COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

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4/15/2020

SEC Registration Number

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COMPANY NAME

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
cathy.ong@colfinancial.com	(02) 8 635-5735	-

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
13	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
Ms. Catherine L. Ong	cathy.ong@colfinancial.com	(02) 8 635-5735	-

CONTACT PERSON'S ADDRESS

38-I P Florentino St. Cor P. Tuazon, Quezon 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. (FORMERLY CITISECURITIES, INC.)
ANNUAL AUDITED FINANCIAL REPORT
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DECEMBER 31, 2019

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

Securities and Exchange Commission
Electronic Records Management Division
JUN 11 2020
ICTD
BY:
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COVER PAGE

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

Report for the Year Beginning January 1, 2019 and Ended December 31, 2019.

IDENTIFICATION OF BROKER OR DEALER	
Name of Broker/Dealer:	CTS Global Equity Group, Inc. (Formerly Citisecurities, 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 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. 8116477 Issued January 6, 2020, 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, 2019 and 2018, 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

SUBSCRIBED AND SWORN to before me this 8 APRIL 2020, at Pasig, affiants exhibited to me their respective passports, as follows:

Name	Passport No.	Date/Place Issued
Edward K. Lee	EC5602768	Oct. 6, 2015/ DFA NCR East
Lawrence C. Lee	EC7163371	March 19, 2016/DFA NCR East
Alexander C. Yu	EC7891743	June 2, 2016/ DFA Manila

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Book No. : ✓
Series of 2020

ATTY. SHARON T. LIM
Notary Public for the Cities of Pasig,
San Juan and Municipality of Pateros
Until 12-31-21/ Appt. No. 103 (2020-2021)
2703C East Tower, Phil. Stock Exchange Centre,
Exchange Rd., Ortigas Center, Pasig City 1605
Roll No. 53601/ IBP No. 096494/ 12-05-19/ RSM
PTR No. 5242149/01-07-20/Pasig City
MCLE Compliance No. VI-0010529/04-14-22/Pasig

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. (formerly Citisecurities, 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. (formerly Citisecurities, Inc.) (the Company), which comprise the statements of financial position as at December 31, 2019 and 2018, 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, 2019 and 2018, 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.

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
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Valid until January 1, 2023
PTR No. 8116477
Issued January 6, 2020, Makati City

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April 8, 2020
Makati City, Metro Manila

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

STATEMENTS OF FINANCIAL POSITION

		December 31					
		2019			2018		
			Security Valuation			Security Valuation	
	Note	Money Balance	Long	Short	Money Balance	Long	Short
ASSETS							
Current Assets							
Cash and cash equivalents	7	₱469,228,089			₱386,507,647		
Financial assets at fair value through profit or loss (FVPL)	8	41,180,888	₱41,180,888		26,876,341	₱26,876,341	
Trade receivables	9	35,181,957	660,902,495		42,545,661	702,246,661	
Other receivables	10	223,762,326			178,019,182		
Other current assets		1,801,413			688,516		
Total Current Assets		771,154,673			634,637,347		
Noncurrent Assets							
Intangible assets	11	2,753,219			2,203,548		
Property and equipment	12	38,897,418			29,972,147		
Net deferred tax assets	20	14,909,789			950,662		
Other noncurrent assets	13	10,783,563			10,460,676		
Total Noncurrent Assets		67,343,989			43,587,033		
		₱838,498,662			₱678,224,380		
Securities in Vault, Transfer Offices, and Philippine Depository and Trust Corporation				₱5,965,466,351			₱5,411,736,778
LIABILITIES AND EQUITY							
Current Liabilities							
Trade payables	14	₱332,627,220	5,263,382,968		₱456,602,250	4,682,613,776	
Lease liabilities - current portion	19	4,169,736			–		
Income tax payable		–			193,898		
Other current liabilities	15	3,172,440			3,626,733		
Total Current Liabilities		339,969,396			460,422,881		
Noncurrent Liability							
Net retirement benefit liability	18	15,805,894			8,301,440		
Lease liabilities - net of current portion	19	9,568,960			–		
Total Noncurrent Liabilities		25,374,854			8,301,440		
Total Liabilities		365,344,250			468,724,321		
Equity							
Capital stock	5	200,000,000			200,000,000		
Deposits for future stock subscriptions	5	300,000,000			–		
Retained earnings (Deficit):							
Appropriated		–			3,814,056		
Unappropriated		(27,445,895)			1,231,931		
Cumulative gains on remeasurement of retirement benefits (net of deferred income tax)	18	600,307			4,454,072		
Total Equity		473,154,412			209,500,059		
		₱838,498,662	₱5,965,466,351	₱5,965,466,351	₱678,224,380	₱5,411,736,778	₱5,411,736,778

See accompanying Notes to Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31 2019	2018
REVENUES			
Trading gains on financial assets at FVPL	8	**₱25,638,532**	₱35,045,644
Interests	7,10	**11,259,738**	12,952,951
Commissions		**6,779,289**	5,533,197
Dividends	8	**3,310,176**	1,319,513
Reversal of provision for credit losses	9	**57,881**	109,974
Foreign exchange gains - net		**–**	8,499,324
Other income		**500**	11,664,430
		47,046,116	75,125,033
COSTS OF SERVICES			
Personnel costs	17	**25,197,795**	22,561,014
Commissions		**13,289,864**	13,739,096
Transaction costs		**4,642,060**	5,301,235
Research		**2,744,564**	2,597,367
Stock exchange dues and fees		**1,481,247**	1,362,276
Communications		**1,216,508**	1,192,494
Central depository fees		**615,984**	567,673
		49,188,022	47,321,155
GROSS PROFIT (LOSS)		**(2,141,906)**	27,803,878
OPERATING EXPENSES			
Personnel costs	17	**10,555,920**	9,814,947
Communications		**3,942,706**	2,799,552
Power, light, and water		**2,884,031**	2,583,913
Insurance and bonds		**1,459,525**	1,130,945
Security and other manpower services		**1,217,883**	1,248,724
Taxes and licenses		**923,043**	1,226,920
Professional fees		**736,286**	469,849
Office supplies		**359,328**	377,447
Transportation and travel		**358,550**	287,008
Trainings and seminars		**337,054**	522,401
Representation		**96,321**	132,031
Management bonus		**1,603,000**	1,572,000
Rentals	19	**–**	4,615,959
Others		**419,497**	402,445
		24,893,144	27,184,141
Depreciation and amortization	11,12	**9,639,318**	7,129,737
Foreign exchange losses - net		**6,655,943**	–
Interest expense	18,19	**1,469,085**	594,524
		42,657,490	34,908,402
LOSS BEFORE INCOME TAX		**(44,799,396)**	(7,104,524)

(Forward)

	Note	Years Ended December 31 2019	2018
INCOME TAX EXPENSE (BENEFIT)	21		
Current		**₱–**	₱360,961
Deferred		**(12,307,514)**	839,432
		(12,307,514)	1,200,393
NET LOSS		**(32,491,882)**	(8,304,917)
OTHER COMPREHENSIVE LOSS			
Not to be reclassified to profit or loss on subsequent periods	18		
Remeasurement loss on retirement benefits		**(5,505,378)**	(2,317,487)
Deferred income tax benefit		**1,651,613**	695,246
		(3,853,765)	(1,622,241)
TOTAL COMPREHENSIVE LOSS		**(₱36,345,647)**	(₱9,927,158)

See accompanying Notes to Financial Statements.

CTS GLOBAL EQUITY GROUP, INC. (FORMERLY CITISECURITIES, 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 on Retirement Benefits (net of Deferred Income Tax)	Total Equity
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		–	–	(3,814,056)	3,814,056	–	–	–
Other comprehensive loss	18	–	–	–	–	–	(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
Balances at December 31, 2017		₱200,000,000	₱–	₱2,870,853	₱10,480,051	₱13,350,904	₱6,076,313	₱219,427,217
Net loss		–	–	–	(8,304,917)	(8,304,917)	–	(8,304,917)
Appropriation	5	–	–	943,203	(943,203)	–	–	–
Other comprehensive loss	18	–	–	–	–	–	(1,622,241)	(1,622,241)
Balances at December 31, 2018		₱200,000,000	₱–	₱3,814,056	₱1,231,931	₱5,045,987	₱4,454,072	₱209,500,059

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(₱44,799,396)**	(₱7,104,524)
Adjustments for:			
Interest income	7,10	**(11,259,738)**	(12,952,951)
Depreciation and amortization	11,12	**9,639,318**	7,129,737
Unrealized foreign exchange losses (gains)		**6,655,943**	(5,421,110)
Dividend income	8	**(3,310,176)**	(1,319,513)
Interest expense	18,19	**1,469,085**	594,524
Retirement benefit expense	18	**1,359,865**	1,626,138
Unrealized losses on financial assets at FVPL	8	**754,525**	7,444,790
Reversal of provision for credit losses	9	**(57,881)**	(109,974)
Gain on disposal of equipment		**(500)**	–
Other income		**–**	(11,495,667)
Operating loss before working capital changes		**(39,548,955)**	(21,608,550)
Decrease (increase) in:			
Financial assets at FVPL		**(17,152,106)**	(2,196,979)
Trade receivables		**7,421,585**	(2,690,862)
Other receivables		**(50,092,653)**	(58,005,707)
Other current assets		**(1,112,897)**	400,142
Other noncurrent assets		**(322,887)**	(748,541)
Increase (decrease) in:			
Trade payables		**(123,975,030)**	(54,808,522)
Other current liabilities		**(688,039)**	(5,542,230)
Net cash used for operations		**(225,470,982)**	(145,201,249)
Interest received		**11,583,276**	12,563,499
Dividend received		**3,223,056**	1,415,298
Income taxes paid		**(397,300)**	(37,941)
Net cash used in operating activities		**(211,061,950)**	(131,260,393)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Intangible asset	11	**(815,760)**	–
Property and equipment	12	**(772,323)**	(546,842)
Proceeds from disposal of equipment	12	**500**	–
Contributions to plan asset	18	**–**	(6,487,125)
Net cash used in investing activities		**(1,587,583)**	(7,033,967)
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposits for future stock subscriptions	5	**300,000,000**	–
Payments on lease liabilities	19	**(4,617,355)**	–
Net cash provided by financing activities		**295,382,645**	–

(Forward)

	Note	Years Ended December 31 2019	2018
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**₱82,733,112**	(₱138,294,360)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(12,670)**	22,279
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**386,507,647**	524,779,728
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**₱469,228,089**	₱386,507,647

See accompanying Notes to Financial Statements.

CTS GLOBAL EQUITY GROUP, INC. (FORMERLY CITISECURITIES, INC.)
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

CTS Global Equity Group, Inc. (the Company), formerly known as Citisecurities, Inc., 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.

The financial statements of the Company as at and for the years ended December 31, 2019 and 2018 were approved and authorized for issue by the Board of Directors (BOD) on April 8, 2020.

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, 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 new and amended PFRS which the Company adopted effective beginning January 1, 2019:

- PFRS 16, *Leases* – This standard replaces PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives,* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 requires lessees to account for all leases under a single on-balance sheet model and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

  At the commencement date of a lease, the lessee shall recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to depreciate the right-of-use (ROU) asset.

  The lease liability shall be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

  The Company adopted PFRS 16 using the modified retrospective method which requires that cumulative effect of initially applying the standard is recognized at the beginning of the year of initial application. Accordingly, the comparative information presented for 2018 has not been restated. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying PAS 17 at the date of initial application.

  The Company recognized lease liability and the corresponding ROU asset amounting to ₱14.5 million, on the lease agreement covering its office spaces (see Note 19). The amount represents the present value of minimum lease payments as at January 1, 2019.

The following reconciliation to the opening balance for lease liabilities as at January 1, 2019 is based upon the operating leases as at December 31, 2018:

Total operating lease commitments as at December 31, 2018	₱19,857,544
Effect of discounting	(5,355,820)
Lease liabilities due to initial recognition of PFRS 16 as at January 1, 2019	₱14,501,724

The Company has applied incremental borrowing rates ranging from 3.87% to 7.03% for the computation of lease liabilities and ROU assets. The adoption at the initial application of the Standard did not result to an adjustment in the beginning balance of retained earnings.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes,* in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

- Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.

Except for PFRS 16, adoption of the foregoing pronouncements did not have a significant impact on the Company's statements of financial position or performance. Additional disclosures were included in the financial statements as necessary.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2019 and have not been applied in preparing the financial statements, are summarized below.

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.

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 trade 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 (in case of an asset) or received (in case of a liability). 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, 2019 and 2018, 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, 2019 and 2018, the Company's cash and cash equivalents, trade receivables, other receivables (except advances to officers and employees, excess tax credits, and others), 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 13).

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, 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.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

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 ninety (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, 2019 and 2018, 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 impaired or through the amortization process.

As at December 31, 2019 and 2018, the Company's trade payables, other current liabilities (excluding statutory payables), and lease liabilities are classified under this category (see Notes 14, 15, and 19).

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 comprise mainly of prepayments and input value-added tax (VAT).

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 twelve (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 "Trade and other payables" accounts, respectively, in the statements of financial position.

Deferred Input VAT
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.

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

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

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

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.

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.

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.

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

- There is a lack of or insufficiency in authorized unissued shares of stock;
- The Company's BDO and stockholders have approved an increase in authorized capital stock; and
- An application for the approval of the increase in authorized capital stock has been presented for filing or has been filed with the SEC.

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.

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. Consists of commissions and are recorded on trade date basis as trade transactions occur.

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

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 approve the dividend declaration.

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.

<u>Leases</u>

a. Accounting Policies prior to January 1, 2019

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (i), (iii) or (iv) and at the date of renewal or extension period for scenario (ii).

Company as a Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

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 on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

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

Income Taxes

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

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

Deferred tax liabilities are recognized for all taxable temporary differences that are expected to increase future taxable income. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized to equity or in OCI.

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

Related Party Transactions

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.

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.

Determination of Operating Lease prior to January 1, 2019 - Company as Lessee. The Company has lease agreements for its office space and parking lots. The Company has determined that the risks and benefits related to the leased properties are retained by the lessors.

Rental expense recognized in the statements of comprehensive income amounted to ₱4.6 million in 2018 (see Note 19).

Determination of the Lease Term of Contracts with Renewal Options – Company as lessee. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease.

The Company's lease contracts include extension options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew (e.g., construction of significant leasehold improvements or significant customization to the leased asset). The management assessed that the option to extend the lease is reasonably certain to be exercised. Accordingly, the lease term includes the period covered by the extension option.

Accounting Estimates and Assumptions

Assessment for 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 ₱57,881 and ₱109,974 was recognized on trade receivables in 2019 and 2018, respectively. Allowance for credit losses amounted to ₱0.3 million and ₱0.4 million as at December 31, 2019 and 2018, respectively. The carrying amount of trade receivables amounted to ₱35.2 and ₱42.5 million as at December 31, 2019 and 2018, respectively (see Note 9).

Assessment for 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 ninety (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 2019 and 2018.

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

	Note	**2019**	2018
Cash and cash equivalents	7	**₱469,228,089**	₱386,507,647
Other receivables*	10	**222,949,502**	177,482,996
Refundable deposits**	13	**10,348,239**	9,722,307

**Excluding nonfinancial assets amounting to ₱0.8 million and ₱0.5 million as at December 31, 2019 and 2018, respectively.*
***Included under "Other noncurrent assets" of the statements of financial position.*

Estimation of the Useful Lives of Intangible Assets. 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 are estimated based on the period over which the asset is expected to be available for use and are reviewed periodically to ensure that the method and period of amortization are consistent with the expected pattern of economic benefits from the lives of the intangible assets. The useful lives are updated if expectations differ from previous estimates due to physical wear and tear, technical, and commercial obsolescence. Any reduction in the estimated useful lives of the intangible 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 in 2019 and 2018.

Estimation of the Useful Lives of Property and Equipment (including Right-of-Use Assets). The useful lives of property and equipment 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 property and equipment.

The useful lives are updated if expectations differ from previous estimates due to physical wear and tear, 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 life of property and equipment in 2019 and 2018.

Assessment for the Impairment of Nonfinancial Assets. The Company assesses impairment on intangible assets, property and equipment (including right-of-use assets), 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 2019 and 2018.

The carrying amounts of nonfinancial assets are as follows:

	Note	**2019**	2018
Property and equipment	12	**₱38,897,418**	₱29,972,147
Intangible assets	11	**2,753,219**	2,203,548
Other current assets		**1,801,413**	688,516
Other receivables*	10	**812,824**	536,186
Other noncurrent assets**	13	**435,324**	738,369

**Includes advances to officers and employees, excess tax credits and others.*

***Excluding refundable deposits amounting to ₱10.3 million and ₱9.7 million as at December 31, 2019 and 2018, respectively.*

Leases – Estimation of the Incremental Borrowing rate (IBR). The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR using available observable inputs (such as the prevailing BVAL interest rates) adjusted for entity-specific estimates, to reflect the terms and conditions of the lease.

The Company has applied weighted average incremental borrowing rates ranging from 3.87% to 7.03% for the computation of its lease liabilities and ROU assets. ROU assets and lease liabilities amounted to ₱13,199,322 and ₱13,738,696, respectively, as at December 31, 2019 (see Note 19).

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 18 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 ₱15.8 million and ₱8.3 million as at December 31, 2019 and 2018, respectively (see Note 18).

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.

The Company recognized deferred tax assets amounting to ₱26.2 million and ₱10.5 million as at December 31, 2019 and 2018, respectively, because the management believes that the Company will be able to generate sufficient taxable income in the future 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 20).

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, other receivables (excluding nonfinancial assets), 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.

	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	–	35,513,672	–	35,513,672
Other receivables*	222,949,502	–	–	222,949,502
Refundable deposits**	10,348,239	–	–	10,348,239
	₱702,513,830	₱35,513,672	₱–	₱738,027,502

**Excluding nonfinancial assets amounting to ₱0.8 million as at December 31, 2019.*
***Included under "Other noncurrent assets" account in the statements of financial position.*

	2018			
	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit impaired	Total
Financial assets at amortized cost:				
Cash in banks and cash equivalents	₱386,495,647	₱–	₱–	₱386,495,647
Trade receivables	–	42,935,257	–	42,935,257
Other receivables*	177,482,996	–	–	177,482,996
Refundable deposits**	9,722,307	–	–	9,722,307
	₱573,700,950	₱42,935,257	₱–	₱616,636,207

**Excluding nonfinancial assets amounting to ₱0.5 million as at December 31, 2018.*
***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. PSE index). 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, 2019 and 2018 is as follows:

	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**

	2018		
Days from Transaction Date of Counterparty	Amount	Collateral (net of haircut)	Counterparty Exposure
1 - 3 days	₱3,430,709	₱301,940,061	₱–
4 - 14 days	315,060	15,166,152	–
15 - 31 days	366,946	3,602,722	276
Over 31 days	2,549,590	136,480,174	383,157
	₱6,662,305	₱457,189,109	₱383,433

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, 2019 and 2018, receivables from customers amounting to ₱7.7 million and ₱6.7 million, respectively, are secured by collateral comprising of equity securities of listed companies with a total market value of ₱660.9 million and ₱702.2 million, respectively (see Note 9).

Other Financial Assets at Amortised Cost
It is the Company's policy to measure ECL on other financial assets at amortised cost on a twelve (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 ninety (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 2019 and 2018.

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, 2019 and 2018:

	2019				
	On Demand	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Trade payables	**₱332,627,220**	**₱–**	**₱–**	**₱–**	**₱332,627,220**
Lease liabilities	**–**	**–**	**4,936,360**	**10,325,355**	**15,261,715**
Other current liabilities*	**–**	**2,633,191**	**–**	**–**	**2,633,191**
	₱332,627,220	**₱2,633,191**	**₱4,936,360**	**₱10,325,355**	**₱350,522,126**

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

	2018				
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Trade payables	₱456,602,250	₱–	–	–	₱456,602,250
Other current liabilities*	–	2,921,432	–	–	2,921,432
	₱456,602,250	₱2,921,432	₱–	₱–	₱459,523,682

Excluding statutory liabilities amounting to ₱0.7 million as at December 31, 2018.

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, 2019				December 31, 2018	
	HK Dollar	Philippine Peso	US Dollar	Philippine Peso	US Dollar	Philippine Peso
Financial assets:						
Cash in banks	$–	₱–	$6,012	₱304,726	$6,671	₱351,725
Due from other brokers	10,000,590	65,165,842	3,098,937	157,252,467	3,351,224	176,689,934
	$10,000,590	₱65,165,842	$3,104,949	₱157,557,193	$3,357,895	₱177,041,659

For purposes of restating the outstanding balances of the Company's foreign currency-denominated monetary financial assets as at December 31, 2019, the exchange rates applied were ₱50.74 and ₱6.52 per US$1 and HK$1, respectively. As at December 31, 2018, the exchange rate applied was ₱52.72 per US$1.

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, 2019 and 2018. 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, 2019	**+0.64**	**+0.07**	**₱1,987,167**	**₱700,041**
	-0.64	**-0.07**	**(1,987,167)**	**700,041**
December 31, 2018	+0.98	–	₱3,290,737	₱–
	-0.98	–	(3,290,737)	–

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 2019 and 2018:

	2019		2018	
Changes in PSEi	**14.59%**	**(14.59%)**	17.62%	(17.62%)
Changes in trading income at equity portfolio under:				
Food, beverage, and tobacco	**₱2,421,006**	**(2,421,006)**	₱1,557,443	(₱1,557,443)
Banks	**265,821**	**(265,821)**	112,447	(112,447)
Mining	**219,845**	**(219,845)**	8,234	(8,234)
Transportation services	**41,133**	**(41,133)**	8,878	(8,878)
Holding firms	**23,950**	**(23,950)**	321,497	(321,497)
Property	**11,925**	**(11,925)**	62,576	(62,576)
Information technology	**11,213**	**(11,213)**	10,069	(10,069)
Other financial institution	**42**	**(42)**	99,372	(99,372)
Electricity, energy, power, and water	**–**	**–**	238,808	(238,808)
Others	**13,415**	**(13,415)**	38,385	(38,385)
	₱3,008,350	**(3,008,350)**	₱2,457,709	(₱2,457,709)

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.

Required Capitalization for Broker/Dealers

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 ₱172.6 million and ₱200.0 million as at December 31, 2019 and 2018, respectively.

Details of the Company's common shares with a par value of ₱100.0 per share are as follows:

	2019		2018	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized Capital Stock				
Balance at beginning and end of year	**2,000,000**	**₱200,000,000**	2,000,000	₱200,000,000
Issued and Outstanding				
Balance at beginning and end of year	**2,000,000**	**₱200,000,000**	2,000,000	₱200,000,000

Deposits for Future Stock Subscriptions

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 with a par value of ₱1.0 per share to ₱800.0 million divided into 800.0 million common shares with a par value of ₱1.0 per share. The amount of cash received from existing and potential stockholders to be applied as payment for future issuance of common stock 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 is 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 resulting to the issuance of additional 300.0 million shares at ₱1.0 par value from the Company's unissued capital stock.

Reserve Fund

The Company shall annually appropriate a certain minimum percentage of its previous year's audited net income and transfer the same to "Appropriated Retained Earnings" in compliance with SRC Rule 49.1 (B). The Company appropriated a reserve fund amounting to ₱0.9 million in 2018. 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, 2019 and 2018 as shown below:

	2019	2018
NLC:		
Equity eligible for NLC	**₱457,644,316**	₱204,095,325
Less ineligible assets	**56,730,319**	45,098,339
	400,913,997	158,996,986
Required NLC:		
Higher of:		
5% of AI	**8,563,243**	8,045,135
Minimum amount	**5,000,000**	5,000,000
	8,563,243	8,045,135
Net risk-based capital excess	**₱392,350,754**	₱150,951,851

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 43% and 101% as at December 31, 2019 and 2018, 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.

	2019	2018
NLC	**₱400,913,997**	₱158,996,986
TRCR:		
Operational risk	**18,071,422**	14,779,713
Position risk	**14,247,566**	9,151,314
Credit risk	**4,717**	138
Total risk capital requirement	**₱32,323,705**	₱23,931,165
RBCA ratio	**1,240%**	664%

As at December 31, 2019 and 2018, 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:

	2019	2018
Capital stock	**₱200,000,000**	₱200,000,000
Beginning retained earnings	**5,045,987**	13,350,904
Core equity	**205,045,987**	213,350,904
ORR	**18,071,422**	14,779,713
Ratio of Core Equity to ORR	**1,135%**	1,444%

6. Fair Value Measurement

The following table presents the carrying amount and fair value of the Company's asset measured at fair value and the corresponding fair value hierarchy:

		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**	**₱–**	**₱–**

		2018			
			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	₱26,876,341	₱26,876,341	₱–	₱–

The Company's financial assets at FVPL as at December 31, 2019 and 2018 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.

There were no transfers between Level 1, Level 2, and Level 3 fair value measurements in 2019 and 2018.

The table below presents the financial assets and liabilities as December 31, 2019 and 2018 whose carrying amount approximates their fair value or the fair value cannot be reliably determined:

	2019	2018
Financial assets at amortized cost:		
Cash and cash equivalents	**₱469,228,089**	₱386,507,647
Trade receivables	**35,181,957**	42,545,661
Other receivables*	**222,949,502**	177,482,996
Refundable deposits**	**10,348,239**	9,722,307
Total financial assets	**₱737,707,787**	₱616,258,611

**Excluding nonfinancial assets aggregating to ₱0.8 million and ₱0.5 million as at December 31, 2019 and 2018, respectively.*
***Included under "Other noncurrent assets" account in the statements of financial position.*

	2019	2018
Other financial liabilities at amortized cost:		
Trade payables	**₱332,627,220**	₱456,602,250
Other current liabilities*	**2,633,191**	2,921,432
Total financial liabilities	**₱335,260,411**	₱459,523,682

**Excluding statutory liabilities aggregating to ₱0.5 million and ₱0.7 million as at December 31, 2019 and 2018, respectively.*

Current Financial Assets and Liabilities. The carrying amounts of cash and cash equivalents, trade receivables, other receivables (excluding nonfinancial assets), 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:

	2019	2018
Cash on hand and in banks	**₱173,534,145**	₱185,777,385
Short-term placements	**295,693,944**	200,730,262
	₱469,228,089	₱386,507,647

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 3.5% to 4.0% and 6.5% to 6.6% per annum in 2019 and 2018, respectively. Interest income earned from cash in banks and short-term placements amounted to ₱7.9 million and ₱10.1 million in 2019 and 2018, 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 ₱449.0 million and ₱374.3 million as at December 31, 2019 and 2018, respectively. The Company's reserve requirement is determined weekly based on the SEC's prescribed computation. As at December 31, 2019 and 2018, the Company's reserve accounts are adequate to cover its reserve requirements.

8. Financial Assets at FVPL

This account consists of:

	Note	2019	2018
PSE shares	11	**₱839,125**	₱863,100
Other listed shares		**40,341,763**	26,013,241
		₱41,180,888	₱26,876,341

The fair value of PSE shares is determined based on its market prices as at December 31, 2019 and 2018 amounting to ₱175.0 per share and ₱180.0 per share, respectively. The Company holds 4,795 PSE shares as at December 31, 2019 and 2018.

The Company's financial assets at FVPL as at December 31, 2019 and 2018 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 ₱3.3 million and ₱1.3 million in 2019 and 2018, respectively.

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

	2019	2018
Realized fair value gains	**₱26,393,057**	₱42,490,434
Unrealized losses on fair value changes	**(754,525)**	(7,444,790)
	₱25,638,532	₱35,045,644

9. **Trade Receivables**

This account consists of:

	2019	2018
Receivables from:		
Clearing house	**₱27,818,991**	₱36,272,952
Customers	**7,694,681**	6,662,305
	35,513,672	42,935,257
Less allowance for credit losses	**331,715**	389,596
	₱35,181,957	₱42,545,661

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

	2019		2018	
	Money Balances	**Security Valuation - Long**	Money Balances	Security Valuation - Long
Cash and fully secured accounts:				
More than 250%	**₱7,118,770**	**₱660,544,456**	₱6,078,338	₱702,033,297
Between 200% and 250%	**922**	**2,064**	1,102	2,526
Between 150% and 200%	**352**	**627**	100	154
Between 100% and 150%	**259,889**	**322,534**	1,057	1,202
Partially secured accounts	**156,742**	**32,814**	580,853	209,482
Unsecured accounts	**158,006**	**–**	855	–
	7,694,681	**660,902,495**	6,662,305	702,246,661
Less allowance for credit losses	**331,715**	**–**	389,596	–
	₱7,362,966	**₱660,902,495**	₱6,272,709	₱702,246,661

Collaterals related to receivables from customers pertain to listed equity securities amounting to ₱660.9 million and ₱702.2 million as at December 31, 2019 and 2018, 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.

Receivables from clearing house are due and collectible after three business days from the transaction date. Accordingly, balances as at December 31, 2019 and 2018, were fully collected in January 2020 and 2019, respectively.

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

	2019	2018
Balance at beginning of year	₱389,596	₱499,570
Less reversal of provision for credit losses	57,881	109,974
Balance at end of year	₱331,715	₱389,596

10. Other Receivables

This account consists of:

	2019	2018
Receivable from other brokers	₱222,418,309	₱176,689,934
Advances to officers and employees	510,473	391,118
Interest receivable	461,164	793,062
Excess tax credits	203,402	–
Others	168,978	145,068
	₱223,762,326	₱178,019,182

Receivable from other brokers pertains to the fund held by other brokers as at December 31, 2019 and 2018 in order for the Company to trade in other foreign markets. Interest income earned from receivables from other brokers amounted to ₱3.4 million and ₱2.9 million in 2019 and 2018, respectively.

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

11. Intangible Assets

This account consists of:

	2019	2018
Software and licenses	₱1,462,459	₱1,728,548
Intangible assets under development	815,760	–
Exchange trading right	475,000	475,000
	₱2,753,219	₱2,203,548

Software and Licenses

The balance and movements of software and licenses as at and for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Cost		
Balance at beginning and end of year	**₱2,818,034**	₱2,818,034
Accumulated Amortization		
Balance at beginning of year	**1,089,486**	810,302
Amortization	**266,089**	279,184
Balance at end of year	**1,355,575**	1,089,486
Carrying Amount	**₱1,462,459**	₱1,728,548

Intangible Assets Under Development

This pertains to the trader management system which the Company is currently developing and is expected to be used in the following year.

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, 2019 and 2018, the carrying amount of the investment in PSE shares and the exchange trading right are as follows:

	Note	2019	2018
Investment in PSE shares	8	**₱839,125**	₱863,100
Exchange trading right		**475,000**	475,000
		₱1,314,125	₱1,338,100

As at December 31, 2019 and 2018, 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 2019 and 2018.

12. Property and Equipment

The balances and movements of this account as at and for the years ended December 31, 2019 and 2018 are as follows:

	2019			
	Furniture, Fixtures, and Office Equipment	Office Condominium Units and Improvements	Leasehold Improvements	Total
Cost				
Balances as at January 1, 2019	₱25,211,673	₱29,508,290	₱11,863,472	₱66,583,435
Effect of PFRS 16	–	14,501,724	–	14,501,724
Balances at beginning of the year	25,211,673	44,010,014	11,863,472	81,085,159
Additions	772,323	3,024,453	–	3,796,776
Disposals	(1,572,435)	(887,878)	–	(2,460,313)
Balances at end of year	24,411,561	46,146,589	11,863,472	82,421,622
Accumulated Depreciation and Amortization				
Balances at beginning of year	20,006,280	9,104,269	7,500,739	36,611,288
Depreciation and amortization	2,962,661	5,905,182	505,386	9,373,229
Disposals	(1,572,435)	(887,878)	–	(2,460,313)
Balances at end of year	21,396,506	14,121,573	8,006,125	43,524,204
Carrying Amounts	₱3,015,055	₱32,025,016	₱3,857,347	₱38,897,418

	2018			
	Furniture, Fixtures, and Office Equipment	Office Condominium Units and Improvements	Leasehold Improvements	Total
Cost				
Balances at beginning of year	₱24,677,945	₱29,508,290	₱11,863,472	₱66,049,707
Additions	546,842	–	–	546,842
Disposals	(13,114)	–	–	(13,114)
Balances at end of year	25,211,673	29,508,290	11,863,472	66,583,435
Accumulated Depreciation and Amortization				
Balances at beginning of year	16,502,558	7,525,939	5,745,352	29,773,849
Depreciation and amortization	3,516,836	1,578,330	1,755,387	6,850,553
Disposals	(13,114)	–	–	(13,114)
Balances at end of year	20,006,280	9,104,269	7,500,739	36,611,288
Carrying Amounts	₱5,205,393	₱20,404,021	₱4,362,733	₱29,972,147

As at December 31, 2019 and 2018, the cost of fully depreciated leasehold improvements still being used amounted to ₱6.9 million.

13. Other Noncurrent Assets

This account consists of:

	2019	2018
Refundable deposits from:		
Clearing and Trade Guarantee Fund (CTGF) contributions	**₱9,215,249**	₱8,645,317
Rental and utility	**1,132,990**	1,076,990
Others	**435,324**	738,369
	₱10,783,563	₱10,460,676

The Company, as a Clearing Member, is required to pay monthly contributions to the CTGF maintained by the Securities Clearing Corporation of the Philippines (SCCP) for an amount of 1/500 of 1% applied to the Clearing Member's total monthly turnover value less block sales and cross transactions of the same flag.

On March 13, 2018, the SEC approved the proposed amendments to the SCCP Rule 5.2, making the Clearing Members' contributions to the CTGF refundable upon the cessation of their business and/or termination of their 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. Accordingly, the Company recognized the total refundable contributions amounting to ₱9.2 million and ₱8.6 million as at December 31, 2019 and 2018, respectively. Gain from the expected recovery of prior years' CTGF contributions amounting to ₱7.6 million and the seed money contribution of the PSE on behalf of the Company amounting to ₱0.5 million were recognized in 2018.

14. Trade Payables

This account consists of:

	2019		2018	
	Money Balance	**Security Valuation - Long**	Money Balance	Security Valuation - Long
Payable to customers:				
With money balance	**₱331,367,940**	**₱3,753,883,137**	₱454,270,361	₱3,354,775,585
Without money balance	**–**	**1,509,499,831**	–	1,327,838,191
	331,367,940	**5,263,382,968**	454,270,361	4,682,613,776
Dividends payable to customers	**1,259,280**	**–**	1,256,064	–
Payable to clearing house	**–**	**–**	1,075,825	–
	₱332,627,220	**₱5,263,382,968**	₱456,602,250	₱4,682,613,776

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.

Payable to clearing house are due after three business days from the transaction date.

15. Other Current Liabilities

This account consists of:

	2019	2018
Accounts payable	**₱1,802,111**	₱1,852,495
Accruals for:		
Professional fees	**408,800**	532,000
Manpower services	**98,063**	101,122
PSE membership fees and dues	**89,791**	113,522
Others	**15,852**	26,892
Due to the BIR	**334,156**	534,211
Trading fee payable	**218,574**	295,401
Social Security System, Pag-ibig, and PhilHealth payable	**205,093**	171,090
	₱3,172,440	₱3,626,733

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

Due to the BIR comprises of withholding tax and percentage tax payable to the Philippine Government and generally settled within one year.

16. Related Party Transactions

The Company has transactions with its related parties in the ordinary course of business. Details of these transactions as at and for the years ended December 31 follow:

	Nature of Transactions	Amount of Transactions 2019	Amount of Transactions 2018	Outstanding Balance 2019	Outstanding Balance 2018	Terms and Conditions
Trade payables:						
Key management personnel	Trading of securities	**₱72,925,879**	₱42,010,056	**₱970,430**	₱1,026,077	
Other related parties:						
Directors	Trading of securities	**6,480,000**	41,031,845	**35,440,055**	68,589,206	3-day; noninterest-bearing; secured; no guarantee; settled in cash
Affiliate with common officers and stockholders	Trading of securities	**630,285,634**	313,901,439	**145,831,102**	226,383,458	
Other stockholders	Trading of securities	**12,819,923**	–	**685,848**	233,357	
				₱182,927,435	₱296,232,098	
Due from other brokers:						
Affiliate with common officers and stockholders	Trading of securities	**₱–**	₱–	**₱65,165,842**	₱–	
Commission income:						
Key management personnel	Trading of securities	**₱182,334**	₱117,650			
Other related parties:						
Directors	Trading of securities	**16,200**	114,998			
Affiliate with common officers and stockholders	Trading of securities	**1,575,943**	878,924			
Other stockholders	Trading of securities	**32,050**	–			
Other income:						
Affiliate with common officers and stockholders	Rental income	**₱–**	₱167,200			
Personnel costs and management bonus:						
Key management personnel	Salaries and wages	**₱5,473,487**	₱5,510,492			
	Retirement benefits	**147,236**	176,459			
	Other benefits	**1,603,000**	1,572,000			
Stockholders	Deposits for future stock subscriptions	**₱300,000,000**	₱–			

17. Personnel Costs

This account consists of:

	Note	2019	2018
Salaries and wages		**₱30,806,059**	₱28,067,735
Retirement benefit costs	18	**1,359,865**	1,626,138
Other benefits		**3,587,791**	2,682,088
		₱35,753,715	₱32,375,961

Personnel costs were distributed as follows:

	2019	2018
Cost of services	**₱25,197,795**	₱22,561,014
Operating expenses	**10,555,920**	9,814,947
	₱35,753,715	₱32,375,961

18. 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 2019 and 2018.

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

	Note	2019	2018
Current service cost	18	**₱1,359,865**	₱1,626,138
Net interest cost		**639,211**	594,524
		₱1,999,076	₱2,220,662

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

	2019	2018
Balance at beginning of year	**₱8,301,440**	₱10,250,416
Contributions to plan asset	**–**	(6,487,125)
Current service cost	**1,359,865**	1,626,138
Net interest cost	**639,211**	594,524
Remeasurement loss (gain) recognized in OCI	**5,505,378**	2,317,487
Balance at end of year	**₱15,805,894**	₱8,301,440

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

	2019	2018
Present value of retirement benefit liability	**₱18,260,367**	₱11,251,780
Fair value of plan assets	**(2,454,473)**	(2,950,340)
	₱15,805,894	₱8,301,440

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

	2019	2018
Balance at beginning of year	**₱11,251,780**	₱13,244,777
Current service cost	**1,359,865**	1,626,138
Interest cost	**866,387**	768,197
Benefits paid	**(877,800)**	(6,487,125)
Remeasurement loss (gain) recognized in OCI:		
Experience adjustments	**777,153**	5,396,580
Change in financial assumptions	**4,882,982**	(3,296,787)
Balance at end of year	**₱18,260,367**	₱11,251,780

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

	2019	2018
Balance at beginning of year	**₱2,950,340**	₱2,994,361
Benefits paid	**(877,800)**	(6,487,125)
Interest income	**227,176**	173,673
Remeasurement loss recognized in OCI	**154,757**	(217,694)
Contributions to plan asset	**–**	6,487,125
Balance at end of year	**₱2,454,473**	₱2,950,340
Actual return (loss) on plan assets	**₱381,933**	(₱44,021)

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

	2019	2018
Debt securities	**97.38%**	85.94%
Cash in bank	**0.13%**	14.06%
Other investments	**2.49%**	–
	100.00%	100.00%

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

	2019	2018
Discount rate	**5.40%**	7.70%
Future salary increase	**5.00%**	5.00%

Sensitivity analysis on retirement benefit liability as at December 31, 2019 is as follows:

	Change in Assumption	Effect on Retirement Benefit Liability
Discount rate	+0.50%	(₱1,257,272)
	-0.50%	1,391,887
Salary increase rate	+0.50%	1,325,314
	-0.50%	(1,209,200)

The sensitivity analysis above have been determined based in 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 losses on remeasurement of retirement benefits recognized in the statements of financial position are as at December 31 follows:

	2019		
	Cumulative Gains on Remeasurement of Retirement Benefits	**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**

	2018		
	Cumulative Gains on Remeasurement of Retirement Benefits	Deferred Tax Expense	Net
Balances at beginning of year	₱8,680,448	(₱2,604,135)	₱6,076,313
Remeasurement loss	(2,317,487)	695,246	(1,622,241)
Balances at end of year	₱6,362,961	(₱1,908,889)	₱4,454,072

As at December 31, 2019, the maturity analysis of the undiscounted retirement benefit liability is as follows:

Year	Amount
More than one year to five years	₱4,724,514
More than five years to 10 years	6,364,601
More than 10 years to 15 years	11,172,447
More than 15 years	133,978,228
	₱156,239,790

As at December 31, 2019 and 2018, the average duration of the net retirement benefit liability at the end of the reporting period is 31.8 years.

19. Leases

The Company, as lessee, has lease agreements for its office spaces with lease terms ranging from two (2) to five (5) years.

The carrying amount of the ROU assets (included as component of property and equipment) during the year are as follows:

Cost:	
Balance at beginning of year	₱14,501,724
Additions	3,024,453
Disposals	(887,878)
Balance at end of year	16,638,299
Accumulated depreciation:	
Balance at beginning of year	–
Depreciation	4,326,855
Disposals	(887,878)
Balance at end of year	3,438,977
Carrying amount	₱13,199,322

The carrying amount of lease liabilities and the movements during the year are as follows:

Balance at beginning of year	₱14,501,724
Additions	3,024,453
Interest expense	829,874
Lease payments	(4,617,355)
Balance at end of year	₱13,738,696

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

Current	₱4,169,736
Noncurrent	9,568,960
	₱13,738,696

The Company recognized the following lease-related expenses:

	2019	2018
Depreciation	**₱4,326,855**	₱–
Interest expense on lease liabilities	**829,874**	–
Rent expense - PAS 17	**–**	4,615,959
	₱5,156,729	₱4,615,959

The initial recognition of ROU assets and its corresponding lease liability is considered as noncash financial information in the statements of cash flows.

20. Income Taxes

The Company has no provision for current income tax in 2019 due to its net operating loss position. In 2018, the Company's current income tax expense amounting to ₱360,961 pertains to MCIT.

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

	2019	2018
Deferred tax assets:		
NOLCO	**₱16,838,333**	₱6,334,448
Net retirement benefit liability	**4,741,768**	2,490,432
Lease liability	**4,121,609**	–
Excess MCIT over RCIT	**360,961**	1,513,619
Allowance for credit losses	**99,515**	116,879
	26,162,186	10,455,378
Deferred tax liabilities:		
Excess of fair value over cost of financial assets at FVPL	**6,493,953**	6,720,311
ROU asset	**3,959,797**	–
Unrealized foreign exchange gain	**639,697**	2,636,480
Others	**158,950**	147,925
	11,252,397	9,504,716
	₱14,909,789	₱950,662

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 because the management believes that the Company may not be able to generate sufficient taxable income against which the deferred tax assets can be utilized.

The carryforward benefits of NOLCO as at December 31, 2019 which can be claimed against future taxable income are as follows:

Year Incurred	Amount	Applied in 2019	Expired	Balance	Expiry Year
2019	₱45,570,367	₱–	₱	₱45,570,367	2022
2018	21,114,826	–	–	21,114,826	2021
2016	15,794,268	–	(15,794,268)	–	2019
	₱82,479,461	₱–	(₱15,794,268)	₱66,685,193	

The carryforward benefits of excess MCIT over RCIT as at December 31, 2019 which can be claimed against RCIT are as follows:

Year Incurred	Amount	Expired	Balance	Expiry Year
2018	₱360,961	₱–	₱360,961	2021
2017	921,701	–	921,701	2020
2016	230,957	(230,957)	–	2019
	₱1,513,619	(₱230,957)	₱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:

	2019	2018
Income tax benefit at statutory tax rate	**(₱13,439,819)**	(₱2,131,357)
Derecognized DTA on NOLCO and excess MCIT over RCIT	**4,088,925**	4,738,280
Expired DTA on NOLCO and excess MCIT over RCIT	**230,957**	1,942,809
Increase (decrease) in income tax resulting from:		
Interest income already subjected to final tax	**(2,371,015)**	(3,014,464)
Dividend income exempt from tax	**(816,862)**	(338,475)
Nondeductible expenses	**300**	3,600
Income tax at effective tax rate	**(₱12,307,514)**	₱1,200,393

21. Events After the Reporting Period

The country is currently experiencing a pandemic crisis caused by virus resulting in a slowdown in the Philippine and Global economy because of mandated lockdowns all over the country and across the globe. While the financial impact is considered a non-adjusting subsequent event as at December 31, 2019, the effect on the Company's operations and financial performance, however, cannot be reasonably determined as of April 8, 2020.

The Company strongly believes that it can remain a going concern given its liquidity position and its access to short-term and long-term funding.

22. Supplementary Information Required under Revenue Regulations No. 15-2010 of the BIR

The information for 2019 required by the above regulation is presented below.

Output VAT

Output VAT declared by the Company for the year ended December 31, 2019 and the gross receipts subject to output VAT consist of:

	Gross Receipts	Output VAT
Subject to 12% VAT:		
Sale of financial assets at FVPL	₱34,077,587	₱4,089,310
Commissions	6,779,289	813,515
	₱40,856,876	₱4,902,825

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, 2019 are as follows:

Deferred input VAT on capital goods, beginning	₱494,508
Add current year's domestic purchase/payments for:	
Domestic purchase of services	2,289,226
Capital goods not exceeding ₱1.0 million	92,036
Domestic purchases of goods other than capital goods	55,943
Available input VAT	2,931,713
Less deductions from input VAT -	
Input tax on capital goods deferred for the succeeding periods	204,073
Allowable input VAT	₱2,727,640

The Company paid output VAT aggregating ₱3.1 million in 2019. Movements of the net output VAT for the year ended December 31, 2019 are as follows:

Balance at beginning of year	₱78,784
Output VAT	4,902,825
Less deductions from output VAT:	
Allowable input VAT	2,727,640
Output VAT payments	3,120,854
Net input VAT	₱866,885

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

All Other Local and National Taxes

The Company's local and national taxes for the year ended December 31, 2019 consist of:

Local:	
License and permit fees	₱622,682
Real property taxes	287,719
National:	
Documentary stamp taxes	12,642
	₱923,043

The above 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, 2019 consist of:

Withholding tax on compensation and benefits	₱6,541,741
Expanded withholding taxes	606,552
Final withholding taxes	6,999
	₱7,155,292

Tax Assessments and Cases

The Company has no outstanding tax assessments and cases as at December 31, 2019.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

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

**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. (formerly Citisecurities, 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. (formerly Citisecurities, Inc.) (the Company) as at and for the years ended December 31, 2019 and 2018, on which we have rendered our report dated April 8, 2020.

In compliance with the Revised Securities Regulations Code Rule 68, we are stating that the Company has 11 stockholders owning 100 or more shares each.

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. 8116477
Issued January 6, 2020, Makati City

April 8, 2020
Makati City, Metro Manila

BOA/PRC Accreditation No. 4782
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REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
CTS Global Equity Group, Inc. (formerly Citisecurities, 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. (formerly Citisecurities, Inc.) (the Company) as at and for the years ended December 31, 2019 and 2018 and have issued our opinion thereon dated April 8, 2020. 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;
- Results of Year-end Securities Count Conducted Pursuant to SRC Rule 52.1-10, as Amended;
- Supplementary Schedule of Financial Soundness Indicators Conducted Under to SRC Rule 68, 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
Partner
CPA Certificate No. 102884
Tax Identification No. 210-181-965-000
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April 8, 2020
Makati City, Metro Manila

SCHEDULE I

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

DECEMBER 31, 2019

The Company has no subordinated liability.

SCHEDULE II

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

DECEMBER 31, 2019

Assets	₱838,498,662
Liabilities	365,344,250
Equity per books	473,154,412
Adjustments to Equity per books	
Add (Deduct):	
Allowance for Market Decline	
Subordinated Liability	
Unrealized Gain / (Loss) in Proprietary Accounts	
Deferred Income Tax	(14,909,789)
Revaluation Reserves	(600,307)
Deposit for Future Stock Subscription (No application with SEC)	
Minority Interest	
Total Adjustments to Equity per books	(15,510,096)
Equity Eligible For Net Liquid Capital	457,644,316
Contingencies and Guarantees	
Deduct: Contingent Liability	
Guarantees or Indemnities	
Ineligible Assets	
a. Trading Right and all Other Intangible Assets (net)	2,753,219
b. Intercompany Receivables	
c. Fixed Assets (net of accumulated and excluding those used as collateral)	38,897,418
d. All Other Current Assets	1,747,349
e. Securities Not Readily Marketable	152,949
f. Negative Exposure (SCCP)	1,681,885
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	11,497,499
Total Ineligible Assets	56,730,319
Net Liquid Capital (NLC)	400,913,997
Less:	
Operating Risk Requirement	18,071,422
Position Risk Requirement	14,247,566
Counterparty Risk	4,717
Large Exposure Risk	
LERR to a Single Client	
LERR to a Single Debt	
LERR to a Single Issuer and Company of Companies	
Total Risk Capital Requirement (TRCR)	32,323,705
Net RBCA Margin (NLC-TRCR)	368,590,292
Liabilities	365,344,250
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	194,079,381
Total Adjustments to AI	(194,079,381)
Aggregate Indebtedness	171,264,869
5% of Aggregate Indebtedness	8,563,243
Required Net Liquid Capital (> of 5% of AI or ₱5M)	8,563,243
Net Risk-Based Capital Excess / (Deficiency)	₱392,350,754
Ratio of AI to Net Liquid Capital	43%
RBCA Ratio (NLC/TRCR)	1,240%

SCHEDULE III

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

DECEMBER 31, 2019

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. (FORMERLY CITISECURITIES, INC.)
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER SRC RULE 49.2

DECEMBER 31, 2019

Particulars	Credits	Debits
1. Free credit balance and other credit balance in customers' security accounts.	₱138,938,982	
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.	1,259,280	
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.		₱7,672,761
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	₱140,198,262	₱7,672,761
Net Credit (Debit)	₱132,525,501	
Required Reserve (100% of net credit if making a weekly computation and 105% if monthly)	₱132,525,501	

CODE	NAME	Per Records No. of Shares	Per Records Market Value	Per Count No. of Shares	Per Count Market Value	Unlocated Difference No. of Shares	Unlocated Difference Market Value
APX	APEX MINING COMPANY,	72,313,851	71,590,712	72,313,851	71,590,712	–	–
AR	ABRA MINING & INDUSTRIAL CORP.	346,200,000	519,300	346,200,000	519,300	–	–
ARA	ARANETA PROPERTIES, INC.	1,582,461	2,326,218	1,582,461	2,326,218	–	–
AT	ATLAS CONS. MINING &	6,111,284	15,278,210	6,111,284	15,278,210	–	–
ATI	ASIAN TERMINALS, INC.	193,166	3,573,571	193,166	3,573,571	–	–
ATN	ATN HOLDINGS, INC. A	11,550,000	10,741,500	11,550,000	10,741,500	–	–
ATNB	ATN HOLDINGS, INC. B	6,000	5,760	6,000	5,760	–	–
AUB	ASIA UNITED BANK CORPORATION	195,480	10,389,762	195,480	10,389,762	–	–
AXLM	AXELUM RESOURCES CORP	376,000	981,360	376,000	981,360	–	–
BC	BENGUET CORPORATION A	304,425	344,000	304,425	344,000	–	–
BCB	BENGUET CORPORATION B	1,047	942	1,047	942	–	–
BCP	BENGUET CORP. CONV. PREF. A	43	517	43	517	–	–
BDO	BDO UNIBANK, INC.	1,141,489	180,355,262	1,141,489	180,355,262	–	–
BEL	BELLE CORPORATION	60,309,548	120,016,001	60,309,548	120,016,001	–	–
BHI	BOULEVARD HOLDINGS, INC.	13,570,000	719,210	13,570,000	719,210	–	–
BKR	BRIGHT KINDLE RESOURCES & INVESTMENTS	732,740	813,341	732,740	813,341	–	–
BLFI	BDO LEASING & FINANCE, INC.	411,955	770,356	411,955	770,356	–	–
BLOOM	BLOOMBERRY RESORTS CORPORATION	168,200	1,900,660	168,200	1,900,660	–	–
BMM	BOGO MEDELLIN MILLING COMPANY	5,425	479,028	5,425	479,028	–	–
BPI	BANK OF THE PHILIPPINE ISLANDS	132,366	11,634,971	132,366	11,634,971	–	–
BRN	A BROWN COMPANY, INC.	5,330,935	3,784,964	5,330,935	3,784,964	–	–
BSC	BASIC ENERGY CORPORATION	5,915,013	1,449,178	5,915,013	1,449,178	–	–
C	CHELSEA LOGISTICS AND INFRASTRUCTURE H	197,600	1,086,800	197,600	1,086,800	–	–
CA	CONCRETE AGGREGATES	2,000	130,000	2,000	130,000	–	–
CAT	CENTRAL AZUCARERA DE TARLAC	112,000	1,852,480	112,000	1,852,480	–	–
CDC	CITYLAND DEVELOPMENT CORP.	167,342	142,241	167,342	142,241	–	–
CEB	CEBU AIR, INC.	55,800	4,994,100	55,800	4,994,100	–	–
CEI	CROWN EQUITIES, INC.	10,854,911	2,040,723	10,854,911	2,040,723	–	–
CHI	CEBU HOLDINGS, INC.	978,250	6,652,100	978,250	6,652,100	–	–
CHIB	CHINA BANKING CORPORATION	4,488,116	112,427,306	4,488,116	112,427,306	–	–
CHP	CEMEX HOLDINGS PHILIPPINES, INC.	1,115,200	2,241,552	1,115,200	2,241,552	–	–
CIP	CHEMICAL INDUSTRIES	2,290	389,300	2,290	389,300	–	₱–
CLI	CEBU LANDMASTERS INC	3,493,000	16,871,190	3,493,000	16,871,190	–	–

CODE	NAME	Per Records No. of Shares	Per Records Market Value	Per Count No. of Shares	Per Count Market Value	Unlocated Difference No. of Shares	Unlocated Difference Market Value
CNPF	CENTURY PACIFIC FOODS, INC.	32,700	496,386	32,700	496,386	–	–
COAL	COAL ASIA HOLDINGS INCORPORATED	600,000	162,000	600,000	162,000	–	–
COL	COL FINANCIAL GROUP, INC.	172,360,885	3,174,887,502	172,360,885	3,174,887,502	–	–
COSCO	COSCO CAPITAL, INC.	2,603,794	17,809,951	2,603,794	17,809,951	–	–
CPG	CENTURY PROPERTIES GROUP INC.	1,923,374	1,057,856	1,923,374	1,057,856	–	–
CPM	CENTURY PEAK HOLDINGS CORPORATION	574,000	1,653,120	574,000	1,653,120	–	–
CROWN	CROWN ASIA CHEMICALS CORPORATION COM	10,000	21,500	10,000	21,500	–	–
CYBR	CYBER BAY CORPORATION	3,030,550	1,151,609	3,030,550	1,151,609	–	–
DAVIN	DA VINCI CAPITAL HOLDINGS, INC.	165,714	828,570	165,714	828,570	–	–
DD	DOUBLE DRAGON PROPERTIES CORP.	192,200	3,632,580	192,200	3,632,580	–	–
DDPR	DOUBLEDRAGON PROPERTIES CORP.-PREFE	12,200	1,226,100	12,200	1,226,100	–	–
DELM	DEL MONTE PACIFIC LIMITED	4,608,600	22,351,710	4,608,600	22,351,710	–	–
DFNN	DFNN, INC.	4,500	21,960	4,500	21,960	–	–
DIZ	DIZON COPPER SILVER MINES, IN.	286,412	1,984,835	286,412	1,984,835	–	–
DMC	DMCI HOLDINGS, INC.	1,529,630	10,110,854	1,529,630	10,110,854	–	–
DMW	DM WENCESLAO AND ASSOCIATES INCORPOR	744,500	7,370,550	744,500	7,370,550	–	–
DNL	DNL INDUSTRIES, INC.	450,600	4,280,700	450,600	4,280,700	–	–
DWC	DISCOVERY WORLD CORPORATION	12,395,000	19,584,100	12,395,000	19,584,100	–	–
EAGLE	EAGLE CEMENT CORPORATION	69,200	1,028,312	69,200	1,028,312	–	–
EEI	EEI CORPORATION	2,382,692	23,350,382	2,382,692	23,350,382	–	–
EG	IP E-GAME VENTURES INC.	6,000,000	56,400	6,000,000	56,400	–	–
EIBA	EXPORT AND INDUSTRY BANK, INC.	5,350,000	1,391,000	5,350,000	1,391,000	–	–
EIBB	EXPORT & INDUSTRY BANK (B SHR)	200,000	52,000	200,000	52,000	–	–
ELI	EMPIRE EAST LAND HOLDINGS,	17,489,427	7,520,454	17,489,427	7,520,454	–	–
EMP	EMPERADOR INC.	289,700	2,088,737	289,700	2,088,737	–	–
EVER	EVER GOTESCO RESOURCES & HOLDG	525,000	52,500	525,000	52,500	–	–
EW	EAST WEST BANKING CORP.	403,939	4,871,504	403,939	4,871,504	–	–
FAF	FIRST ABACUS FINANCIAL	172,000	123,840	172,000	123,840	–	–
FBP2	SAN MIGUEL FOOD AND BEVERAGE, INC. PERP	600	598,200	600	598,200	–	–
FDC	FILINVEST DEVELOPMENT CORP.	1,134,283	14,745,679	1,134,283	14,745,679	–	–
FERRO	FERRONOUX HOLDINGS INC	100,000	383,000	100,000	383,000	–	–
FEU	FAR EASTERN UNIVERSITY, INC.	130	115,700	130	115,700	–	–

CODE	NAME	Per Records No. of Shares	Per Records Market Value	Per Count No. of Shares	Per Count Market Value	Unlocated Difference No. of Shares	Unlocated Difference Market Value
FFI	FILIPINO FUND, INC.	64943	441,612	64943	441,612	–	–
FGEN	FIRST GEN CORPORATION	384,110	9,276,257	384,110	9,276,257	–	–
FGENG	FIRST GEN CORP SERIES G PREFERRED SHAR	101,000	11,301,900	101,000	11,301,900	–	–
FJP	F & J PRINCE HOLDINGS CORP.A	20,000	79,800	20,000	79,800	–	–
FLI	FILINVEST LAND, INC.	27,974,292	41,961,438	27,974,292	41,961,438	–	–
FNI	GLOBAL FERRONICKEL HOLDINGS INC	334,248	598,304	334,248	598,304	–	–
FOOD	ALLIANCE SELECT FOODS INTERNATIONAL, IN	603,197	307,630	603,197	307,630	–	–
FPH	FIRST PHIL. HOLDINGS CORP.	242,942	16,750,850	242,942	16,750,850	–	–
FPI	FORUM PACIFIC, INC.	8,964,260	1,828,709	8,964,260	1,828,709	–	–
FRUIT	FRUITAS HOLDINGS INC	1,530,000	1,851,300	1,530,000	1,851,300	–	–
FYN	FILSYN CORPORATION A	20,329	60,987	20,329	60,987	–	–
GEO	GEOGRACE RESOURCES PHILIPPINES	8,076,091	1,631,370	8,076,091	1,631,370	–	–
GERI	GLOBAL-ESTATE RESORTS, INC.	18,312,202	21,974,642	18,312,202	21,974,642	–	–
GLO	GLOBE TELECOMS, INC.	4,561	9,213,220	4,561	9,213,220	–	–
GMA7	GMA NETWORK, INC.	333,000	1,774,890	333,000	1,774,890	–	–
GMAP	GMA PHIL DEPOSITORY RECEIPTS	335,000	1,775,500	335,000	1,775,500	–	–
GO	GOTESCO LAND, INC. A	364,469	–	364,469	–	–	–
GOB	GOTESCO LAND, INC. B	4,550	–	4,550	–	–	–
GREEN	GREENERGY HOLDINGS	6,152,198	11,504,610	6,152,198	11,504,610	–	–
GSMI	GINEBRA SAN MIGUEL INC.	59,390	2,256,820	59,390	2,256,820	–	–
GTCAP	GT CAPITAL HOLDINGS, INC.	2,690	2,278,430	2,690	2,278,430	–	–
GTPPA	GT CAPITAL HOLDINGS, INC. - SERIES A PERPE	10,000	6,500,000	10,000	6,500,000	–	–
HI	HOUSE OF INVESTMENTS, INC.	330,000	1,716,000	330,000	1,716,000	–	–
HLCM	HOLCIM PHILIPPINES, INC.	188,080	2,557,888	188,080	2,557,888	–	–
HOME	ALLHOME CORP	952,500	11,087,100	952,500	11,087,100	–	–
I	I-REMIT, INC.	199,028	230,872	199,028	230,872	–	–
ICT	INTERNATIONAL CONTAINER	730,829	93,984,609	730,829	93,984,609	–	–
IDC	ITALPINAS DEVELOPMENT CORPORATION	2,700	10,223	2,700	10,223	–	–
IMI	INTEGRATED MICRO-ELECTRONICS, INC.	8,394	66,229	8,394	66,229	–	–
IMP	IMPERIAL RESOURCES, INC.	525,800	872,828	525,800	872,828	–	–
ION	IONICS, INC.	888,226	1,154,694	888,226	1,154,694	–	–
IPM	IPM HOLDINGS INC	300,167	2,101,169	300,167	2,101,169	–	–
IPO	IPEOPLE, INC.	104,829	844,922	104,829	844,922	–	–
IRC	PHILIPPINE INFRADEV HOLDINGS INC	447,000	558,750	447,000	558,750	–	–

CODE	NAME	Per Records No. of Shares	Per Records Market Value	Per Count No. of Shares	Per Count Market Value	Unlocated Difference No. of Shares	Unlocated Difference Market Value
IS	ISLAND INFORMATION	6,098,000	634,192	6,098,000	634,192	–	–
ISM	ISM COMMUNICATIONS CORPORATION	164,274	565,103	164,274	565,103	–	–
JAS	JACKSTONES, INC	2,215,000	4,430,000	2,215,000	4,430,000	–	–
JFC	JOLLIBEE FOODS CORPORATION	99,429	21,476,664	99,429	21,476,664	–	–
JGS	JG SUMMIT HOLDINGS, INC.	481,400	38,897,120	481,400	38,897,120	–	–
KPH	KEPPEL PHILIPPINES	137,781	713,706	137,781	713,706	–	–
KPHB	KEPPEL PHILIPPINES	134,000	775,860	134,000	775,860	–	–
LC	LEPANTO CONS MINING CO. A	93,939,798	8,548,522	93,939,798	8,548,522	–	–
LCB	LEPANTO CONS. MINING CO. B	8,553,812	778,397	8,553,812	778,397	–	–
LFM	LIBERTY FLOUR MILLS, INC.	1,645,887	68,551,194	1,645,887	68,551,194	–	–
LIHC	LODESTAR INVSMT HOLDINGS CORP.	155,000	77,500	155,000	77,500	–	–
LMG	LMG CHEMICALS CORPORATION	140,000	680,400	140,000	680,400	–	–
LOTO	PACIFIC ONLINE SYSTEMS CORP.	30,005,900	75,014,750	30,005,900	75,014,750	–	–
LPZ	LOPEZ HOLDINGS CORPORATION	3,315,020	12,298,724	3,315,020	12,298,724	–	–
LR	LEISURE & RESORTS WORLD	2,286,528	5,487,667	2,286,528	5,487,667	–	–
LRP	LEISURE AND RESORTS WORLD CORPORATIO	600,000	600,000	600,000	600,000	–	–
LSC	LORENZO SHIPPING CORP.	105,000	89,250	105,000	89,250	–	–
LTG	LT GROUP, INC.	109,097	1,306,982	109,097	1,306,982	–	–
MA	MANILA MINING CORP. A	464,575,072	3,484,313	464,575,072	3,484,313	–	–
MAB	MANILA MINING CORP. B	40,939,310	307,045	40,939,310	307,045	–	–
MAC	MACROASIA CORPORATION	1,227,200	20,248,800	1,227,200	20,248,800	–	–
MACAY	MACAY HOLDINGS, INC.	701,890	4,344,699	701,890	4,344,699	–	–
MAH	METRO ALLIANCE HOLDINGS &	444,000	399,600	444,000	399,600	–	–
MARC	MARCVENTURES HOLDINGS, INC.	51,480	50,450	51,480	50,450	–	–
MAXS	MAX'S GROUP, INC.	446,000	5,530,400	446,000	5,530,400	–	–
MB	MANILA BULLETIN PUBLISHING COR	76,345	29,393	76,345	29,393	–	–
MBT	METROPOLITAN BANK & TRUST	1,267,758	84,052,355	1,267,758	84,052,355	–	–
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	8,513,991	34,141,104	8,513,991	34,141,104	–	–
MER	MANILA ELECTRIC CO.	229,657	72,801,269	229,657	72,801,269	–	–
MFC	MANULIFE FINANCIAL CORP.	368	303,600	368	303,600	–	–
MG	MILLENNIUM GLOBAL HOLDINGS, INC.	8,634,000	1,321,002	8,634,000	1,321,002	–	–
MGH	METRO GLOBAL HOLDINGS CORPORATION	71,499	71,499	71,499	71,499	–	–

CODE	NAME	Per Records No. of Shares	Per Records Market Value	Per Count No. of Shares	Per Count Market Value	Unlocated Difference No. of Shares	Unlocated Difference Market Value
MHC	MABUHAY HOLDINGS CORP.	3,098,000	1,672,920	3,098,000	1,672,920	–	–
MJC	MANILA JOCKEY CLUB, INC.	18,029,599	60,399,157	18,029,599	60,399,157	–	–
MJIC	MJC INVESTMENTS CORPORATION	3,400	8,704	3,400	8,704	–	–
MMC	MARCOPPER MINING CORP.	17	–	17	–	–	–
MPI	METRO PACIFIC INVESTMENTS CORP	8,108,260	28,216,745	8,108,260	28,216,745	–	–
MRC	MRC ALLIED, INC.	6,720,000	1,283,520	6,720,000	1,283,520	–	–
MRSGI	METRO RETAIL STORES GROUP, INC.	1,52,000	320,720	1,52,000	320,720	–	–
MWC	MANILA WATER COMPANY, INC.	1,288,500	13,348,860	1,288,500	13,348,860	–	–
MWIDE	MEGAWIDE CONSTRUCTION CORPORATION	10,963	179,574	10,963	179,574	–	–
NI	NIHAO MINERAL RESOURCES INT'L	1,439,300	1,468,086	1,439,300	1,468,086	–	–
NIKL	NICKEL ASIA CORPORATION	7,969,661	27,017,151	7,969,661	27,017,151	–	–
NOW	NOW CORPORATION	2,196,500	5,469,285	2,196,500	5,469,285	–	–
NRCP	NATIONAL REINSURANCE CORP.	9,544,000	7,921,520	9,544,000	7,921,520	–	–
NXGEN	NEXTGENESIS CORPORATION	61,750	432,250	61,750	432,250	–	–
OM	OMICO CORPORATION	1,212,272	569,768	1,212,272	569,768	–	–
OPM	ORIENTAL PET. & MIN. CORP. A	969,739,773	10,667,138	969,739,773	10,667,138	–	–
OPMB	ORIENTAL PET. & MIN. CORP. B	594,307,685	6,537,385	594,307,685	6,537,385	–	–
ORE	ORIENTAL PENINSULA RESOURCES .	1,508,700	1,131,525	1,508,700	1,131,525	–	–
OV	THE PHILODRILL CORP.	638,091,909	7,019,011	638,091,909	7,019,011	–	–
OVB	PHILODRILL CORP. – B	0.400000000000006	–	0.400000000000006	–	–	–
PA	PACIFICA HOLDINGS INC	110,550	525,113	110,550	525,113	–	–
PAL	PAL HOLDINGS, INC.	79,428	623,510	79,428	623,510	–	–
PAX	Paxys, Inc.	10,778,000	28,669,480	10,778,000	28,669,480	–	–
PBB	PHILIPPINE BUSINESS BANK	68,610	824,692	68,610	824,692	–	–
PBC	PHIL. BANK OF COMMUNICATIONS	4,455	91,105	4,455	91,105	–	–
PCOR	PETRON CORPORATION	2,519,257	9,724,332	2,519,257	9,724,332	–	–
PCP	PICOP RESOURCES, INC.	1,520,420	311,686	1,520,420	311,686	–	–
PERC	PETROENERGY RESOURCES	3,036,309	12,448,867	3,036,309	12,448,867	–	–
PGOLD	PUREGOLD PRICE CLUB, INC.	62,200	2,472,450	62,200	2,472,450	–	–
PHA	PREMIERE HORIZON ALLIANCE CORPORATION	214,000	72,760	214,000	72,760	–	–
PHC	PHILCOMSAT HOLDINGS CORP.	10,000	14,000	10,000	14,000	–	–
PHN	PHINMA CORPORATION	2,764	27,806	2,764	27,806	–	–
PIP	PEPSI-COLA PRODUCTS PHILS., I.	40,600	77,952	40,600	77,952	–	–
PIZZA	SHAKEYS PIZZA ASIA VENTURES INC	44,800	443,520	44,800	443,520	–	–
PLC	PREMIUM LEISURE CORP.	4,055,000	2,311,350	4,055,000	2,311,350	–	–

CODE	NAME	Per Records No. of Shares	Per Records Market Value	Per Count No. of Shares	Per Count Market Value	Unlocated Difference No. of Shares	Unlocated Difference Market Value
PMPC	PANASONIC MANUFACTURING	8,997	48,854	8,997	48,854	–	–
PMT	PRIMETOWN PROPERTY GROUP, INC.	155,600	57,572	155,600	57,572	–	–
PNB	PHILIPPINE NATIONAL BANK	97,728	3,371,616	97,728	3,371,616	–	–
PNC	PHIL. NATIONAL CONST. CORP.	5,133	25,152	5,133	25,152	–	–
PNX	PHOENIX PETROLEUM PHILIPPINES.	71,725	856,397	71,725	856,397	–	–
PNX3A	PHOENIX PETROLEUM PHILS INC SERIES 3A PR	10,000	1,006,000	10,000	1,006,000	–	–
PNX3B	PHOENIX PETROLEUM PHILS INC SERIES 3B PR	15,000	1,600,500	15,000	1,600,500	–	–
PNX4	PHOENIX PETROLEUM PHILS INC SERIES 4 PR	600	613,200	600	613,200	–	–
PPC	PRYCE CORPORATION	9,750	49,335	9,750	49,335	–	–
PRC	PHIL. RACING CLUB, INC.	24,453	216,409	24,453	216,409	–	–
PRF2B	PETRON PERPETUAL PREFERRED SHARES SE	1,000	1,023,000	1,000	1,023,000	–	–
PRF3B	PETRON CORPORATION SERIES 3B PERPETUA	2,250	2,373,750	2,250	2,373,750	–	–
PRIM	Prime Media Holdings, Inc.	10,778	12,934	10,778	12,934	–	–
PRMX	PRIMEX CORPORATION	5,000	10,450	5,000	10,450	–	–
PSB	PHILIPPINE SAVINGS BANK	30,883	1,775,773	30,883	1,775,773	–	–
PSE	THE PHILIPPINE STOCK EXCHANGE,	9,283	1,624,525	9,283	1,624,525	–	–
PTT	PHILIPPINE TELEGRAPH	722,471	238,415	722,471	238,415	–	–
PX	PHILEX MINING CORP.	5,081,684	14,381,166	5,081,684	14,381,166	–	–
PXP	PXP ENERGY CORPORATION	1,355,529	11,711,771	1,355,529	11,711,771	–	–
RCB	RIZAL COMMERCIAL BANKING	549,973	13,144,355	549,973	13,144,355	–	–
RCI	ROXAS AND COMPANY, INC.	622,590	1,351,020	622,590	1,351,020	–	–
REG	REPUBLIC GLASS HOLDINGS CORP.	7,546	22,261	7,546	22,261	–	–
RFM	RFM CORPORATION	156,078	827,213	156,078	827,213	–	–
RLC	ROBINSON LAND CORPORATION	161,517	4,449,793	161,517	4,449,793	–	–
RLT	PHIL. REALTY & HOLDINGS CORP.	47,736,281	14,320,884	47,736,281	14,320,884	–	–
ROCK	ROCKWELL LAND CORPORATION	33,884,752	69,124,894	33,884,752	69,124,894	–	–
ROX	ROXAS HOLDINGS, INC.	141,390	254,502	141,390	254,502	–	–
RPC	REYNOLDS PHILIPPINE CORP.	7,5271	–	7,5271	–	–	–
SBS	SBS PHILIPPINES CORPORATION COMMON SH	7,8775	729,457	7,8775	729,457	–	–
SCC	SEMIRARA MINING AND POWER CORPORATION	1,659,200	36,502,400	1,659,200	36,502,400	–	–

SCHEDULE VII

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

DECEMBER 31, 2019

	2019	2018
Current/liquidity ratio	**2.27**	1.38
Current assets	**₱771,154,673**	₱634,637,347
Current liabilities	**339,969,396**	460,422,881
Solvency ratio	**(0.06)**	(0.00)
After-tax income (loss) before depreciation	**(₱22,852,564)**	(₱1,175,180)
Total liabilities	**365,344,250**	468,724,321
Debt-to-equity ratio	**0.77**	2.24
Total liabilities	**₱365,344,250**	₱468,724,321
Total equity	**473,154,412**	209,500,059
Asset-to-equity ratio	**1.77**	3.24
Total assets	**₱838,498,662**	₱678,224,380
Total equity	**473,154,412**	209,500,059
Interest rate coverage ratio	**(23.12)**	(14.97)
Loss before interest and taxes	**(₱33,960,967)**	(₱8,899,441)
Interest expense	**1,469,085**	594,524
Return on Equity	**(0.07)**	(0.04)
After-tax income (loss)	**(₱32,491,882)**	(₱8,304,917)
Total equity	**473,154,412**	209,500,059
Return on assets	**(0.04)**	(0.01)
After-tax income (loss)	**(₱32,491,882)**	(₱8,304,917)
Total assets	**838,498,662**	678,224,380
Other relevant ratios		
RBCA ratio	**1,240%**	664%
Ratio of AI to NLC	**43%**	101%