1,211,891**			4,169,736		
Income tax payable		**2,754,987**			–		
Other current liabilities	16	**11,020,314**			1,522,017		
Total Current Liabilities		**306,857,350**			339,969,396		
Noncurrent Liabilities							
Net retirement benefit liability	19	**22,097,367**			15,805,894		
Lease liabilities - net of current portion	20	**202,584**			9,568,960		
Total Noncurrent Liabilities		**22,299,951**			25,374,854		
Total Liabilities		**329,157,301**			365,344,250		
Equity							
Capital stock	5	**500,000,000**			200,000,000		
Deposits for future stock subscriptions	5	**–**			300,000,000		
Retained earnings (deficit):							
Appropriated		**–**			–		
Unappropriated		**15,249,292**			(27,445,895)		
Cumulative gain (loss) on remeasurement of retirement benefits (net of deferred income tax)	19	**(1,793,565)**			600,307		
Total Equity		**513,455,727**			473,154,412		
Total Liabilities and Equity		**₱842,613,028**	**₱8,692,397,117**	**₱8,692,397,117**	₱838,498,662	₱5,965,466,351	₱5,965,466,351

See accompanying Notes to Financial Statements.

CTS GLOBAL EQUITY GROUP, INC.

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Notes	**2020**	2019
REVENUES			
Trading gains on financial assets at FVPL - net	8	₱157,813,316	₱25,638,532
Interests	7, 9, 14	7,288,079	11,259,738
Commissions		5,958,726	6,779,289
Dividends	8	1,201,085	3,310,176
Reversal of provision for credit losses	9	43,030	57,881
Other income		815,092	500
		173,119,328	47,046,116
COSTS OF SERVICES			
Commissions		26,180,455	13,289,864
Personnel costs	18	22,539,339	25,197,795
Transaction costs		17,835,784	4,642,060
Research		2,500,607	2,744,564
Communications		1,170,872	1,216,508
Stock exchange dues and fees		872,653	1,481,247
Central depository fees		620,772	615,984
		71,720,482	49,188,022
GROSS PROFIT (LOSS)		101,398,846	(2,141,906)
OPERATING EXPENSES			
Personnel costs	18	11,677,855	12,158,920
Communications		2,240,575	3,942,706
Condominium dues, power and water		2,053,777	2,884,031
Insurance and bonds		1,494,450	1,459,525
Security and other manpower services		1,223,156	1,217,883
Professional fees		923,500	736,286
Taxes and licenses		782,091	923,043
Office supplies		194,820	359,328
Trainings and seminars		22,829	337,054
Transportation and travel		21,912	358,550
Others		588,543	515,818
		21,223,508	24,893,144
Foreign exchange losses - net		14,634,930	6,655,943
Depreciation and amortization	11, 12, 13	8,121,609	9,639,318
Interest expense	19, 20	1,414,758	1,469,085
		45,394,805	42,657,490
INCOME (LOSS) BEFORE INCOME TAX		56,004,041	(44,799,396)

(Forward)

	Note	Years Ended December 31 **2020**	2019
INCOME TAX EXPENSE (BENEFIT)	21		
Current		**₱3,440,228**	₱–
Deferred		**5,668,626**	(12,307,514)
		9,108,854	(12,307,514)
NET INCOME (LOSS)		**46,895,187**	(32,491,882)
OTHER COMPREHENSIVE LOSS			
Not to be reclassified to profit or loss on subsequent periods	19		
Remeasurement loss on retirement benefits		**(3,419,817)**	(5,505,378)
Deferred income tax benefit		**1,025,945**	1,651,613
		(2,393,872)	(3,853,765)
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱44,501,315**	(₱36,345,647)

See accompanying Notes to Financial Statements.

CTS GLOBAL EQUITY GROUP, INC.

STATEMENTS OF CHANGES IN EQUITY

	Note	Capital Stock	Deposits for Future Stock Subscriptions	Retained Earnings (Deficit) Appropriated	Retained Earnings (Deficit) Unappropriated	Retained Earnings (Deficit) Total	Cumulative Remeasurement Gains (Losses) on Retirement Benefits (net of Deferred Income Tax)	Total Equity
Balances at December 31, 2019		**₱200,000,000**	**₱300,000,000**	**₱–**	**(₱27,445,895)**	**(₱27,445,895)**	**₱600,307**	**₱473,154,412**
Deposits for future stock subscriptions	5	**300,000,000**	**(300,000,000)**	**–**	**–**	**–**	**–**	**–**
Stock issuance costs	5	**–**	**–**	**–**	**(4,200,000)**	**(4,200,000)**	**–**	**(4,200,000)**
Net income		**–**	**–**	**–**	**46,895,187**	**46,895,187**	**–**	**46,895,187**
Other comprehensive loss	19	**–**	**–**	**–**	**–**	**–**	**(2,393,872)**	**(2,393,872)**
Balances at December 31, 2020		**₱500,000,000**	**₱–**	**₱–**	**₱15,249,292**	**₱15,249,292**	**(₱1,793,565)**	**₱513,455,727**
Balances at December 31, 2018		₱200,000,000	₱–	₱3,814,056	₱1,231,931	₱5,045,987	₱4,454,072	₱209,500,059
Deposits for future stock subscriptions	5	–	300,000,000	–	–	–	–	300,000,000
Net loss		–	–	–	(32,491,882)	(32,491,882)	–	(32,491,882)
Reversal	5	–	–	(3,814,056)	3,814,056	–	–	–
Other comprehensive loss	19	–	–	–	–	–	(3,853,765)	(3,853,765)
Balances at December 31, 2019		₱200,000,000	₱300,000,000	₱–	(₱27,445,895)	(₱27,445,895)	₱600,307	₱473,154,412

See accompanying Notes to Financial Statements.

CTS GLOBAL EQUITY GROUP, INC.

STATEMENTS OF CASH FLOWS

	Notes	Years Ended December 31 **2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**₱56,004,041**	(₱44,799,396)
Adjustments for:			
Unrealized foreign exchange losses - net		**14,634,930**	6,655,943
Depreciation and amortization	11, 12, 13	**8,121,609**	9,639,318
Interest income	7, 9, 14	**(7,288,079)**	(11,259,738)
Retirement benefit expense	19	**2,018,138**	1,359,865
Interest expense	19, 20	**1,414,758**	1,469,085
Dividend income	8	**(1,201,085)**	(3,310,176)
Gain on cancellation of leases	12	**(762,467)**	–
Gain on disposal of equipment	12	**(52,625)**	(500)
Reversal of provision for credit losses	9	**(43,030)**	(57,881)
Unrealized losses on financial assets at FVPL - net	8	**424**	754,525
Operating income (loss) before working capital changes		**72,846,614**	(39,548,955)
Decrease (increase) in:			
Financial assets at FVPL		**41,067,709**	(17,152,106)
Trade receivables		**(78,387,317)**	(42,597,832)
Other current assets		**(96,251)**	(1,186,133)
Other noncurrent assets		**882,139**	(322,887)
Increase (decrease) in:			
Trade payables		**(42,407,485)**	(123,975,030)
Other current liabilities		**9,732,043**	(688,039)
Net cash generated from (used for) operations		**3,637,452**	(225,470,982)
Interest received		**7,512,348**	11,583,276
Dividend received		**1,252,486**	3,223,056
Income taxes paid		**(481,839)**	(397,300)
Net cash provided by (used in) operating activities		**11,920,447**	(211,061,950)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in a government security	14	**(50,000,000)**	–
Acquisitions of:			
Property and equipment	12	**(125,968)**	(772,323)
Intangible assets	11	**(90,640)**	(815,760)
Proceeds from disposal of equipment	12	**52,625**	500
Net cash used in investing activities		**(50,163,983)**	(1,587,583)
CASH FLOWS FROM FINANCING ACTIVITIES			
Stock issuance costs	5	**(4,200,000)**	–
Payments on lease liabilities	20	**(3,745,242)**	(4,617,355)
Deposits for future stock subscriptions	5	**–**	300,000,000
Net cash provided by (used in) financing activities		**(7,945,242)**	295,382,645

(Forward)

	Years Ended December 31	
	2020	2019
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(₱46,188,778)**	₱82,733,112
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(17,639)**	(12,670)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**469,228,089**	386,507,647
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱423,021,672**	₱469,228,089

See accompanying Notes to Financial Statements.

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).

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

On October 16, 2019, the Board of Directors (BOD) and stockholders of the Company approved the following amendments to the Company's Articles of Incorporation (AOI): (a) incidental purposes of the Company to buy, sell or otherwise deal in foreign exchange; to hold interest in any form of association; to purchase, hire, own, or otherwise acquire and dispose of any lands, tenants, buildings, or property, which may be necessary or convenient for the immediate needs of the corporation and its staff; (b) change in the term of existence from 50 years from and after the date of incorporation to a perpetual existence; and (c) increase of authorized capital stock of the corporation from ₱200.0 million divided into 2.0 million shares of common stock at ₱100.0 par value per share to ₱800.0 million divided into 800.0 million shares of common stock at ₱1.0 par value per share. These amendments were approved by the SEC on January 22, 2020.

The financial statements of the Company as at and for the years ended December 31, 2020 and 2019 were approved and authorized for issue by the Board of Directors (BOD) on March 10, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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 at fair value through profit or loss (FVPL).

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 6 - Fair Value Measurement
- Note 8 - Financial Assets at FVPL

Adoption of New and Amended PFRS

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

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Effective for annual periods beginning on or after June 1, 2020 -

- Amendments to PFRS 16, *Leases – COVID-19 Related Rent Concessions* – The amendments provide relief to lessees from applying PFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under PFRS 16, if the change were not a lease modification.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS, which are not yet effective as at December 31, 2020 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are fist applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

Annual Improvements to PFRS 2018 to 2020 Cycle:

- Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

- Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective for annual periods beginning on or after January 1, 2023 -

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

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

Financial Instruments

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

Date of Recognition. The Company recognizes a financial asset or a financial liability in the 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 FVPL, (b) financial assets at amortized cost, and (c) financial assets at fair value through other comprehensive income (FVOCI). The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

As at December 31, 2020 and 2019, the Company does not have financial assets at FVOCI.

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.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. 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 December 31, 2020 and 2019, the Company's cash and cash equivalents, trade receivables, interest and dividend receivables (included under "Other current assets" account in the statements of financial position), and investment in a government security and refundable deposits (included under "Other noncurrent assets" account in the statements of financial position) are classified under this category (see Notes 7, 9, 10 and 14).

Cash and cash equivalents include cash on hand, cash in banks, and short-term placements. Short-term placements are highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

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 debt instruments whose cash flows, based on the assessment at initial recognition of the assets, are not “solely for payment of principal and interest”, and which are not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell. The Company may, at initial recognition, designate a debt instrument meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

This category also 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.

After initial recognition, 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 December 31, 2020 and 2019, the Company’s investments in various listed equity securities are classified under this category (see Note 8).

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

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

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 90 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 costs, the initial measurement is net of any directly attributable transaction costs.

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

As at December 31, 2020 and 2019, 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 December 31, 2020 and 2019, 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 the statements of comprehensive income.

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.

Other Current Assets

Other current assets are comprised mainly of advances to officers and employees, prepayments, input value-added tax (VAT), and excess tax credits.

Advances to Officers and Employees. Advances to officers and employees are measured at face amount. These pertain to payments made to the Company's officers and employees in relation to the operations of the Company. These are recognized as expense upon liquidation of said advances.

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.

Input 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 generally recognized net of the amount of VAT. 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.
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.

<u>Deferred Input VAT</u>
In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Company of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over sixty (60) months or the estimated useful lives of capital goods, whichever is shorter.

Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of availed services. Deferred input VAT on capital goods is classified as current assets if it is expected to be claimed against output VAT within twelve (12) months after the reporting date. Otherwise, these are classified as noncurrent assets. Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

<u>Intangible Assets</u>
Intangible assets pertain to software and licenses and exchange trading right.

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.

Gains or losses arising from the 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 and amortization and any accumulated 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, maintenance, and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization is 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.

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 is calculated on a straight-line basis over 20 year estimated useful life of investment property. The estimated useful life and depreciation methods 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.

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 obtainable from the sale of an asset in an arm's-length transaction. 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.

Deposit for Future Stock Subscriptions. Deposit for future stock subscription represents funds received from existing or potential stockholders to be applied as payment for future issuance of capital stock. Proceeds are recognized as equity if and only if, all of the following set forth by the SEC are present as of the end of the reporting period:

- there is a lack or insufficiency of authorized unissued shares of stock to cover the deposit;
- the Company's Board of Directors and stockholders have approved an increase in capital stock to cover the shares corresponding to the amount of the deposit; and
- an application for the approval of the increase in capital stock has been presented for filling or filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability.

Retained Earnings (Deficit). Retained earnings (deficit) 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. Appropriated retained earnings pertain to the restricted portion which is intended for the reserve fund in compliance with the SRC Rule 49.1 (B). When the retained earnings amount has a debit balance, it is called 'deficit'. A deficit is a deduction from equity.

Incremental costs directly attributable to the issuance of new common stock are recognized as a deduction from equity, net of any tax effects.

Other Comprehensive Income (OCI). OCI pertains to cumulative remeasurement gains or losses on net retirement benefit 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.

Revenue from Brokerage Transactions. This account consists of commissions, which are recorded on trade date basis as trade transactions occur.

The following specific recognition criteria must also be met for other revenues outside the scope of PFRS 15:

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.

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

Dividends. Dividend income is recognized when the Company's right to receive the payment is established, which is generally when the board of directors approves the dividend declaration.

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 commissions, direct personnel costs, 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 are 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 are measured on an undiscounted basis and is 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 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.

Leases

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

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

ii. 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 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 a 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 a 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 (DTA) 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

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. 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.

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

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.

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.

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 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 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 December 31, 2020 and 2019, the Company's investments in various listed equity securities and investment in a government security are classified as financial assets at FVPL and amortized cost, respectively.

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

In accordance with the amendments to PFRS 7, 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 6 to the financial statements.

Accounting Estimates and Assumptions

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 show 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 adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. 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.

Reversal of provision for credit losses amounting to ₱43,030 and ₱57,881 was recognized on trade receivables in 2020 and 2019, respectively. Allowance for credit losses amounted to ₱0.3 million as at December 31, 2020 and 2019. The carrying amount of trade receivables amounted to ₱321.2 million and ₱257.6 million as at December 31, 2020 and 2019, respectively (see Note 9).

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 90 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 2020 and 2019.

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

	Note	**2020**	2019
Cash and cash equivalents	7	**₱423,021,672**	₱469,228,089
Interest receivables*	10	**237,772**	461,164
Dividend receivables*	10	**1,963**	70,029
Investment in a government security**	14	**50,000,000**	–
Refundable deposits**	14	**9,640,526**	10,348,239

**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 2020 and 2019.

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.

The recoverable amount of the asset is the greater of the fair value less cost of disposal or value in use. The fair value less cost to sell is the net amount obtainable from the sale of an asset in an arm's-length transaction. 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.

No impairment loss on intangible assets, property and equipment, and other nonfinancial assets was recognized in 2020 and 2019.

The carrying amounts of nonfinancial assets are as follows:

	Note	**2020**	2019
Property and equipment	12	**₱11,945,183**	₱27,326,577
Investment property	13	**10,928,018**	11,570,841
Intangible assets	11	**2,494,683**	2,753,219
Other current assets*	10	**2,507,086**	2,614,237
Other noncurrent assets**	14	**260,898**	435,324

**Excluding interest and dividends receivable aggregating ₱0.2 million and ₱0.5 million as at December 31, 2020 and 2019, respectively.*

***Excluding investment in a government security and refundable deposits aggregating ₱59.6 million and ₱10.3 million as at December 31, 2020 and 2019, respectively .*

Determination of the Retirement Benefits. 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 ₱22.1 million and ₱15.8 million as at December 31, 2020 and 2019, 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 ₱10.9 million and ₱26.2 million as at December 31, 2020 and 2019, respectively, because management believes that the Company will be able to generate sufficient taxable income against which these deferred tax assets can be utilized. Deferred tax assets arising from NOLCO and excess MCIT over RCIT amounting to ₱3.2 million and ₱0.9 million, respectively, were derecognized in 2019 (see Note 21).

4. Financial Risk Management Objectives and Policies

The Company's financial instruments consist mainly of cash and cash equivalents, financial assets at FVPL, trade receivables, interest and dividend receivables (included under "Other current assets" account in the statements of financial position), investment in a government security and refundable deposits (included under "Other noncurrent assets" account in the statements of financial position), trade payables, other current liabilities (excluding statutory liabilities), and lease liabilities.

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 from the failure of a counterparty in fulfilling its financial commitments to the Company under the prevailing contractual terms. Financial instruments that potentially subject the Company to credit risk consist primarily of trade receivables and other financial assets at amortized cost.

The table below presents the summary of the Company's maximum exposure to credit risk without taking into account any collateral, other credit enhancements or credit risk mitigating features and shows 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.

	2020			
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit impaired**	**Total**
Financial assets at amortized cost:				
Cash in banks and cash equivalents	**₱423,009,672**	**₱–**	**₱–**	**₱423,009,672**
Trade receivables	**–**	**321,484,049**	**–**	**321,484,049**
Interest receivables*	**237,772**	**–**	**–**	**237,772**
Dividend receivables*	**1,963**	**–**	**–**	**1,963**
Investment in a government security**	**50,000,000**	**–**	**–**	**50,000,000**
Refundable deposits**	**9,640,526**	**–**	**–**	**9,640,526**
	₱482,889,933	**₱321,484,049**	**₱–**	**₱804,373,982**

	2019			
	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit impaired	Total
Financial assets at amortized cost:				
Cash in banks and cash equivalents	₱469,216,089	₱–	₱–	₱469,216,089
Trade receivables	–	257,931,981	–	257,931,981
Interest receivables*	461,164	–	–	461,164
Dividend receivables*	70,029	–	–	70,029
Refundable deposits**	10,348,239	–	–	10,348,239
	₱480,095,521	₱257,931,981	₱–	₱738,027,502

**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 depositing its cash with highly reputable and pre-approved financial institutions. In addition, customers are initially assessed for creditworthiness based on their profile (i.e., financial capacity, reputation, collateral). The Company mitigates its credit risk by transacting with recognized and creditworthy counterparties. 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 GDP). 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 as at December 31, 2020 and 2019 is as follows:

	2020		
Days from Transaction Date of Counterparty	**Amount**	**Collateral (net of haircut)**	**Counterparty Exposure**
1 - 3 days	**₱121,342**	**₱7,514,251**	**₱–**
4 - 14 days	**299,389**	**36,410,932**	**61,907**
15 - 31 days	**1,745,348**	**1,542,062**	**245,893**
Over 31 days	**2,622,064**	**127,553,775**	**159,751**
	₱4,788,143	**₱173,021,020**	**₱467,551**

	2019		
Days from Transaction Date of Counterparty	Amount	Collateral (net of haircut)	Counterparty Exposure
1 - 3 days	₱3,238,319	₱334,983,432	₱–
4 - 14 days	504,553	2,454,570	–
15 - 31 days	2,615,563	1,366,756	9,434
Over 31 days	1,336,246	91,593,255	316,907
	₱7,694,681	₱430,398,013	₱326,341

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 December 31, 2020 and 2019, receivables from customers amounting to ₱4.8 million and ₱7.7 million, respectively, are secured by collateral comprising of equity securities of listed companies with a total market value of ₱257.2 million and ₱660.9 million, respectively (see Note 9).

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 three (3) business days from transaction date. Accordingly, no provision for credit losses on receivables from other brokers and clearing house was recognized in 2020 and 2019.

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.

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 90 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when non-payment arising from 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 insignificant because the transactions with respect to these financial assets were entered into by the Company 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 2020 and 2019.

Liquidity Risk

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

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 7).

The table below summarizes the maturity profile of the financial liabilities of the Company based on remaining contractual undiscounted cash flows as at December 31, 2020 and 2019:

	2020				
	On Demand	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Trade payables	**₱291,870,158**	**₱–**	**₱–**	**₱–**	**₱291,870,158**
Lease liabilities	**–**	**–**	**1,243,345**	**203,840**	**1,447,185**
Other current liabilities*	**–**	**2,921,814**	**–**	**–**	**2,921,814**
	₱291,870,158	**₱2,921,814**	**₱1,243,345**	**₱203,840**	**₱296,239,157**

Excluding statutory liabilities amounting to ₱8.1 million as at December 31, 2020.

	2019				
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Trade payables	₱334,277,643	₱–	₱–	₱–	₱334,277,643
Lease liabilities	–	–	4,936,360	10,325,355	15,261,715
Other current liabilities*	–	982,768	–	–	982,768
	₱334,277,643	₱982,768	₱4,936,360	₱10,325,355	₱350,522,126

Excluding statutory liabilities amounting to ₱0.5 million as at December 31, 2019.

Market Risks
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 US dollar-denominated monetary financial assets as at December 31:

	December 31, 2020			
	HK Dollar	**Philippine Peso**	**US Dollar**	**Philippine Peso**
Financial assets:				
Cash in banks	**$–**	**₱–**	**$6,516**	**₱312,981**
Receivables from other brokers	**11,542,244**	**71,486,887**	**4,930,846**	**236,858,140**
	$11,542,244	**₱71,486,887**	**$4,937,362**	**₱237,171,121**

	December 31, 2019			
	HK Dollar	Philippine Peso	US Dollar	Philippine Peso
Financial assets:				
Cash in banks	$–	₱–	$6,012	₱304,726
Receivables from other brokers	10,000,590	65,165,842	3,098,937	157,252,467
	$10,000,590	₱65,165,842	$3,104,949	₱157,557,193

For purposes of restating the outstanding balances of the Company's foreign currency-denominated monetary financial assets as at December 31, 2020, the exchange rates applied were ₱48.04 and ₱ 6.19 per US$1 and HK$1, respectively. As at December 31, 2019, the exchange rates applied were ₱ 50.74 and ₱6.52 per US$1 and HK$1, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar and HK dollar exchange rates, with all other variables held constant, of the Company's income before tax for the years ended December 31, 2020 and 2019. 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	HK Dollar	US Dollar	HK Dollar
December 31, 2020	**+1.09**	**+0.14**	**₱5,381,725**	**₱1,615,914**
	-1.09	**-0.14**	**(5,381,725)**	**(1,615,914)**
December 31, 2019	+0.64	+0.07	₱1,987,167	₱700,041
	-0.64	-0.07	(1,987,167)	700,041

Equity Price Risk. Equity price risk is the risk that the fair values of quoted equity securities would decrease as the result of the adverse changes in the quoted equity prices as affected by both rational and irrational market forces. The equity price risk exposure of the Company arises 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.

The table below sets forth the impact of changes in PSE index (PSEi) in the Company's unrealized gain or loss on fair value changes of its financial assets at FVPL in 2020 and 2019:

	2020		2019	
Changes in PSEi	**33.21%**	**(33.21%)**	14.59%	(14.59%)
Changes in trading income at equity portfolio under:				
Other financial institution	**₱11,325**	**(₱11,325)**	₱42	(₱42)
Holding firms	**125**	**(125)**	23,950	(23,950)
Property	**115**	**(115)**	11,925	(11,925)
Food, beverage, and tobacco	**101**	**(101)**	2,421,006	(2,421,006)
Banks	**61**	**(61)**	265,821	(265,821)
Education	**11**	**(11)**	–	–
Mining	**–**	**–**	219,845	(219,845)
Transportation services	**–**	**–**	41,133	(41,133)
Information technology	**–**	**–**	11,213	(11,213)
Others	**–**	**–**	13,415	(13,415)
	₱11,738	**(₱11,738)**	₱3,008,350	(₱3,008,350)

The sensitivity rate used for reporting equity price risk represents management's assessment of the reasonably possible change in equity pricing per PSEi. The sensitivity analysis includes the Company's stock portfolio with amounts adjusted by its specific beta for their valuation at the reporting date.

5. Capital Management

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 ₱515.2 million and ₱172.6 million as at December 31, 2020 and 2019, respectively.

Details of the Company's common shares at ₱1.0 par value per share are as follows:

	2020		2019	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized Capital Stock				
Balance at beginning of year	**200,000,000**	**₱200,000,000**	200,000,000	₱200,000,000
Addition	**600,000,000**	**600,000,000**	–	–
Balance at end of year	**800,000,000**	**₱800,000,000**	200,000,000	₱200,000,000
Issued and Outstanding				
Balance at beginning of year	**200,000,000**	**₱200,000,000**	200,000,000	₱200,000,000
Addition	**300,000,000**	**300,000,000**	–	–
Balance at end of year	**500,000,000**	**₱500,000,000**	200,000,000	₱200,000,000

On October 16, 2019, the BOD and stockholders of the Company approved the increase in authorized capital stock from ₱200.0 million divided into 200.0 million common shares at ₱1.0 par value per share to ₱800.0 million divided into 800.0 million common shares at ₱1.0 par value per share. The amount of cash received from stockholders amounted to ₱300.0 million.

On November 6, 2019, the Company submitted the application for increase in authorized capital stock to the SEC.

As at December 31, 2019, the deposit for future stock subscription was recognized as equity in accordance with the requirements per SEC Financial Reporting Bulletin No. 6, *Deposits for Future Stock Subscription.*

On January 22, 2020, the SEC approved the Company's increase in authorized capital stock. Accordingly, deposit for future stock subscription of ₱300.0 million was applied against the issuance of additional 300.0 million shares at ₱1.0 par value per share from the Company's unissued capital stock. In 2020, the directly attributable costs on the increase in authorized capital stock and issuance of additional shares amounted to ₱4.2 million.

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 has no appropriation for reserve fund in 2020 because of the audited net loss position in 2019. The Company reversed the appropriated retained earnings amounting to ₱3.8 million in 2019 because it incurred a deficit as at December 31, 2019.

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:

a. Equity per books;
b. Liabilities subordinated to the claims of creditors in conformity with SRC Rule 49.1 and in accordance with a prescribed schedule; and
c. 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:

a. Adding unrealized gains (or deducting unrealized losses) in the accounts of the Company;
b. Deducting fixed assets and assets which cannot be readily converted into cash (less any AI in accordance with SRC Rule 49.1);
c. Deducting general guarantees and indemnities for loans and indebtedness other than those incurred by the Company, unless otherwise permitted by the SEC; and
d. 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 at December 31, 2020 and 2019 as shown below:

	2020	2019
NLC:		
Equity eligible for NLC	**₱504,982,184**	₱457,644,316
Less ineligible assets	**37,801,236**	56,730,319
	467,180,948	400,913,997
Required NLC:		
Higher of:		
5% of AI	**9,869,863**	8,563,243
Minimum amount	**5,000,000**	5,000,000
	9,869,863	8,563,243
Net risk-based capital excess	**₱457,311,085**	₱392,350,754

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 42% and 43% as at December 31, 2020 and 2019, 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:

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

	2020	2019
NLC	**₱467,180,948**	₱400,913,997
TRCR:		
Operational risk	**15,640,329**	18,071,422
Credit risk	**2,077,420**	4,717
Position risk	**2,014,495**	14,247,566
Total risk capital requirement	**₱19,732,244**	₱32,323,705
RBCA ratio	**2,368%**	1,240%

As at December 31, 2020 and 2019, the Company is in compliance 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:

	2020	2019
Capital stock	**₱500,000,000**	₱200,000,000
Beginning retained earnings (deficit)	**(27,445,895)**	5,045,987
Core equity	**472,554,105**	205,045,987
ORR	**15,640,329**	18,071,422
Ratio of Core Equity to ORR	**3,021%**	1,135%

6. **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:

		2020			
			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	8	**₱112,755**	**₱112,755**	**₱–**	**₱–**
Assets for which fair value is disclosed:					
Investment property	13	**10,928,018**	**–**	**–**	**35,830,800**
Investment in a government security	14	**50,000,000**	**–**	**48,102,533**	**–**
		₱61,040,773	**₱112,755**	**₱48,102,533**	**₱35,830,800**

		2019			
			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	8	₱41,180,888	₱41,180,888	₱–	₱–
Asset for which fair value is disclosed -					
Investment property	13	11,570,841	–	–	27,599,400
		₱52,751,729	₱41,180,888	₱–	₱27,599,400

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

Financial Assets at FVPL. The Company's financial assets at FVPL as at December 31, 2020 and 2019 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.

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 comparables 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 December 31, 2020 is its highest and best use.

Investment in a Government Security. The fair value of investment in a government security was determined as the sum of all the future cash flows discounted at 1.85% which is the prevailing market rate of instruments with similar maturities. The fair valuation is classified under Level 2 category.

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements in 2020 and 2019.

The table below presents the financial assets and liabilities as December 31, 2020 and 2019 whose carrying amount approximates their fair value or the fair value cannot be reliably determined:

	2020	2019
Financial assets at amortized cost:		
Cash and cash equivalents	**₱423,021,672**	₱469,228,089
Trade receivables	**321,195,364**	257,600,266
Interest receivables*	**237,772**	461,164
Dividend receivables*	**1,963**	70,029
Refundable deposits**	**9,640,526**	10,348,239
	₱754,097,297	₱737,707,787

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

	2020	2019
Other financial liabilities at amortized cost:		
Trade payables	**₱291,870,158**	₱334,277,643
Other current liabilities*	**2,921,814**	982,768
	₱294,791,972	₱335,260,411

**Excluding statutory liabilities aggregating to ₱8.1 million and ₱0.5 million as at December 31, 2020 and 2019, respectively.*

Current Financial Assets and Liabilities. The carrying amounts of cash and cash equivalents, trade receivables, interest receivable, 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.

7. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	**₱423,021,672**	₱173,534,145
Short-term placements	**–**	295,693,944
	₱423,021,672	₱469,228,089

Cash in banks earn interest at prevailing bank deposit rates. Short-term placements are made for varying periods of up to three months depending on the Company's immediate cash requirements, and earn interest at the respective short-term placement rates ranging from 1.5% to 4.0% and 3.5% to 4.0% per annum in 2020 and 2019, respectively. Interest income earned from cash in banks and short-term placements amounted to ₱5.2 million and ₱7.9 million in 2020 and 2019, respectively.

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 ₱402.1 million and ₱449.0 million as at December 31, 2020 and 2019, respectively. The Company's reserve requirement is determined weekly based on the SEC's prescribed computation. As at December 31, 2020 and 2019, the Company's reserve accounts are adequate to cover its reserve requirements.

8. Financial Assets at FVPL

This account consists of:

	Note	**2020**	2019
PSE shares	11	**₱–**	₱839,125
Other listed shares		**112,755**	40,341,763
		₱112,755	₱41,180,888

The Company's financial assets at FVPL as at December 31, 2020 and 2019 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 6).

Dividend income earned from financial assets at FVPL amounted to ₱1.2 million and ₱3.3 million in 2020 and 2019, respectively.

Net trading gains on financial assets at FVPL consist of the following:

	2020	2019
Realized fair value gains from:		
Global trading	**₱89,122,950**	₱3,370,897
Local trading	**68,690,790**	23,022,160
Unrealized gains (losses) on fair value changes on stocks held from:		
Local trading	**(424)**	(1,555,945)
Global trading	**–**	801,420
	₱157,813,316	₱25,638,532

For tax reporting purposes, the realized trading gains or losses arising from the disposal of financial assets at FVPL is computed as the difference between consideration received and the cost of financial assets at FVPL sold. Reconciliation of realized trading gains on financial assets at FVPL for financial and tax reporting purposes for the year 2020 is as follows:

	Global Trading	Local Trading	Total
Balances for financial reporting	₱89,122,950	₱68,690,790	₱157,813,740
Add unrealized fair value gains on financial assets at FVPL which were recognized in profit or loss in previous years and were only sold during the year	597,401	20,869,393	21,466,794
Balances for tax reporting	₱89,720,351	₱89,560,183	₱179,280,534

9. Trade Receivables

This account consists of:

	2020	2019
Receivables from:		
Other brokers	**₱308,345,027**	₱222,418,309
Clearing house	**8,350,879**	27,818,991
Customers	**4,788,143**	7,694,681
	321,484,049	257,931,981
Less allowance for credit losses	**288,685**	331,715
	₱321,195,364	₱257,600,266

Receivables from other brokers pertain to the funds deposited with other brokers as at December 31, 2020 and 2019 in order for the Company to trade in other foreign markets. Interest income earned from receivables from other brokers amounted to ₱0.5 million and ₱3.4 million in 2020 and 2019, respectively.

Receivables from clearing house are due and collectible after three business days from the transaction date. Accordingly, balances as at December 31, 2020 and 2019, were fully collected in January 2021 and 2020, respectively.

Receivables from customers consist of amounts due within one year from the reporting date as follows:

	2020		2019	
	Money Balances	**Security Valuation - Long**	Money Balances	Security Valuation - Long
Cash and fully secured accounts:				
More than 250%	**₱4,108,399**	**₱256,850,824**	₱7,118,770	₱660,544,456
Between 200% and 250%	**–**	**–**	922	2,064
Between 150% and 200%	**220**	**360**	352	627
Between 100% and 150%	**119,342**	**149,739**	259,889	322,534
Partially secured accounts	**552,888**	**175,413**	156,742	32,814
Unsecured accounts	**7,294**	**–**	158,006	–
	4,788,143	**257,176,336**	7,694,681	660,902,495
Less allowance for credit losses	**288,685**	**–**	331,715	–
	₱4,499,458	**₱257,176,336**	₱7,362,966	₱660,902,495

Collaterals related to receivables from customers pertain to listed equity securities amounting to ₱257.2 million and ₱660.9 million as at December 31, 2020 and 2019, 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. The movements in the allowance for credit losses are as follows:

	2020	2019
Balance at beginning of year	**₱331,715**	₱389,596
Reversal of provision for credit losses	**(43,030)**	(57,881)
Balance at end of year	**₱288,685**	₱331,715

10. Other Current Assets

This account consists of:

	2020	2019
Advances to officers and employees	**₱1,070,438**	₱546,006
Prepayments	**1,041,796**	934,528
Interest receivables	**237,772**	461,164
Dividend receivables	**1,963**	70,029
Input VAT	**–**	866,885
Excess tax credits	**–**	203,402
Other receivables	**394,852**	63,416
	₱2,746,821	₱3,145,430

Advances to officers and employees pertain to cash advances subject to liquidation within 30 days after the transaction occurred.

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

11. **Intangible Assets**

This account consists of:

	2020	2019
Software and licenses	**₱2,019,683**	₱2,278,219
Exchange trading right	**475,000**	475,000
	₱2,494,683	₱2,753,219

Software and Licenses

The balance and movements of software and licenses as at and for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Cost		
Balance at beginning and end of year	**₱3,633,794**	₱2,818,034
Additions	**90,640**	815,760
	3,724,434	3,633,794
Accumulated Amortization		
Balance at beginning of year	**1,355,575**	1,089,486
Amortization	**349,176**	266,089
Balance at end of year	**1,704,751**	1,355,575
Carrying Amount	**₱2,019,683**	₱2,278,219

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) (see Note 8) and (b) exchange trading right.

As at December 31, 2020 and 2019, the carrying amount of the investment in PSE shares and the exchange trading right is as follows:

	Note	2020	2019
Investment in PSE shares	8	**₱–**	₱839,125
Exchange trading right		**475,000**	475,000
		₱475,000	₱1,314,125

As at December 31, 2020 and 2019, the latest transacted price of the exchange trading right, as provided by the PSE, is ₱8.5 million.

No impairment loss was recognized on intangible assets in 2020 and 2019.

12. **Property and Equipment**

The balances and movements of this account as at and for the years ended December 31, 2020 and 2019 are as follows:

	2020			
	Office Condominium Units and Improvements	**Leasehold Improvements**	**Furniture, Fixtures, and Office Equipment**	**Total**
Cost				
Balances at beginning of year	**₱33,290,102**	**₱11,863,472**	**₱24,411,561**	**₱69,565,135**
Additions	**6,216**	**3,163**	**116,589**	**125,968**
Disposals	**–**	**(6,870,705)**	**(2,283,792)**	**(9,154,497)**
Derecognition	**(13,613,846)**	**–**	**–**	**(13,613,846)**
Balances at end of year	**19,682,472**	**4,995,930**	**22,244,358**	**46,922,760**
Accumulated Depreciation and Amortization				
Balances at beginning of year	**12,835,927**	**8,006,125**	**21,396,506**	**42,238,558**
Depreciation and amortization	**4,389,122**	**505,649**	**2,234,839**	**7,129,610**
Disposals	**–**	**(6,870,705)**	**(2,283,792)**	**(9,154,497)**
Derecognition	**(5,236,094)**	**–**	**–**	**(5,236,094)**
Balances at end of year	**11,988,955**	**1,641,069**	**21,347,553**	**34,977,577**
Carrying Amounts	**₱7,693,517**	**₱3,354,861**	**₱896,805**	**₱11,945,183**

	2019			
	Office Condominium Units and Improvements	Leasehold Improvements	Furniture, Fixtures, and Office Equipment	Total
Cost				
Balances at beginning of year	₱31,153,527	₱11,863,472	₱25,211,673	₱68,228,672
Additions	3,024,453	–	772,323	3,796,776
Disposals	–	–	(1,572,435)	(1,572,435)
Derecognition	(887,878)	–	–	(887,878)
Balances at end of year	33,290,102	11,863,472	24,411,561	69,565,135
Accumulated Depreciation and Amortization				
Balances at beginning of year	8,461,446	7,500,739	20,006,280	35,968,465
Depreciation and amortization	5,262,359	505,386	2,962,661	8,730,406
Disposals	–	–	(1,572,435)	(1,572,435)
Derecognition	(887,878)	–	–	(887,878)
Balances at end of year	12,835,927	8,006,125	21,396,506	42,238,558
Carrying Amounts	₱20,454,175	₱3,857,347	₱3,015,055	₱27,326,577

Disposals in 2020 and 2019 pertain to fully depreciated property and equipment. These were sold for ₱52,625 and ₱500, respectively.

Effective June 2020, the Company cancelled two (2) of its existing lease contracts. Accordingly, the related ROU assets (included as part of “Office condominium units and improvements” in property and equipment) and lease liabilities were written off during the year (see Note 20). This resulted to the recognition of gain on cancellation of leases included under “Other income” account in the statements of comprehensive income as follows:

Carrying amount of ROU assets	₱8,377,752
Carrying amount of lease liabilities	(9,140,219)
Gain on cancellation of leases	₱762,467

This is considered as noncash financial information in the statements of cash flows.

13. Investment Property

The balances and movements of this account as at and for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Cost		
Balances at beginning and end of year	**₱12,856,487**	₱12,856,487
Accumulated Depreciation		
Balances at beginning of year	**1,285,646**	642,823
Depreciation	**642,823**	642,823
Balances at end of year	**1,928,469**	1,285,646
Carrying Amount	**₱10,928,018**	₱11,570,841

Investment property pertains to the condominium unit purchased by the Company in 2017 which is currently held by the Company for undetermined use.

The Company did not earn any rental income nor incurred any direct costs related to its investment property in 2020 and 2019.

The fair value of investment property amounted to ₱35.8 million and ₱27.6 million as at December 31, 2020 and 2019, respectively. The fair value was 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 6). As at December 31, 2020 and 2019, the investment property is not pledged as collateral.

14. Other Noncurrent Assets

This account consists of:

	Note	2020	2019
Investment in a government security		**₱50,000,000**	₱–
Refundable deposits from:			
Clearing and Trade Guarantee Fund (CTGF) contributions		**9,546,101**	9,215,249
Rental and utility	20	**94,425**	1,132,990
Others		**260,898**	435,324
		₱59,901,424	₱10,783,563

On February 11, 2020, the Company purchased an investment in a government security with a face value amounting to ₱50.0 million. The investment earns a coupon rate of 4.375% per annum, payable on a quarterly basis, and will mature on February 11, 2023. Interest income earned from the investment amounted to ₱1.6 million in 2020.

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:

	2020		2019	
	Money Balance	**Security Valuation - Long**	Money Balance	Security Valuation - Long
Payable to customers:				
With money balance	**₱288,879,542**	**₱6,648,068,049**	₱331,367,940	₱3,753,883,137
Without money balance	**–**	**1,787,039,977**	–	1,509,499,831
	288,879,542	**8,435,108,026**	331,367,940	5,263,382,968
Dividends payable to customers	**1,263,219**	**–**	1,259,280	–
Others	**1,727,397**	**–**	1,650,423	–
	₱291,870,158	**₱8,435,108,026**	₱334,277,643	₱5,263,382,968

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.

16. Other Current Liabilities

This account consists of:

	2020	2019
Due to the BIR	**₱7,897,877**	₱334,156
Accruals for:		
Commissions	**1,758,203**	–
Professional fees	**408,800**	408,800
Others	**204,837**	203,706
Accounts payable	**331,899**	151,688
Trading fee payable	**218,075**	218,574
Social Security System, Pag-ibig, and PhilHealth payable	**200,623**	205,093
	₱11,020,314	₱1,522,017

Due to the BIR comprises output tax, withholding tax, and percentage tax payable to the Philippine BIR and are generally settled in the succeeding month from transaction date.

Accounts payable are noninterest-bearing and are generally settled within one year.

17. Related Party Transactions

The Company has transactions with its related parties in the ordinary course of business. The details of these transactions as at and for the years ended December 31, 2020 and 2019 are as follows:

		Amount of Transactions		Outstanding Balance		
	Nature of Transactions	2020	2019	2020	2019	Terms and Conditions
Trade Receivables						
Affiliate with common officers and stockholders	Commission income	**₱601,244**	₱1,575,943	**₱71,486,887**	₱65,165,842	3-day; noninterest-bearing; secured; settled in cash
Trade Payables						
Other related parties:						
Affiliate with common officers and stockholders	Commission expense	**11,633,389**	–	**₱122,247,520**	₱145,831,102	3-day; noninterest-bearing; secured; no guarantee; settled in cash
	Purchase of goods	**9,380**	–	**–**	–	
Key management personnel	Commission income	**85,006**	230,584	**9,082,014**	37,096,332	
				₱131,329,534	₱219,053,337	
Deposits for Future Stock Subscriptions						
Stockholders	Deposits for future stock subscriptions	**₱–**	₱300,000,000	**₱–**	₱300,000,000	
Personnel Costs						
Key management personnel	Short-term employee benefits	**₱6,194,084**	₱7,076,487	**₱–**	₱–	
	Retirement benefits	**276,205**	147,236	**2,990,498**	2,096,536	Noninterest-bearing, unsecured and payable upon retirement

RR No. 34-2020 of the BIR

In 2020, 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:

	Note	2020	2019
Salaries and wages		**₱28,982,533**	₱30,806,059
Retirement benefits cost	19	**2,018,138**	1,359,865
Other benefits		**3,216,523**	5,190,791
		₱34,217,194	₱37,356,715

Personnel costs were distributed as follows:

	2020	2019
Cost of services	**₱22,539,339**	₱25,197,795
Operating expenses	**11,677,855**	12,158,920
	₱34,217,194	₱37,356,715

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 2020 and 2019. The latest actuarial valuation report of the Company is dated February 2, 2021.

The components of retirement benefit costs included under “Personnel costs” and “Interest expense” accounts in the statements of comprehensive income are as follows:

	Note	2020	2019
Current service cost	18	**₱2,018,138**	₱1,359,865
Net interest cost		**853,518**	639,211
		₱2,871,656	₱1,999,076

The components of net retirement benefit liability recognized in the statements of financial position are as follows:

	2020	2019
Balance at beginning of year	**₱15,805,894**	₱8,301,440
Current service cost	**2,018,138**	1,359,865
Net interest cost	**853,518**	639,211
Remeasurement loss recognized in OCI	**3,419,817**	5,505,378
Balance at end of year	**₱22,097,367**	₱15,805,894

The funded status and amounts recognized in the statements of financial position for the net retirement benefit liability are as follows:

	2020	2019
Present value of retirement benefit liability	**₱24,738,246**	₱18,260,367
Fair value of plan assets	**(2,640,879)**	(2,454,473)
	₱22,097,367	₱15,805,894

The changes in the present value of the retirement benefit liability are as follows:

	2020	2019
Balance at beginning of year	**₱18,260,367**	₱11,251,780
Current service cost	**2,018,138**	1,359,865
Interest cost	**986,060**	866,387
Benefits paid	**–**	(877,800)
Remeasurement loss (gain) recognized in OCI:		
Experience adjustments	**(849,715)**	777,153
Change in financial assumptions	**4,323,396**	4,882,982
Balance at end of year	**₱24,738,246**	₱18,260,367

The changes in the fair value of the plan assets are as follows:

	2020	2019
Balance at beginning of year	**₱2,454,473**	₱2,950,340
Interest income	**132,542**	227,176
Remeasurement gain recognized in OCI	**53,864**	154,757
Benefits paid	**–**	(877,800)
Balance at end of year	**₱2,640,879**	₱2,454,473
Actual return on plan assets	**₱186,406**	₱381,933

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2020	2019
Debt securities	**98.80%**	97.38%
Cash in bank	**1.20%**	0.13%
Other investments	**–**	2.49%
	100.00%	100.00%

The principal assumptions used in determining retirement benefit liability are as follows:

	2020	2019
Discount rate	**4.10%**	5.40%
Future salary increase	**5.00%**	5.00%

Sensitivity analysis on retirement benefit liability as at December 31, 2020 is as follows:

	Change in Assumption	Effect on Retirement Benefit Liability **2020**	2019
Discount rate	+1.00%	**(3,424,846)**	(₱1,257,272)
	-1.00%	**4,221,544**	1,391,887
Salary increase rate	+1.00%	**3,957,536**	1,325,314
	-1.00%	**(3,285,460)**	(1,209,200)

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

The cumulative remeasurement gains (losses) on retirement benefits recognized in the statements of financial position are as follows:

	2020		
	Cumulative Remeasurement Gains (Losses)	**Deferred Tax Benefit (Expense)**	**Net**
Balances at beginning of year	**₱857,583**	**(₱257,276)**	**₱600,307**
Remeasurement loss	**(3,419,817)**	**1,025,945**	**(2,393,872)**
Balances at end of year	**(₱2,562,234)**	**₱768,669**	**(₱1,793,565)**

	2019		
	Cumulative Remeasurement Gains	Deferred Tax Benefit (Expense)	Net
Balances at beginning of year	₱6,362,961	(₱1,908,889)	₱4,454,072
Remeasurement loss	(5,505,378)	1,651,613	(3,853,765)
Balances at end of year	₱857,583	(₱257,276)	₱600,307

As at December 31, 2020, the maturity analysis of the undiscounted retirement benefit liability is as follows:

Year	Amount
More than one year to five years	₱5,745,554
More than five years to 10 years	10,535,415
More than 10 years to 15 years	8,187,708
More than 15 years	139,907,094
	₱164,375,771

As at December 31, 2020 and 2019, the average duration of the net retirement benefit liability at the end of the reporting period is 32.9 years and 31.8 years, respectively.

20. **Leases**

The Company, as lessee, has lease agreements for its office spaces with lease terms ranging from one (1) to two (2) years and two (2) to five (5) years as at December 31, 2020, and 2019, respectively, and are renewable upon mutual agreement of the parties. Refundable deposits on these lease agreements amounted to ₱0.1 million and ₱1.1 million as at December 31, 2020 and 2019, respectively (see Note 14).

The Company has written off ROU assets and lease liabilities related to the cancellation of certain lease contracts in 2020 (see Note 12). This is considered as a noncash financial information in the statements of cash flows.

The balance and movement of the ROU assets (included as component of property and equipment) as at and for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Cost:		
Balance at beginning of year	**₱16,638,299**	₱14,501,724
Additions	**–**	3,024,453
Write-off	**(13,613,846)**	(887,878)
Balance at end of year	**3,024,453**	16,638,299
Accumulated depreciation:		
Balance at beginning of year	**3,438,977**	–
Depreciation	**3,453,097**	4,326,855
Write-off	**(5,236,094)**	(887,878)
Balance at end of year	**1,655,980**	3,438,977
Carrying amount	**₱1,368,473**	₱13,199,322

The balance and movements of lease liabilities as at and for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Balance at beginning of year	**₱13,738,696**	₱14,501,724
Additions	**–**	3,024,453
Interest expense	**561,240**	829,874
Lease payments	**(3,745,242)**	(4,617,355)
Write-off	**(9,140,219)**	–
Balance at end of year	**₱1,414,475**	₱13,738,696

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

	2020	2019
Current	**₱1,211,891**	₱4,169,736
Noncurrent	**202,584**	9,568,960
	₱1,414,475	₱13,738,696

The Company recognized the following lease-related expenses:

	2020	2019
Depreciation	**₱3,453,097**	₱4,326,855
Interest expense on lease liabilities	**561,240**	829,874
	₱4,014,337	₱5,156,729

Future minimum lease commitments under non-cancellable leases as at December 31, 2020 are as follows:

Within one (1) year	₱1,243,345
After one (1) year but no more than two (2) years	203,840
	₱1,447,185

21. Income Taxes

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

	2020	2019
Reported in Profit or Loss		
Current tax expense (RCIT)	**₱4,722,890**	₱–
Less applied excess MCIT over RCIT	**(1,282,662)**	–
	3,440,228	–
Deferred tax benefit	**5,668,626**	(12,307,514)
	₱9,108,854	(₱12,307,514)
Reported in OCI		
Deferred tax benefit on remeasurement losses on net retirement benefit liability	**₱1,025,945**	₱1,651,613

The components of the Company's net deferred tax assets as at December 31 are as follows:

	2020	2019
Deferred tax assets:		
Net retirement benefit liability	**₱6,629,209**	₱4,741,768
Unrealized foreign exchange loss	**3,750,782**	–
Lease liability	**424,342**	4,121,609
Allowance for credit losses	**86,606**	99,515
Excess of cost over fair value of financial assets at FVPL	**7,021**	–
NOLCO	**–**	16,838,333
Excess MCIT over RCIT	**–**	360,961
	10,897,960	26,162,186
Deferred tax liabilities:		
ROU asset	**410,542**	3,959,797
Excess of fair value over cost of financial assets at FVPL	**60,809**	6,493,953
Unrealized foreign exchange gain	**–**	639,697
Others	**159,501**	158,950
	630,852	11,252,397
	₱10,267,108	₱14,909,789

The carryforward benefits of NOLCO which were claimed against taxable income are as follows:

Year Incurred	Amount	Applied in 2020	Expired	Balance
2019	₱45,570,367	₱45,570,367	₱–	₱–
2018	21,114,826	21,114,826	–	–
	₱66,685,193	₱66,685,193	₱–	₱–

The carryforward benefits of excess MCIT over RCIT which were claimed against RCIT are as follows:

Year Incurred	Amount	Applied in 2020	Expired	Balance
2018	₱360,961	₱360,961	₱–	₱–
2017	921,701	921,701	–	–
	₱1,282,662	₱1,282,662	₱–	₱–

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

	2020	2019
Income tax benefit at statutory tax rate	**₱16,801,212**	(₱13,439,819)
Change in derecognized DTA on NOLCO and excess MCIT over RCIT	**(4,088,925)**	4,088,925
Increase (decrease) in income tax resulting from:		
Interest income already subjected to final tax	**(2,029,208)**	(2,371,015)
Stock issuance costs	**(1,260,000)**	–
Dividend income exempt from tax	**(314,225)**	(816,862)
Expired NOLCO and excess MCIT over RCIT	**–**	230,957
Nondeductible expenses	**–**	300
Income tax at effective tax rate	**₱9,108,854**	(₱12,307,514)

22. Events After the Reporting Period

On November 26, 2020, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Bill was approved by the Senate of the Philippines. Under the CREATE Bill, domestic corporations will be subject to 25% or 20% RCIT depending on the amount of total assets or total amount of taxable income. In addition, MCIT shall be computed at 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

On February 3, 2021, the Senate and the Congress of the Philippines ratified the bill through a bicameral conference. As of date, the CREATE Bill is pending approval of the President which will still go over the tax measures for possible changes or insertions.

Accordingly, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

23. **Supplementary Information Required under RR No. 15-2010 of the BIR**

The information for 2020 required by the above regulation is presented below.

Output VAT

Output VAT declared by the Company for the year ended December 31, 2020 and the gross receipts subject to output VAT consist of:

	Gross Receipts	Output VAT
Subject to 12% VAT:		
Sale of financial assets at FVPL	₱179,280,534	₱21,513,664
Commissions	5,958,726	715,047
Sale of equipment	52,625	6,315
	₱185,291,885	₱22,235,026

Revenues presented in the statement of comprehensive income are in accordance with PFRS.

Input VAT

The movements in input VAT claimed by the Company against its output VAT for the year ended December 31, 2020 are as follows:

Balance at beginning of year	₱866,885
Add: Deferred input VAT on capital goods, beginning	204,073
Current year's domestic purchase/payments for:	
Domestic purchase of services	1,586,463
Domestic purchases of goods other than capital goods	42,418
Capital goods not exceeding ₱1.0 million	7,081
Available input VAT	2,706,920
Less deductions from input VAT -	
Input tax on capital goods deferred for the succeeding periods	31,567
Allowable input VAT	₱2,675,353

The Company paid output VAT aggregating ₱14.4 million in 2020. The movements of the net output VAT for the year ended December 31, 2020 are as follows:

Balance at beginning of year	₱–
Output VAT	22,235,026
Less deductions from output VAT:	
Allowable input VAT	2,675,353
Output VAT payments	14,437,231
Net output VAT	₱5,122,442

The net output VAT is classified under "Other current liabilities" account in the statement of financial position.

Documentary Stamp Tax (DST)

DST paid relating to insurance premiums and renewal of licenses, and issuance of capital stock for the year ended December 31, 2020 amounted to ₱7,778 and ₱3,000,000, respectively.

All Other Local and National Taxes

The Company's local and national taxes for the year ended December 31, 2020 consist of:

License and permit fees	₱520,692
Real property taxes	253,621
	₱774,313

The above DST on insurance premiums and renewal of licenses, and local and national taxes are classified under "Taxes and licenses" account in the statement of comprehensive income.

Withholding Taxes

Withholding taxes paid by the Company for the year ended December 31, 2020 consist of:

Withholding tax on compensation and benefits	₱7,052,520
Expanded withholding taxes	471,979
Final withholding taxes	6,730
	₱7,531,229

Tax Assessments and Cases

The Company has no pending tax assessments from the BIR or pending tax cases in court or other regulatory bodies outside of the BIR as at and for the year ended December 31, 2020.

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

The Stockholders and the Board of Directors
CTS Global Equity Group, Inc.
27/F East Tower, PSE Centre, Exchange Road
Ortigas Center, Pasig City

We have audited the accompanying financial statements of CTS Global Equity Group, Inc. (the Company) as at and for the years ended December 31, 2020 and 2019, on which we have rendered our report dated March 10, 2021.

In compliance with the Revised Securities Regulations Code Rule 68, we are stating that the Company has 15 stockholders owning 100 or more shares each.

REYES TACANDONG & CO.

Joseph C. Bilangbilin

JOSEPH C. BILANGBILIN
Partner
CPA Certificate No. 102884
Tax Identification No. 210-181-965-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1778-A
Valid until September 23, 2022
BIR Accreditation No. 08-005144-011-2020
Valid until January 1, 2023
PTR No. 8534278
Issued January 5, 2021, Makati City

March 10, 2021
Makati City, Metro Manila

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
CTS Global Equity Group, Inc.
27/F East Tower, PSE Centre, Exchange Road
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of CTS Global Equity Group, Inc. (the Company) as at and for the years ended December 31, 2020 and 2019 and have issued our opinion thereon dated March 10, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules are the responsibility of the Company's management. These supplementary schedules include the following:

- Statement of Changes in Liabilities Subordinated to Claims of General Creditors;
- Computation of Risk-Based Capital Adequacy Worksheet Pursuant to SEC Memorandum Circular No. 16;
- Information Relating to the Possession or Control Requirements of SRC Rule 49.2;
- Computation for Determination of Reserve Requirements under SRC Rule 49.2 ;
- A Report Describing Any Material Inadequacies Found to Exist or Found to Have Existed Since the Date of the Previous Audit; and
- Results of Year-end Securities Count Conducted Pursuant to SRC Rule 52.1-10, as Amended.

These schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

Joseph C. Bilangbilin

JOSEPH C. BILANGBILIN
Partner
CPA Certificate No. 102884
Tax Identification No. 210-181-965-000
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Valid until January 1, 2023
PTR No. 8534278
Issued January 5, 2021, Makati City

March 10, 2021
Makati City, Metro Manila

SCHEDULE I

CTS GLOBAL EQUITY GROUP, INC.
STATEMENT OF CHANGES IN LIABILITIES
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

DECEMBER 31, 2020

The Company has no subordinated liability.

SCHEDULE II

CTS GLOBAL EQUITY GROUP, INC.
COMPUTATION OF RISK-BASED CAPITAL ADEQUACY WORKSHEET PURSUANT TO SEC MEMORANDUM CIRCULAR NO. 16

DECEMBER 31, 2020

Assets	₱842,613,028
Liabilities	329,157,301
Equity per books	513,455,727
Adjustments to Equity per books	
Add (Deduct):	
Allowance for Market Decline	
Subordinated Liability	
Unrealized Gain / (Loss) in Proprietary Accounts	
Deferred Income Tax	(10,267,108)
Revaluation Reserves	1,793,565
Deposit for Future Stock Subscription (No application with SEC)	
Minority Interest	
Total Adjustments to Equity per books	(8,473,543)
Equity Eligible For Net Liquid Capital	504,982,184
Contingencies and Guarantees	
Deduct: Contingent Liability	
Guarantees or Indemnities	
Ineligible Assets	
a. Trading Right and all Other Intangible Assets (net)	2,494,683
b. Intercompany Receivables	
c. Fixed Assets (net of accumulated and excluding those used as collateral)	22,873,201
d. All Other Current Assets	2,507,086
e. Securities Not Readily Marketable	
f. Negative Exposure (SCCP)	24,842
g. Notes Receivable (non-trade related)	
h. Interest and Dividends Receivables outstanding for more than 30 days	
i. Ineligible Insurance Claims	
j. Ineligible Deposits	
k. Short Security Differences	
l. Long Security Differences not Resolved prior to Sale	
m. Other Assets including Equity Investment in PSE	9,901,424
Total Ineligible Assets	37,801,236
Net Liquid Capital (NLC)	467,180,948
Less:	
Operating Risk Requirement	15,640,329
Position Risk Requirement	2,014,495
Counterparty Risk	127,420
Large Exposure Risk	
LERR to a Single Client	
LERR to a Single Debt	1,950,000
LERR to a Single Issuer and Company of Companies	
Total Risk Capital Requirement (TRCR)	19,732,244
Net RBCA Margin (NLC-TRCR)	447,448,704
Liabilities	329,157,301
Add: Deposit for Future Stock Subscription (No application with SEC)	
Less: Exclusions from Aggregate Indebtedness	
Subordinated Liability	
Loans and Secured Securities	
Loans Secured by Fixed Assets	
Others	131,760,048
Total Adjustments to AI	(131,760,048)
Aggregate Indebtedness	197,397,253
5% of Aggregate Indebtedness	9,869,863
Required Net Liquid Capital (> of 5% of AI or ₱5M)	9,869,863
Net Risk-Based Capital Excess / (Deficiency)	₱457,311,085
Ratio of AI to Net Liquid Capital	42%
RBCA Ratio (NLC/TRCR)	2,368%

SCHEDULE III

CTS GLOBAL EQUITY GROUP, INC.
INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS UNDER SRC RULE 49.2

DECEMBER 31, 2020

Customers' fully paid securities and excess margin securities not in the broker's or dealer's possession or control as at the report date (for which instructions to reduce to possession or control had been issued as at the report date but for which the required action was not taken by respondent within the time frame specified under SRC Rule 49.2):

Market valuation	NIL
Number of items	NIL

Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as at the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under SRC Rule 49.2:

Market valuation	NIL
Number of items	NIL

SCHEDULE IV

CTS GLOBAL EQUITY GROUP, INC.
COMPUTATION FOR DETERMINATION OF
RESERVE REQUIREMENTS UNDER SRC RULE 49.2

DECEMBER 31, 2020

Particulars	Credits	Debits
1. Free credit balance and other credit balance in customers' security accounts.	₱159,909,090	
2. Monies borrowed collateralized by securities carried for the account of customers.		
3. Monies payable against customers' securities loaned.		
4. Customers' securities failed to receive.		
5. Credit balances in firm accounts which are attributable to principal sales to customer.		
6. Market value of stock dividends stock splits and similar distributions receivable outstanding of 30 calendar days old.	1,263,219	
7. Market value of the short security count differences over 30 calendar days old.		
8. Market value of short securities and credits (not to be offset by long or by debits) in all suspense accounts over 30 calendar days.		
9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days.		
10. Debit balances in customers' cash or margin accounts excluding unsecured accounts and accounts doubtful of collection.		₱4,359,340
11. Securities borrowed to effectuate short sales by customer and securities borrowed to make delivery on customers' securities failed to delivery.		
12. Failed to deliver customers' securities not older than 30 calendar days.		
13. Others due from clearing house		
Total	₱161,172,309	₱4,359,340
Net Credit (Debit)	₱156,812,969	
Required Reserve (100% of net credit if making a weekly computation and 105% if monthly)	₱156,812,969	

SCHEDULE V

CTS GLOBAL EQUITY GROUP, INC.
A REPORT DESCRIBING ANY MATERIAL INADEQUACIES FOUND TO EXIST OR FOUND TO HAVE EXISTED SINCE THE DATE OF THE PREVIOUS AUDIT

DECEMBER 31, 2020

There were no matters involving the Company's internal structure and its operations that were considered to be material weaknesses.

SCHEDULE VI

CTS GLOBAL EQUITY GROUP, INC.
RESULTS OF YEAR-END SECURITIES COUNT
CONDUCTED PURSUANT TO SRC RULE 52.1-10, AS AMENDED

DECEMBER 31, 2020

There is no discrepancy in the results of the securities count conducted. Refer to page 68-72 for the results of year-end securities count conducted for the year ended December 31, 2020.

CTS GLOBAL EQUITY GROUP, INC.
RESULTS OF YEAR-END SECURITIES COUNT
CONDUCTED PURSUANT TO SRC RULE 52.1-10, AS AMENDED
DECEMBER 31, 2020

		Per Records		Per Count		Unlocated Difference	
		No. of Shares	Market Value	No. of Shares	Market Value	No. of Shares	Market Value
CODE	NAME						
2GO	2GO GROUP, INC.	1,000	₱8,300	1,000	₱8,300	–	₱–
AAA	ASIA AMALGAMATED HOLDINGS CORPORATION	9,700	15,617	9,700	15,617	–	–
AB	ATOK BIG WEDGE CO., INC.	3,170	25,328	3,170	25,328	–	–
ABA	ABACORE CAPITAL HOLDINGS, INC.	10,404,497	6,658,878	10,404,497	6,658,878	–	–
ABG	ASIABEST GROUP INTERNATIONAL INC.	13,400	139,092	13,400	139,092	–	–
ABS	ABS-CBN CORPORATION	60,330	704,654	60,330	704,654	–	–
ABSP	ABS-CBN PHIL. DEPOSIT	14,700	185,220	14,700	185,220	–	–
AC	AYALA CORPORATION	25,545	21,125,715	25,545	21,125,715	–	–
ACE	ACESITE (PHILS.) HOTEL CORPORATION	748,698	1,108,073	748,698	1,108,073	–	–
ACEN	AC ENERGY CORPORATION	7,364,202	66,277,818	7,364,202	66,277,818	–	–
ACEX	ACE ENEXOR, INC.	946,059	10,879,679	946,059	10,879,679	–	–
ACPB1	AYALA CORPORATION PREFERRED B1 SHARE	5,000	2,600,000	5,000	2,600,000	–	–
ACR	ALSONS CONSOLIDATED RES., INC.	20,723,000	28,183,280	20,723,000	28,183,280	–	–
AEV	ABOITIZ EQUITY VENTURES, INC.	628,440	29,693,790	628,440	29,693,790	–	–
AGI	ALLIANCE GLOBAL GROUP, INC.	2,516,600	26,675,960	2,516,600	26,675,960	–	–
ALCO	ARTHALAND CORPORATION	1,408,025	915,216	1,408,025	915,216	–	–
ALHI	ANCHOR LAND HOLDINGS, INC.	137,850	1,123,478	137,850	1,123,478	–	–
ALI	AYALA LAND, INC.	397,973	45,685,914	397,973	45,685,914	–	–
ALLHC	AYALALAND LOGISTICS HOLDINGS CORP.	10,000	5,458,700	10,000	5,458,700	–	–
ANI	AGRINURTURE, INC.	4,594,200	703,200	4,594,200	703,200	–	–
ANS	A. SORIANO CORPORATION	2,177,369	14,370,635	2,177,369	14,370,635	–	–
AP	ABOITIZ POWER CORPORATION	397,973	10,566,183	397,973	10,566,183	–	–
APB2R	AYALA CORPORATION PREFERRED B2 SHARE	10,000	5,155,000	10,000	5,155,000	–	–
APC	APC GROUP, INC.	4,594,200	1,860,651	4,594,200	1,860,651	–	–
APL	APOLLO GLOBAL CAPITAL, INC.	8,194,500	1,048,896	8,194,500	1,048,896	–	–
APO	ANGLO PHILIPPINE HOLDINGS CORP	4,849,332	3,733,986	4,849,332	3,733,986	–	–
APVI	ALTUS PROPERTY VENTURES, INC.	2,835	35,154	2,835	35,154	–	–
APX	APEX MINING CO., INC.	72,822,332	125,982,634	72,822,332	125,982,634	–	–
AR	ABRA MINING & INDUSTRIAL CORP.	370,200,000	1,073,580	370,200,000	1,073,580	–	–
ARA	ARANETA PROPERTIES, INC.	1,582,425	1,883,086	1,582,425	1,883,086	–	–
AREIT	AREIT,INC.	1,500,000	44,025,000	1,500,000	44,025,000	–	–
AT	ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION	5,597,625	36,160,658	5,597,625	36,160,658	–	–
ATI	ASIAN TERMINALS, INC.	192,499	2,999,134	192,499	2,999,134	–	–
ATN	ATN HOLDINGS, INC. A	11,748,000	9,985,800	11,748,000	9,985,800	–	–
ATNB	ATN HOLDINGS, INC. B	6,000	5,280	6,000	5,280	–	–
AUB	ASIA UNITED BANK CORPORATION	194,480	8,732,152	194,480	8,732,152	–	–
AXLM	AXELUM RESOURCES CORP	346,000	1,211,000	346,000	1,211,000	–	–
BC	BENGUET CORPORATION A	300,975	933,023	300,975	933,023	–	–
BCB	BENGUET CORPORATION B	1,029	3,087	1,029	3,087	–	–
BCP	BENGUET CORP. CONV. PREF. A	43	516	43	516	–	–
BDO	BDO UNIBANK, INC.	1,653,035	176,544,138	1,653,035	176,544,138	–	–
BEL	BELLE CORPORATION	61,114,548	104,505,877	61,114,548	104,505,877	–	–
BHI	BOULEVARD HOLDINGS, INC.	13,470,000	525,330	13,470,000	525,330	–	–
BKR	BRIGHT KINDLE RESOURCES & INVESTMENTS	727,740	662,243	727,740	662,243	–	–
BLFI	BDO LEASING & FINANCE, INC.	446,955	1,412,378	446,955	1,412,378	–	–
BLOOM	BLOOMBERRY RESORTS CORPORATION	165,200	1,339,772	165,200	1,339,772	–	–
BMM	BOGO MEDELLIN MILLING COMPANY	5,425	397,653	5,425	397,653	–	–
BPI	BANK OF THE PHILIPPINE ISLANDS	142,208	11,568,621	142,208	11,568,621	–	–
BRN	A BROWN COMPANY, INC.	5,330,935	4,797,842	5,330,935	4,797,842	–	–
BSC	BASIC ENERGY CORPORATION	6,065,013	2,850,556	6,065,013	2,850,556	–	–
C	CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.	251,800	1,311,878	251,800	1,311,878	–	–

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CA	CONCRETE AGGREGATES	2,000	₱107,100	2,000	₱107,100	–	₱–
CAT	CENTRAL AZUCARERA DE TARLAC	112,000	1,639,680	112,000	1,639,680	–	–
CDC	CITYLAND DEVELOPMENT CORP.	175,709	137,053	175,709	137,053	–	–
CEB	CEBU AIR, INC.	91,200	4,605,600	91,200	4,605,600	–	–
CEI	CROWN EQUITIES, INC.	7,774,911	1,135,137	7,774,911	1,135,137	–	–
CHI	CEBU HOLDINGS	1,337,875	7,893,463	1,337,875	7,893,463	–	–
CHIB	CHINA BANKING CORPORATION	4,488,116	111,978,494	4,488,116	111,978,494	–	–
CHP	CEMEX HOLDINGS PHILS.	1,885,137	2,733,449	1,885,137	2,733,449	–	–
CIP	CHEMICAL INDUSTRIES PHILS	2,290	290,372	2,290	290,372	–	–
CLI	CEBU LANDMASTERS, INC.	536,300	2,708,315	536,300	2,708,315	–	–
CNPF	CENTURY PACIFIC FOOD, INC.	37,700	659,750	37,700	659,750	–	–
CNVRG	CONVERGE INFORMATION & COMM	66,500	990,850	66,500	990,850	–	–
COAL	COAL ASIA HOLDINGS, INC.	600,000	174,000	600,000	174,000	–	–
COL	COL FINANCIAL GROUP, INC.	174,224,985	5,923,649,490	174,224,985	5,923,649,490	–	–
COSCO	COSCO CAPITAL, INC.	2,590,194	14,634,596	2,590,194	14,634,596	–	–
CPG	CENTURY PROP. GRP. INC.	2,487,175	1,119,229	2,487,175	1,119,229	–	–
CPM	CENTURY PEAK HOLDINGS CORP.	174,000	511,560	174,000	511,560	–	–
CROWN	CROWN ASIA CHEMICALS	10,000	18,700	10,000	18,700	–	–
CYBR	CYBER BAY CORPORATION	3,630,550	1,198,082	3,630,550	1,198,082	–	–
DAVIN	DA VINCI CAPITAL HOLDINGS, INC	161,714	853,850	161,714	853,850	–	–
DD	DOUBLEDRAGON PROPERTIES, CORP.	213,200	3,176,680	213,200	3,176,680	–	–
DDPR	DOUBLEDRAGON PREF.	12,000	1,231,200	12,000	1,231,200	–	–
DELM	DEL MONTE PACIFIC LIMITED	5,455,300	39,332,713	5,455,300	39,332,713	–	–
DFNN	DFNN INC.	3,500	18,025	3,500	18,025	–	–
DITO	DITO CME HOLDINGS CORPORATION	522,174	5,691,697	522,174	5,691,697	–	–
DIZ	DIZON MINES	286,412	2,354,307	286,412	2,354,307	–	–
DMC	DMCI HOLDINGS, INC.	2,323,430	13,150,614	2,323,430	13,150,614	–	–
DMW	D. M. WENCESLAO & ASSOC. INC.	244,500	1,858,200	244,500	1,858,200	–	–
DNL	D & L INDUSTRIES, INC.	730,600	5,625,620	730,600	5,625,620	–	–
DWC	DISCOVERY WORLD CORP.	12,689,000	32,991,400	12,689,000	32,991,400	–	–
EAGLE	EAGLE CEMENT CORPORATION	92,900	1,345,192	92,900	1,345,192	–	–
EEI	EEI CORPORATION	2,377,692	18,046,682	2,377,692	18,046,682	–	–
EG	IP E-GAME VENTURES, INC.	6,000,000	56,400	6,000,000	56,400	–	–
EIBA	EXPORT AND INDUSTRY BANK	5,356,970	1,392,812	5,356,970	1,392,812	–	–
EIBB	EXPORT AND INDUSTRY BANK "B"	200,000	52,000	200,000	52,000	–	–
ELI	EMPIRE EAST HOLDINGS, INC.	17,308,811	5,452,275	17,308,811	5,452,275	–	–
EMP	EMPERADOR, INC.	239,700	2,420,970	239,700	2,420,970	–	–
EVER	EVER GOTESCO HOLDINGS, INC.	525,000	44,625	525,000	44,625	–	–
EW	EAST WEST BANKING CORP.	270,989	2,926,681	270,989	2,926,681	–	–
FAF	FIRST ABACUS FINANCIAL HOLDING	172,000	123,840	172,000	123,840	–	–
FDC	FILINVEST DEVELOPMENT CORP.	1,134,283	10,707,632	1,134,283	10,707,632	–	–
FERRO	FERRONOUX HOLDINGS INC	100,000	408,000	100,000	408,000	–	–
FEU	FAR EASTERN UNIVERSITY, INC.	292	183,960	292	183,960	–	–
FFI	FILIPINO FUND, INC.	64,943	448,107	64,943	448,107	–	–
FGEN	FIRST GEN CORPORATION	105,150	2,959,973	105,150	2,959,973	–	–
FGENG	FIRST GEN CORP SERIES G PREFERRED SHAR	101,000	10,928,200	101,000	10,928,200	–	–
FLI	FILINVEST LAND, INC.	28,745,368	32,194,812	28,745,368	32,194,812	–	–
FNI	GLOBAL FERRONICKEL HOLDINGS INC	2,384,248	6,485,155	2,384,248	6,485,155	–	–
FOOD	ALLIANCE SELECT FOODS INTERNATIONAL, IN	603,197	398,110	603,197	398,110	–	–
FPH	FIRST PHIL. HOLDINGS CORP.	239,847	18,468,219	239,847	18,468,219	–	–
FPI	FORUM PACIFIC, INC.	9,964,260	2,241,959	9,964,260	2,241,959	–	–
FRUIT	FRUITAS HOLDINGS INC	533,000	906,100	533,000	906,100	–	–
FYN	FILSYN CORPORATION A	20,329	60,987	20,329	60,987	–	–
GEO	GEOGRACE RESOURCES PHILIPPINES	8,076,091	2,301,686	8,076,091	2,301,686	–	–
GERI	GLOBAL-ESTATE RESORTS, INC.	18,692,202	17,196,826	18,692,202	17,196,826	–	–
GLO	GLOBE TELECOMS, INC.	7,311	14,841,330	7,311	14,841,330	–	–
GMA7	GMA NETWORK, INC.	455,700	2,734,200	455,700	2,734,200	–	–
GMAP	GMA PHIL DEPOSITORY RECEIPTS	335,000	1,993,250	335,000	1,993,250	–	–
GO	GOTESCO LAND, INC. A	364,469	–	364,469	–	–	–
GOB	GOTESCO LAND, INC. B	4,550	–	4,550	–	–	–
GREEN	GREENERGY HOLDINGS INCORPORATED	3,504,198	9,110,915	3,504,198	9,110,915	–	–
GSMI	GINEBRA SAN MIGUEL INC.	58,300	2,880,020	58,300	2,880,020	–	–
GTCAP	GT CAPITAL HOLDINGS, INC.	24,650	14,420,250	24,650	14,420,250	–	–
GTPPA	GT CAPITAL HOLDINGS, INC. - SERIES A PERPE	10,000	10,000,000	10,000	10,000,000	–	–
HI	HOUSE OF INVESTMENTS, INC.	330,000	1,326,600	330,000	1,326,600	–	–
HLCM	HOLCIM PHILIPPINES, INC.	179,367	1,300,411	179,367	1,300,411	–	–
HOME	ALLHOME CORP	184,900	1,691,835	184,900	1,691,835	–	–
I	I-REMIT, INC.	193,356	324,838	193,356	324,838	–	–

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ICT	INTERNATIONAL CONTAINER	691,779	₱85,434,707	691,779	₱85,434,707	–	₱–
IDC	ITALPINAS DEVELOPMENT CORPORATION	2,700	8,586	2,700	8,586	–	–
IMI	INTEGRATED MICRO-ELECTRONICS, INC.	8,394	76,385	8,394	76,385	–	–
IMP	IMPERIAL RESOURCES, INC.	585,800	978,286	585,800	978,286	–	–
ION	IONICS, INC.	884,226	1,061,071	884,226	1,061,071	–	–
IPM	IPM HOLDINGS INC	300,167	2,386,328	300,167	2,386,328	–	–
IPO	IPEOPLE, INC.	103,679	933,111	103,679	933,111	–	–
IRC	PHILIPPINE INFRADEV HOLDINGS INC	397,000	559,770	397,000	559,770	–	–
IS	ISLAND INFORMATION	6,198,000	762,354	6,198,000	762,354	–	–
JAS	JACKSTONES, INC	2,110,000	4,452,100	2,110,000	4,452,100	–	–
JFC	JOLLIBEE FOODS CORPORATION	77,768	15,180,314	77,768	15,180,314	–	–
JGS	JG SUMMIT HOLDINGS, INC.	505,470	36,191,652	505,470	36,191,652	–	–
KPH	KEPPEL PHILIPPINES	137,781	715,083	137,781	715,083	–	–
KPHB	KEPPEL PHILIPPINES	134,000	678,040	134,000	678,040	–	–
LC	LEPANTO CONSOLIDATED MINING COMPANY A	96,611,674	15,457,868	96,611,674	15,457,868	–	–
LCB	LEPANTO CONSOLIDATED MINING COMPANY B	8,148,693	1,271,196	8,148,693	1,271,196	–	–
LFM	LIBERTY FLOUR MILLS, INC.	1,261,297	48,686,064	1,261,297	48,686,064	–	–
LIHC	LODESTAR INVSMT HOLDINGS CORP.	155,000	128,650	155,000	128,650	–	–
LMG	LMG CHEMICALS CORPORATION	180,000	801,000	180,000	801,000	–	–
LOTO	PACIFIC ONLINE SYSTEMS CORP.	29,978,600	63,254,846	29,978,600	63,254,846	–	–
LPZ	LOPEZ HOLDINGS CORPORATION	3,426,445	12,746,375	3,426,445	12,746,375	–	–
LR	LEISURE & RESORTS WORLD	2,178,675	4,183,056	2,178,675	4,183,056	–	–
LSC	LORENZO SHIPPING CORP.	100,000	101,000	100,000	101,000	–	–
LTG	LT GROUP, INC.	118,597	1,553,621	118,597	1,553,621	–	–
MA	MANILA MINING CORP. A	475,492,488	4,754,925	475,492,488	4,754,925	–	–
MAB	MANILA MINING CORP. B	50,939,310	560,332	50,939,310	560,332	–	–
MAC	MACROASIA CORPORATION	1,496,060	10,173,208	1,496,060	10,173,208	–	–
MACAY	MACAY HOLDINGS, INC.	701,890	6,218,745	701,890	6,218,745	–	–
MAH	METRO ALLIANCE HOLDINGS &	24,000	44,880	24,000	44,880	–	–
MARC	MARCVENTURES HOLDINGS, INC.	21,480	31,361	21,480	31,361	–	–
MAXS	MAX'S GROUP, INC.	522,000	3,596,580	522,000	3,596,580	–	–
MB	MANILA BULLETIN PUBLISHING COR	3,689,973	1,642,038	3,689,973	1,642,038	–	–
MBT	METROPOLITAN BANK & TRUST COMPANY	1,384,922	67,930,424	1,384,922	67,930,424	–	–
MC	MARSTEEL CONSOLIDATED, INC A	5,000,000	-	5,000,000	-	–	–
MED	MEDCO HOLDINGS, INC.	200,000	75,000	200,000	75,000	–	–
MEG	MEGAWORLD CORPORATION	9,005,791	36,743,627	9,005,791	36,743,627	–	–
MER	MANILA ELECTRIC COMPANY	248,523	72,568,716	248,523	72,568,716	–	–
MFC	MANULIFE FINANCIAL CORP.	368	301,760	368	301,760	–	–
MG	MILLENNIUM GLOBAL HOLDINGS, INC.	8,634,000	1,890,846	8,634,000	1,890,846	–	–
MGH	METRO GLOBAL HOLDINGS CORPORATION	76,400	76,400	76,400	76,400	–	–
MHC	MABUHAY HOLDINGS CORP.	3,098,000	1,672,920	3,098,000	1,672,920	–	–
MJC	MANILA JOCKEY CLUB, INC.	17,871,699	41,283,625	17,871,699	41,283,625	–	–
MJIC	MJC INVESTMENTS CORPORATION	3,400	6,120	3,400	6,120	–	–
MM	MERRYMART CONSUMER CORP.	643,000	3,973,740	643,000	3,973,740	–	–
MMC	MARCOPPER MINING CORP.	17	17	17	17	–	–
MPI	METRO PACIFIC INVESTMENTS CORP	8,639,260	36,976,033	8,639,260	36,976,033	–	–
MRC	MRC ALLIED, INC.	6,720,000	3,964,800	6,720,000	3,964,800	–	–
MRSGI	METRO RETAIL STORES GROUP, INC.	121,000	181,500	121,000	181,500	–	–
MWC	MANILA WATER COMPANY, INC.	911,700	14,568,966	911,700	14,568,966	–	–
MWIDE	MEGAWIDE CONSTRUCTION CORPORATION	29,488	234,135	29,488	234,135	–	–
NI	NIHAO MINERAL RESOURCES INT'L	1,023,300	3,090,366	1,023,300	3,090,366	–	–
NIKL	NICKEL ASIA CORPORATION	7,849,571	43,957,598	7,849,571	43,957,598	–	–
NOW	NOW CORPORATION	2,618,500	11,338,105	2,618,500	11,338,105	–	–
NRCP	NATIONAL REINSURANCE CORP.	9,544,000	6,394,480	9,544,000	6,394,480	–	–
NXGEN	NEXTGENESIS CORPORATION	61,800	432,600	61,800	432,600	–	–
OM	OMICO CORPORATION	1,202,497	450,936	1,202,497	450,936	–	–
OPM	ORIENTAL PET. & MIN. CORP. A	1,108,367,589	14,408,779	1,108,367,589	14,408,779	–	–
OPMB	ORIENTAL PET. & MIN. CORP. B	660,207,685	7,922,492	660,207,685	7,922,492	–	–
ORE	ORIENTAL PENINSULA RESOURCES GROUP, INC.	1,488,700	1,205,847	1,488,700	1,205,847	–	–
OV	THE PHILODRILL CORPORATION	549,447,685	6,043,925	549,447,685	6,043,925	–	–
OVB	THE PHILODRILL CORPORATION – B	0.40	–	0.40	–	–	–
PA	PACIFICA HOLDINGS INC	69,050	220,270	69,050	220,270	–	–
PAL	PAL HOLDINGS, INC.	69,828	457,373	69,828	457,373	–	–
PAX	PAXYS, INC.	10,829,000	25,231,570	10,829,000	25,231,570	–	–
PBB	PHILIPPINE BUSINESS BANK	68,610	878,208	68,610	878,208	–	–
PBC	PHIL. BANK OF COMMUNICATIONS	4,455	94,446	4,455	94,446	–	–
PCOR	PETRON CORPORATION	2,121,881	8,466,305	2,121,881	8,466,305	–	–
PCP	PICOP RESOURCES, INC.	1,520,420	311,686	1,520,420	311,686	–	–

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PERC	PETROENERGY RESOURCES	3,035,607	₱11,353,170	3,035,607	₱11,353,170	–	₱–
PGOLD	PUREGOLD PRICE CLUB, INC.	87,600	3,591,600	87,600	3,591,600	–	–
PHA	PREMIERE HORIZON ALLIANCE CORPORATION	414,000	455,400	414,000	455,400	–	–
PHC	PHILCOMSAT HOLDINGS CORP.	10,000	14,000	10,000	14,000	–	–
PHN	PHINMA CORPORATION	2,645	26,450	2,645	26,450	–	–
PHR	PH RESORTS HOLDINGS, INC.	108,000	303,480	108,000	303,480	–	–
PIZZA	SHAKEYS PIZZA ASIA VENTURES INC	44,000	338,800	44,000	338,800	–	–
PLC	PREMIUM LEISURE CORP.	32,025,000	14,251,125	32,025,000	14,251,125	–	–
PMPC	PANASONIC MANUFACTURING	3,176	17,119	3,176	17,119	–	–
PMT	PRIMETOWN PROPERTY GROUP, INC.	155,600	57,572	155,600	57,572	–	–
PNB	PHILIPPINE NATIONAL BANK	121,255	3,558,834	121,255	3,558,834	–	–
PNC	PHIL. NATIONAL CONST. CORP.	5,153	25,250	5,153	25,250	–	–
PNX	PHOENIX PETROLEUM PHILIPPINES.	71,725	896,563	71,725	896,563	–	–
PNX3B	PHOENIX PETROLEUM PHILS INC SERIES 3B PR	15,000	1,554,000	15,000	1,554,000	–	–
PNX4	PHOENIX PETROLEUM PHILS INC SERIES 4 PR	600	604,200	600	604,200	–	–
PPC	PRYCE CORPORATION	9,000	45,090	9,000	45,090	–	–
PRC	PHIL. RACING CLUB, INC.	24,453	180,952	24,453	180,952	–	–
PRF2B	PETRON PERPETUAL PREFERRED SHARES SE	1,000	1,029,000	1,000	1,029,000	–	–
PRF3B	PETRON CORPORATION SERIES 3B PERPETUA	2,250	2,506,500	2,250	2,506,500	–	–
PRIM	PRIME MEDIA HOLDINGS, INC.	2,077	1,786	2,077	1,786	–	–
PSB	PHILIPPINE SAVINGS BANK	31,171	1,701,937	31,171	1,701,937	–	–
PSE	THE PHILIPPINE STOCK EXCHANGE,	4,488	690,703	4,488	690,703	–	–
PTT	PHILIPPINE TELEGRAPH	725,139	239,296	725,139	239,296	–	–
PX	PHILEX MINING CORP.	4,922,911	24,368,409	4,922,911	24,368,409	–	–
PXP	PXP ENERGY CORPORATION	1,042,364	11,466,004	1,042,364	11,466,004	–	–
RCB	RIZAL COMMERCIAL BANKING	549,973	10,383,490	549,973	10,383,490	–	–
RCI	ROXAS AND COMPANY, INC.	422,177	544,608	422,177	544,608	–	–
REG	REPUBLIC GLASS HOLDINGS CORP.	7,546	23,015	7,546	23,015	–	–
RFM	RFM CORPORATION	133,220	606,151	133,220	606,151	–	–
RLC	ROBINSON LAND CORPORATION	285,843	6,059,872	285,843	6,059,872	–	–
RLT	PHIL. REALTY & HOLDINGS CORP.	47,498,281	15,674,433	47,498,281	15,674,433	–	–
ROCK	ROCKWELL LAND CORPORATION	38,329,329	59,027,167	38,329,329	59,027,167	–	–
ROX	ROXAS HOLDINGS, INC.	109,710	198,575	109,710	198,575	–	–
RPC	REYNOLDS PHILIPPINE CORP.	75,271	–	75,271	–	–	–
RRHI	ROBINSONS RETAIL HOLDINGS, INC.	1,000	65,000	1,000	65,000	–	–
SBS	SBS PHILIPPINES CORPORATION COMMON SH	78,775	441,140	78,775	441,140	–	–
SCC	SEMIRARA MINING AND POWER CORPORATION	1,794,400	24,726,832	1,794,400	24,726,832	–	–
SDP	SIME DARBY PILIPINAS, INC.	60	–	60	–	–	–
SECB	SECURITY BANK CORPORATION	191,695	25,687,130	191,695	25,687,130	–	–
SFI	SWIFT FOODS, INC.	43,916,257	5,621,281	43,916,257	5,621,281	–	–
SFIP	SWIFT FOODS, INC. CONVERTIBLE	15,428	24,685	15,428	24,685	–	–
SGI	SOLID GROUP, INC.	4,510,850	5,007,044	4,510,850	5,007,044	–	–
SGP	SYNERGY GRID & DEVELOPMENT PHILS., INC.	150	36,300	150	36,300	–	–
SHLPH	PILIPINAS SHELL PETROLEUM CORPORATION	360,700	7,448,455	360,700	7,448,455	–	–
SHNG	SHANG PROPERTIES, INC.	34,807,652	94,328,737	34,807,652	94,328,737	–	–
SLF	SUN LIFE FINANCIAL, INC.	3,419	6,838,000	3,419	6,838,000	–	–
SLI	STA. LUCIA LAND, INC.	137,730	272,705	137,730	272,705	–	–
SM	SM INVESTMENTS CORPORATION	27,613	28,966,037	27,613	28,966,037	–	–
SMC	SAN MIGUEL CORP.	714,423	91,517,586	714,423	91,517,586	–	–
SMC2C	SAN MIGUEL CORPORATION SERIES 2 PREFERRED SHARES	200,000	15,600,000	200,000	15,600,000	–	–
SMC2G	SAN MIGUEL CORPORATION SERIES 2 PREFER	92,900	7,041,820	92,900	7,041,820	–	–
SMC2J	SAN MIGUEL CORPORATION SERIES 2 PREFER	40,000	3,040,000	40,000	3,040,000	–	–
SMC2K	SAN MIGUEL CORPORATION SERIES 2 PREFER	50,000	3,775,000	50,000	3,775,000	–	–
SMPH	SM PRIME HOLDINGS, INC.	4,211,184	162,130,584	4,211,184	162,130,584	–	–
SOC	SOCRESOURCES, INC.	110,000	83,600	110,000	83,600	–	–
SPC	SPC POWER CORPORATION	500,000	4,910,000	500,000	4,910,000	–	–
SPM	SEAFRONT RESOURCES CORPORATION	46,767	86,519	46,767	86,519	–	–
SSI	SSI GROUP, INC.	4,466,100	6,654,489	4,466,100	6,654,489	–	–
SSP	SFA SEMICON PHILIPPINES CORPORATION	124,000	189,720	124,000	189,720	–	–
STI	STI EDUCATION SYSTEM HOLDINGS, INC.	9,403,000	4,372,395	9,403,000	4,372,395	–	–
STN	STENIEL MANUFACTURING CORP.	384,895	100,073	384,895	100,073	–	–
STR	VISTAMALLS, INC.	31,300	132,712	31,300	132,712	–	–
SUN	SUNTRUST HOME DEVELOPERS, INC.	4,906,250	8,193,438	4,906,250	8,193,438	–	–
SWM	SANITARY WARES MFG. CORP.	40,700	–	40,700	–	–	–
T	TKC METALS CORPORATION	312,000	302,640	312,000	302,640	–	–
TBGI	TRANSPACIFIC BROADBAND GROUP INT`L. INC.	19,450,000	6,515,750	19,450,000	6,515,750	–	–
TECH	CIRTEK HOLDINGS PHILIPPINES CORPORATION	4,000	26,560	4,000	26,560	–	–

		Per Records		Per Count		Unlocated Difference	
		No. of Shares	Market Value	No. of Shares	Market Value	No. of Shares	Market Value
CODE	**NAME**						
TEL	PLDT, INC.	20,522	₱27,499,480	20,522	₱27,499,480	–	₱–
TFHI	TOP FRONTIER INVESTMENTS HOLDINGS, INC.	51,266	7,177,240	51,266	7,177,240	–	–
TUGS	HARBOR STAR SHIPPING SERVICES, INC.	1,020,000	1,581,000	1,020,000	1,581,000	–	–
UBP	UNION BANK OF THE PHILS.	21,591	1,552,393	21,591	1,552,393	–	–
UNI	UNIOIL RESOURCES & HOLDINGS	7,823,500	1,924,581	7,823,500	1,924,581	–	–
UP	UNIVERSAL RIGHTFIELD PROPERTY	4,416,320	–	4,416,320	–	–	–
UPM	UNITED PARAGON MINING CORP.	68,675,568	398,318	68,675,568	398,318	–	–
URC	UNIVERSAL ROBINA CORPORATION	39,596	6,038,390	39,596	6,038,390	–	–
V	VANTAGE EQUITIES, INC.	1,540,000	1,601,600	1,540,000	1,601,600	–	–
VITA	VITARICH CORPORATION	2,326,756	2,117,348	2,326,756	2,117,348	–	–
VLL	VISTA LAND & LIFESCAPES, INC.	1,179,190	5,518,609	1,179,190	5,518,609	–	–
VMC	VICTORIAS MILLING COMPANY, INC	193,148	482,870	193,148	482,870	–	–
VUL	VULCAN INDUSTRIAL & MINING	1,212,560	1,273,188	1,212,560	1,273,188	–	–
WEB	PHILWEB CORPORATION	193,460	559,099	193,460	559,099	–	–
WIN	WELLEX INDUSTRIES, INC.	4,156,000	930,944	4,156,000	930,944	–	–
WLCON	WILCON DEPOT INC	266,600	4,505,540	266,600	4,505,540	–	–
WPI	WATERFRONT PHILIPPINES, INC.	779,138	451,900	779,138	451,900	–	–
X	XURPAS INC	146,000	80,300	146,000	80,300	–	–
ZHI	ZEUS HOLDINGS, INC.	700,000	128,800	700,000	128,800	–	–
			₱8,692,397,117		**₱8,692,397,117**		**₱–**

SCHEDULE VII

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

DECEMBER 31, 2020

	2020	2019
Current/liquidity ratio	**2.43**	2.27
Current assets	**₱747,076,612**	₱771,154,673
Current liabilities	**306,857,350**	339,969,396
Solvency ratio	**0.17**	(0.06)
After-tax income (loss) before depreciation	**₱55,016,796**	(₱22,852,564)
Total liabilities	**329,157,301**	365,344,250
Debt-to-equity ratio	**0.64**	0.77
Total liabilities	**₱329,157,301**	₱365,344,250
Total equity	**513,455,727**	473,154,412
Asset-to-equity ratio	**1.64**	1.77
Total assets	**₱842,613,028**	₱838,498,662
Total equity	**513,455,727**	473,154,412
Interest rate coverage ratio	**40.59**	(29.49)
Income (loss) before interest and taxes	**₱57,418,799**	(₱43,330,311)
Interest expense	**1,414,758**	1,469,085
Return on Equity	**0.09**	(0.07)
After-tax income (loss)	**₱46,895,187**	(₱32,491,882)
Total equity	**513,455,727**	473,154,412
Return on assets	**0.06**	(0.04)
After-tax income (loss)	**₱46,895,187**	(₱32,491,882)
Total assets	**842,613,028**	838,498,662
Other relevant ratios		
RBCA ratio	**2,368%**	1,240%
Ratio of AI to NLC	**42%**	43%