Financial Statements 2022

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	9	5	1	0	8	8

CASH-EXPRESS PHILIPPINES
FINANCING INC. UNDER THE
BUSINESS STYLE AND NAME
CASH-EXPRESS

Principal Office (No./Street/Barangay/City/Town)Province)

LEVEL 10-1 ONE GLOBAL PLACE
25TH STREET CORNER 5TH AVENUE
FORT BONIFACIO TAGUIG CITY
FOURTH DISTRICT NCR

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS	CRMD	1306

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
hr@cashxpress.ph	(02) 7914-4236	09967023577

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
6	Fisrt day 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
Gino P. Bertulfo	finance@cashxpress.ph	(02) 7914-4236	N/A

Contact Person's Address

7716 Coronado St. Guadalupe Viejo, Makati 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 occurance thereof with inforpation and complete contact details of the new contact person designated.

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

ACYATAN & CO.
Certified Public Accountants

CASH-EXPRESS PHILIPPINES FINANCING INC.
Under the business style and name of Cash-Express
(Formerly: Cashxpress South East Asia Lending Inc.
Doing business under CashXpressPH Lending)

Financial Statements
December 31, 2022 and 2021

Your BIR AFS eSubmission uploads were received

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May 2, 2023 8:51 PM
From: eafs@bir.gov.ph
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Hi CASHXPRESS SOUTH EAST ASIA LENDING, INC.,

Valid files

- EAFS740195446RPTTY122022.pdf
- EAFS740195446AFSTY122022.pdf
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Transaction Code: **AFS-0-NPRR4PZV02ZPV4Z2NNPWTNYW03XXRMSZX**
Submission Date/Time: **May 02, 2023 08:51 PM**
Company TIN: **740-195-446**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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CASH-EXPRESS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **CASH-EXPRESS PHILIPPINES FINANCING INC. under the business style and name of Cash-Express** ***(Formerly: Cashxpress South East Asia Lending Inc. Doing business under CashXpressPH Lending)*** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, 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.

Acyatan & Co., CPAs, 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.

VYTAUTAS OLSAUSKAS	**ANDREI GORDIENKO**
Chairman of the Board	President

GINO P. BERTULFO
Treasurer

Signed this 14th day of April 2023.

One Global Place 5th Ave. BGC, Taguig
E: hr@cashxpress.ph T: (632) 793323601
W: cashxpress.ph

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
CASH-EXPRESS PHILIPPINES FINANCING INC.
Under the business style and name of Cash-Express
(Formerly: Cashxpress South East Asia Lending Inc.
Doing business under CashXpressPH Lending)
Level 10-1, One Global Place 25th Street
corner 5th Avenue, Fort Bonifacio, Taguig City
Fourth District NCR, Philippines

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **CASH-EXPRESS PHILIPPINES FINANCING INC.** Under the business style and name of Cash-Express *(Formerly: Cashxpress South East Asia Lending Inc.* ***Doing business under CashXpressPH Lending)*** ("the Company"), which comprise the Statements of Financial Position as of December 31, 2022 and 2021, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the years then ended, and Notes to 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 **CASH-EXPRESS PHILIPPINES FINANCING INC.** Under the business style and name of Cash-Express *(Formerly: Cashxpress South East Asia Lending Inc.* ***Doing business under CashXpressPH Lending)*** as of December 31, 2022 and 2021, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of 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 of the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines necessary to enable the preparation of financial statement 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2022 as disclosed in Note 24 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ACYATAN & CO., CPAs
BOA/PRC Accreditation No. 0141
Issued on 12-11-2019 Expiring on 07-10-2023
SEC Accreditation No. 0141-SEC (Group C)
Issued on 10-07-2021 Expiring on 10-06-2025

EFREN N. ACYATAN
Senior Partner
CPA Certificate No. 074169
SEC Accreditation No. 74169-SEC (Group C)
Issued on 11-16-2021 Expiring on 11-15-2025
TIN 101-085-150
BIR A.N. 07-001960-003-2018
Issued on 12-31-2021 Expiring 12-30-2024
PTR No. 3124253
Issued on 01-05-2023 at Mandaluyong City

April 20, 2023
Mandaluyong City-Philippines

OUR SEAL

INDEPENDENT AUDITORS' REPORT
(In compliance with SRC Rule 68)

The Board of Directors and Stockholders
CASH-EXPRESS PHILIPPINES FINANCING INC.
Under the business style and name of Cash-Express
(Formerly: Cashxpress South East Asia Lending Inc.
Doing business under CashXpressPH Lending)
Level 10-1, One Global Place 25th Street
corner 5th Avenue, Fort Bonifacio, Taguig City
Fourth District NCR, Philippines

We have audited the accompanying financial statements of **CASH-EXPRESS PHILIPPINES FINANCING INC.** Under the business style and name of Cash-Express *(Formerly: Cashxpress South East Asia Lending Inc.* ***Doing business under CashXpressPH Lending)*** for the calendar year ended December 31, 2022, on which we have rendered the attached report dated April 20, 2023.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Company has one (1) stockholder owning one hundred (100) or more shares each of the Company's capital stock as of December 31, 2022, as disclosed in Note 12 to the financial statements.

ACYATAN & CO., CPAs
BOA/PRC Accreditation No. 0141
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Issued on 01-05-2023 at Mandaluyong City

April 20, 2023
Mandaluyong City-Philippines

OUR SEAL

CASH-EXPRESS PHILIPPINES FINANCING INC.
Under the business style and name of Cash-Express
(Formerly: CashXpress South East Asia Lending Inc.
Doing business under CashXpressPH Lending)

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2022 and 2021

(In Philippine Peso)	*Notes*	**2022**	2021
ASSETS			
CURRENT ASSETS			
Cash	*5*	**9,877,324**	9,266,335
Loans and Other Receivables, Net	*6*	**14,835,498**	29,213,675
Other Current Assets	*7*	**6,014,514**	2,797,831
		30,727,336	41,277,841
NONCURRENT ASSETS			
Property and Equipment, Net	*8*	**2,289,182**	2,260,494
Security Deposits	*9*	**314,400**	304,400
Right-of-Use Asset	*17*	**1,546,665**	1,224,275
Deferred Tax Assets	*19*	**12,666,129**	2,944,526
		16,816,376	6,733,695
TOTAL ASSETS		**47,543,712**	48,011,536
LIABILITIES AND CAPITAL DEFICIENCY			
CURRENT LIABILITIES			
Accrued Expenses and Other Payables	*10*	**1,382,079**	1,410,178
Lease Liability	*17*	**1,986,089**	1,148,359
		3,368,168	2,558,537
NONCURRENT LIABILITY			
Loans Payable	*11*	**86,443,357**	48,260,343
TOTAL LIABILITIES		**89,811,525**	50,818,880
CAPITAL DEFICIENCY			
Share Capital	*12*	**12,000,000**	12,000,000
Deficit	*12*	**(54,267,813)**	(14,807,344)
TOTAL CAPITAL DEFICIENCY		**(42,267,813)**	(2,807,344)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY		**47,543,712**	48,011,536

(See Accompanying Notes to Financial Statements)

CASH-EXPRESS PHILIPPINES FINANCING INC.
Under the business style and name of Cash-Express

(Formerly: CashXpress South East Asia Lending Inc.

Doing business under CashXpressPH Lending)

STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2022 and 2021

(In Philippine Peso)	*Notes*	**2022**	2021
REVENUES	*13*	**33,115,840**	15,079,470
COST OF SERVICES	*14*	**(14,621,996)**	(5,444,779)
GROSS INCOME		**18,493,844**	9,634,691
OPERATING EXPENSES	*15*	**(67,040,974)**	(20,893,582)
OPERATING LOSS		**(48,547,130)**	(11,258,891)
OTHER INCOME/(EXPENSES)	*16*	**(634,942)**	55,575
NET LOSS BEFORE TAX		**(49,182,072)**	(11,203,316)
INCOME TAX BENEFIT	*19*	**9,721,603**	1,825,133
NET LOSS FOR THE YEAR		**(39,460,469)**	(9,378,183)

The Company has no Other Comprehensive Income for the years 2022 and 2021.

(See Accompanying Notes to Financial Statements)

CASH-EXPRESS PHILIPPINES FINANCING INC.
Under the business style and name of Cash-Express
(Formerly: CashXpress South East Asia Lending Inc.
Doing business under CashXpressPH Lending)

STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2022 and 2021

(In Philippine Peso)	**Share Capital** *(Note 12)*	**Deficit** *(Note 12)*	**Total**
Balances, December 31, 2020	12,000,000	(5,429,161)	6,570,839
Net Loss for the Year	-	(9,378,183)	(9,378,183)
Balances as at December 31, 2021	**12,000,000**	**(14,807,344)**	**(2,807,344)**
Net Loss for the Year	**-**	**(39,460,469)**	**(39,460,469)**
Balances as at December 31, 2022	**12,000,000**	**(54,267,813)**	**(42,267,813)**

(See Accompanying Notes to Financial Statements)

CASH-EXPRESS PHILIPPINES FINANCING INC.

Under the business style and name of Cash-Express

(Formerly: CashXpress South East Asia Lending Inc.

Doing business under CashXpressPH Lending)

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

(In Philippine Peso)	*Notes*	**2022**	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss Before Tax		**(49,182,072)**	(11,203,316)
Adjustments			
Interest Income Earned	*5*	**(1,669)**	(1,678)
Interest Expense on Lease Liability	*17*	**169,622**	119,766
Unrealized Forex Loss	*11*	**646,951**	-
Provision for Credit Losses	*6*	**13,159,077**	722,949
Depreciation Expense	*15*	**3,056,895**	2,175,799
Net Loss before Working Capital Changes		**(32,151,196)**	(8,186,480)
Decrease/(Increase) in Assets:			
Loans and Other Receivables	*6*	**1,219,100**	(25,598,474)
Other Current Assets	*7*	**(3,216,683)**	(2,770,152)
Security Deposits	*9*	**(10,000)**	(130,000)
Increase/(Decrease) in Current Liabilities:			
Accrued Expenses and Other Payables	*10*	**(28,099)**	1,044,967
Net Cash Used in Operating Activities		**(34,186,878)**	(35,640,139)
Interest Income Received	*5*	**1,669**	1,678
Net Cash Used in Operating Activities		**(34,185,209)**	(35,638,461)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Property and Equipment	*8*	**(1,023,365)**	(2,501,323)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of Lease Liabilities	*17*	**(1,716,500)**	(1,685,600)
Proceeds from loan obtained	*11*	**37,536,063**	48,260,343
Net Cash Provided by Operating Activities		**35,819,563**	46,574,743
NET INCREASE IN CASH		**610,989**	8,434,959
CASH BALANCE, JANUARY 1		**9,266,335**	831,376
CASH BALANCE, DECEMBER 31	*5*	**9,877,324**	9,266,335

(See Accompanying Notes to Financial Statements)

CASH-EXPRESS PHILIPPINES FINANCING INC.
Under the business style and name of Cash-Express
(Formerly: Cashxpress South East Asia Lending Inc.
Doing business under CashXpressPH Lending

Level 10-1, One Global Place 25th Street corner 5th Avenue, Fort Bonifacio,
Taguig City, Fourth District NCR, Philippines

NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 – GENERAL INFORMATION

CASH-EXPRESS PHILIPPINES FINANCING INC. under the business style and name of Cash-Express *(Formerly: Cashxpress South East Asia Lending Inc. Doing business under CashXpress PH Lending)* (the "Company") is a private, stock corporation registered with the Philippine Securities and Exchange Commission (SEC) under Reg. No. CS201951088 on March 20, 2019. The original primary purpose of the Company is to engage in online and offline direct lending platform to all consumers, business, personal, payday, advance, salary loan and to do all acts and things necessary or incidental for the attainment of the above purposes under the Lending Regulation Act of 2007.

On March 20, 2019, the Company was granted a Certificate of Authority to operate as a lending company in accordance with the Lending Company Regulation Act of 2007 (R.A No. 9474) and its implementing rules and regulations, and subject to the representations and commitments set forth in its application under Certificate of Authority No. 2918.

On December 01, 2022, the Articles of Incorporation was amended to change its corporate name to CASH-EXPRESS PHILIPPINES FINANCING INC. under the business style and name of Cash-Express and its primary purpose to: To engage in the business of extending offline and online credit facilities to consumers and to industrial, commercial, or agricultural enterprises, by direct lending or by discounting or factoring commercial papers or accounts receivable, or by buying and selling contracts, leases, chattel mortgages, or other evidence of indebtedness, or by financial leasing of movable as well as immovable property (Sec. 3. of Republic Act No. 8556 known as the Financing Company Act of 1998). Provided, however, that there shall be continuing compliance of SEC Memorandum Circulars on 1) Prohibition of Unfair Debt Collection Practices of Financing Companies (FC) and Lending Companies (LC) and 2) Disclosure Requirements on Advertisements for Financing Companies and Lending Companies and Reporting of Online Lending Platforms (MC Nos. 18 and 19, Series of 2019. respectively).

On December 23, 2022, the Company was granted a Certificate of Authority to operate as a financing company in accordance with the Financing Company Act of 1998 (R.A No. 8556) and its implementing rules and regulations, and subject to the representations and commitments set forth in its application under Certificate of Authority No. 1306.

The Company is wholly owned by NOKITA, AUB, a Lithuanian company with a registered address at Laisves Pr. 60-1108, Villnius, Lithuania.

Going Concern
The Company's operations for the current year have resulted in a net loss of ₱39,460,469 thereby increasing its previously accumulated deficit from ₱14,807,344 to ₱54,267,813 as of December 31, 2022. The Company's total liabilities have exceeded its total assets by ₱42,267,813 only. The Company's accumulated deficit was due to pre-operating expenses and loss on sale of receivables. Management had reviewed its financial condition and operations and believed that positive results of operations could be achieved in the succeeding years.

The Board of Directors of the Company resolved to undertake the following steps and measures to improve its operations, financial condition and achieve profitability in the next calendar years:

1. Increase loan disbursement of a higher quality portfolio;
2. Improve collection efficiency;
3. Stricter monitoring and controlling operating expenses.

Accordingly, the financial statements have been prepared on a going concern basis. These financial statements do not include any adjustments relating to the recoverability and classifications of carrying amounts of assets and liabilities that might result, should the Company be unable to continue as a going concern.

The Company's registered and principal place of business is located at Level 10-1, One Global Place 25th Street corner 5th Avenue, Fort Bonifacio, Taguig City, Fourth District NCR, Philippines.

Approval for Issuance of Audited Financial Statements
On April 14, 2023, the Board of Directors of **CASH-EXPRESS PHILIPPINES FINANCING INC. (Doing business under Cash-Express)** (Formerly: Cashxpress South East Asia Lending Inc. (Doing business under CashXpress PH Lending)) approved and authorized the issuance of these audited financial statements as of and for the years ended December 31, 2022 and 2021.

NOTE 2 –BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Statement of Compliance
The financial statements have been prepared in compliance with the Philippine Financial Reporting Standard (PFRS) issued by the Philippine Financial Reporting Standards Council.

The Company opted to present single Statements of Comprehensive Income.

Functional and Presentation Currency
They are presented in Philippine Peso (₱) which is the Company's functional and presentation currency. All amounts are rounded to the nearest peso.

Basis of Measurement
The financial statements have been prepared on a historical costs basis unless stated otherwise.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented unless otherwise stated.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective beginning January 1, 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the Company's financial statements.

- **Amendments to PFRS 3**, *Reference to the Conceptual Framework* - The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies,* if incurred separately.
  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- **Amendments to PAS 16**, *Plant and Equipment: Proceeds before Intended Use* - The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- **Amendments to PAS 37**, *Onerous Contracts – Costs of Fulfilling a Contract* - The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- **Annual Improvements to PFRSs 2018-2020 Cycle**
  - **Amendments to PFRS 9**, *Financial Instruments, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* - The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

<u>Standards Issued but Not Yet Effective</u>
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company financial statements. Effective beginning on or after January 1, 2023.

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

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

- **Amendments to PAS 8**, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- **Amendments to PAS 12**, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

- **PFRS 17,** *Insurance Contracts* – This standard will replace PFRS 4, Insurance Contracts. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

  In response to the challenges brought by the Covid-19 pandemic, the Insurance Commission issued Circular Letter 2020-062, Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation, which provides a two-year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and nonlife insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

Deferred effectivity

- **Amendments to PFRS 10**, *Consolidated Financial Statements, and PAS 28 - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Financial Instruments

Initial Recognition and Measurement
Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

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).

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

Financial Assets and Liabilities at FVPL
Financial assets and liabilities at FVPL are either classified as held for trading or designated as FVPL.

This category includes equity instruments which the Company had not irrevocably elected to classify as FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or 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 to sell.

The Company may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

As at December 31, 2022 and 2021, the Company does not have financial assets and liabilities classified as FVPL.

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.

As at December 31, 2022 and 2021, the Company's cash, loans and other receivables and security deposits are classified under this category.

Financial Assets at FVOCI
For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI 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 selling the financial assets; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI as long as these are not held for trading purposes.

After initial recognition, financial assets at FVOCI are presented in the financial statements at fair value with changes in fair value are recognized in OCI.

Interest income on debt instruments is calculated using the effective interest method while impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified to profit or loss.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established. Cumulative changes in fair value of FVOCI equity instruments are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2022 and 2021, the Company does not have financial assets classified as FVOCI.

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

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

As at December 31, 2022 and 2021, the Company's accrued expenses and lease liability are classified under this category.

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 FVTPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

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

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

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

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

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

Impairment of Financial Assets
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL on it loans and other receivables is recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL is provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

The ECL was conservatively calculated by:

a. identifying scenarios in which a loan or receivable defaults;
b. estimating the cash shortfall that would be incurred in each scenario if a default were to happen;
c. multiplying that loss by the probability of the default happening; and
d. summing the results of all such possible default events.

In addition, the Company provides one hundred percent (100%) allowance for the following as provided by Implementing Rules and Regulations (IRR) of Republic Act No 8556:

a. Clean loans and advances past due for a period of more than six (6) months;
b. Past due loans secured by collateral such as inventories, receivables equipment and other chattels that have declined in value by more than 50%, without the borrower offering additional collateral for the loans;
c. Past due loans secured by real estate mortgage title to which is subject to an adverse claim rendering settlement through foreclosure doubtful;
d. When the borrower, and his co-maker or guarantor, is insolvent or where their whereabouts is unknown or their earning power is permanently impaired;
e. Accrued interest receivable that remains uncollected after six (6) months from maturity date of such loan to which it accrues; and
f. Accounts receivables past due for 361 days or more.

The Company records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

Derecognition of Financial Assets and Liabilities
Financial Asset
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
A financial liability is derecognized when the obligation under the liability is discharged, 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.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the Statements of Comprehensive Income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

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.

The Company derecognizes a financial asset when the contractual right to the cash flows from the financial asset has expired or when the Company has transferred to another party substantially all of the risks and rewards of ownership of the financial asset.

Other Current Assets

Other current assets represent loan prefunding and tax credit which is carried at cost representing the total excess payment of tax made.

Property and Equipment

Property and Equipment are carried at costs less accumulated depreciation and any accumulated impairment losses.

The initial costs of property and equipment consist of its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the year in which the costs are incurred. In a situation 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 or performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation is computed on the straight-line basis, net of any estimated residual value over the estimated useful lives of the assets, as follows:

Items of Property and Equipment	Estimated Useful Life
Office Equipment	3-5 years
Furniture and Fixtures	3-5 years

If there is an indication that there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the useful life, residual value and depreciation method are reviewed and any change from previous estimates is applied prospectively.

Fully depreciated assets are retained in the property and equipment until these are no longer in use. No further charge for depreciation is made in respect of those assets.

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

Impairment of Nonfinancial Assets

At each financial reporting date, the Company's Management assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of the recoverable amount.

When the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The impairment loss is charged against current operations in the year in which it arises. A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

All assets are subsequently reassessed for an indication that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

Equity

Share Capital
Share Capital is determined using the par value of shares that have been issued and paid-up.

Deficit
Deficit represents all current and prior period results of operations as reported in the Statements of Comprehensive Income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

(a) *Interest Income on Loans Receivable* -Interest income from lending activities is recognized as the interest accrues using the effective interest method. Effective interest method exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument include any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate. The change in the carrying amount is recorded as Interest Income. Any interest accrued and not collected is reversed on the year the loan is known to be uncollectible.

    Once the recorded value of a financial asset or group of similar financial assets has been reduced due to a credit loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Interest on interest-bearing placements and securities is recognized as the interest accrues, taking into account the effective yield on the asset.

(b) *Service Charges and Other Fees* are recognized as earned when collected or when there is a reasonable degree of certainty as to their collectability.

(c) *Interest Income on Deposit* is recognized when earned net of final taxes.

(d) *Other Income* is recognized when earned.

Expense Recognition

Expenses are decreases in economic benefits in the form of decreases in assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the goods or services are received or when the expenses are incurred.

Direct Costs
This account includes payment provider charges, verification expenses, interest on loans payable, salaries expense and other benefits, and IT services. These are recognized in profit or loss in the period they are incurred.

Operating Expenses
This account represents expenses such as salaries and other benefits, professional fees, depreciation, advertising and promotions, IT Infrastructure services, transportation and travel, postage telephone and communication, loss on sale of receivables, provision for credit losses, utility expenses, transportation and travel, office supplies, repairs and maintenance, contracted services, licenses and subscriptions and other costs that cannot be associated directly with the sale of services.

Finance Costs
Finance costs comprise interest expense on the lease liability. This is recognized in profit or loss in the period they are incurred using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Income Taxes

Income tax expense includes current tax expense and deferred tax expense. The current tax expense is based on taxable profit for the year. Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases.

Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future, and any net operating loss carry over (NOLCO) or excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). The net carrying amount of deferred tax asset is reviewed at each reporting date and any adjustments are recognized in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Employee Benefits

Short-term Employee Benefits
Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve (12) months after the end of the annual reporting period in which the employees render the related services. The Company recognizes the undiscounted amount of short-term employee benefits expected to be paid as an expense when services have been rendered. Any remaining unpaid services are recognized as a liability (accrued expenses).

Retirement Benefits
The Company has no retirement benefit plan as yet, as the Company is only in its fourth (4^{th}) year of operations.

Leases

The Company assesses at contract inception whether a contract is, or contains a lease. That is if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as Lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- *Right-of-use Asset*

The Company recognizes right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is carried at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The costs of right-of-use asset include the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The Company depreciates its right-of-use asset over the lease term.

The balance of right-of-use asset is presented separately in the Statements of Financial Position.

- *Lease Liability*

At the commencement date of the lease, the Company recognizes lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at initial application of PFRS 16, if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Interest expense on lease liability is computed using the effective interest method using the incremental borrowing rate of six percent (6%) per annum. Interest on lease liability is presented separately as Interest Expense in the Statements of Comprehensive Income.

The lease liability is presented separately in the Statements of Financial Position.

Related Party Transactions and Relationships

A related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities that are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Foreign Currency

Foreign currency transactions are initially recognized using the spot rate of exchange at the date of the transaction. Monetary assets and liabilities that are denominated in foreign currency are translated into the functional currency using the closing rate as of the reporting date. Gains and losses arising from foreign currency transactions are recognized immediately in profit and loss.

Provisions and Contingencies

Provisions are recognized only when the Company has a present obligation as a result of a past event and it is probable that the Company will be required to transfer economic benefits in a settlement, and the amount of provision can be estimated reliably.

Contingent assets and liabilities are not recognized in the financial statements.

Changes in Accounting Policies and Estimates and Correction of Prior Years' Errors

The Company applies changes in accounting policy if the change is required by the accounting standards or in order to provide reliable and more relevant information about the effects of transactions, other events or conditions on the Company's financial statements. Changes in accounting policy brought about by new accounting standards are accounted for in accordance with the specific transitional provision of the standards. All other changes in accounting policy are treated as an adjustment of the opening deficit of the current period.

Changes in accounting estimates are recognized prospectively by reflecting it in the profit and loss in the period of the change if the changes affect that period only or the period of the change and future periods if the change affects both.

Prior period errors are omissions from, and misstatements in the Company's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available when financial statements for those periods were authorized for issue and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

To the extent practicable, the Company corrects a material prior period error retrospectively in the first financial statements authorized for issue after its discovery by restating the comparative amounts for the prior period(s) presented in which the error occurred, or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the period presented.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the Company restates the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable.

Fair Value Measurements

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety; which are described as follows:

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

Events after the Reporting Period

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

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in compliance with PFRS requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and the disclosures of contingent assets and contingent liabilities if any. Future events may occur which can cause the assumptions used in arriving at the estimates to change/ the effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgment

In the process of applying the Company's accounting policies, Management has made the following judgments, apart from those involving estimates and assumptions, which have the most significant effect on the amount recognized in the financial statements.

Estimating the Incremental Borrowing Rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure the lease liability. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The incremental borrowing rate used by the Company to discount the lease payment as of January 1, 2022 and 2021 is six percent (6%).

Estimates and Assumptions

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

Determination of ECL on Receivables
The Company incorporates a forward-looking assessment of whether the credit risk on its financial instruments has increased since its initial recognition.

The Company considers a range of relevant forward-looking macro-economic factors affecting the ability of the customer to settle the receivables. These factors include gross domestic product and unemployment rate in the locations where it provides its loans. The Company also considers external actual and forecast information, including those published by government bodies and monetary authorities.

The Company reviews its receivable portfolio to assess impairment at least on an annual basis. In determining whether credit loss should be recorded in the Statements of Comprehensive Income, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets.

Expected credit loss recognized in 2022 and 2021 amounted ₱12,436,128 and ₱722,949, respectively. The carrying amount of receivables is disclosed in Note 6.

Estimating the Useful Lives of Property and Equipment
The useful lives of property and equipment are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property and equipment is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets.

There were no changes in the estimated useful lives of property and equipment during the years 2022 and 2021. Useful lives of property and equipment are disclosed in Note 3.

Impairment of Non-Financial Assets
The Company assesses annually whether there is any indication that nonfinancial asset is impaired. If such indication exists, the Company estimates the recoverable amount of the asset in accordance with the Company's accounting policy.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation.

An impairment loss is charged pro-rata to the other assets in the cash-generating unit. All assets are subsequently reassessed for an indication that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

No impairment loss was recognized in 2022 and 2021. The carrying amount of property and equipment is disclosed in Note 8.

Determination of Realizable Amount of Deferred Tax Assets
The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount 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. Management assessed that the deferred tax assets recognized as of December 31, 2022 and 2021 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 19.

NOTE 5 – CASH

This account consists of:

(In Philippine Peso)	**2022**	2021
Cash in Banks	**9,873,087**	9,266,335
Cash on Hand	**4,237**	-
	9,877,324	9,266,335

Cash in bank earns interest at respective bank interest rate. Interest income earned amounted to ₱1,669 and ₱1,678 in 2022 and 2021, respectively.

NOTE 6 – LOANS AND OTHER RECEIVABLES, NET

This account consists of:

(In Philippine Peso)	**2022**	2021
Loans Receivables	**27,912,538**	29,584,687
Advances to Employees	**12,037**	351,937
Other Receivables	**70,000**	-
Gross Receivables	**27,994,575**	29,936,624
Allowance Credit Losses	**(13,159,077)**	(722,949)
Loans and Other Receivables, Net	**14,835,498**	29,213,675

The Company's loans receivable are loans extended to individual borrowers that are unsecured and have terms ranging from five (5) to twenty (20) days and are subject to an interest rate of 1% to 2.3% per day. Starting March 2022, the Company's has changed its loan product terms to six (6) months payable on installment basis either every 7 days or 14 days with interest rate of 1-2% per day.

During the year 2022, the Company sold loan portfolio at a loss amounting to ₱27,310,137 only. Proceeds from the sale amounted to ₱1,502,720 only. These loan portfolios are those clients who can no longer be contacted despite earnest effort.

Advances to Employees pertains to salary and cash advances to employees which are deductible from their salary.

On March 1, 2022, the Securities and Exchange Commission issued Memorandum Circular No. 3 Series of 2022, implementing the Bangko Sentral ng Pilipinas Circular 1133 Series of 2021 on the Ceiling on interest rates and other fees charged by lending companies, financing companies and their online lending platforms.

Movement on Allowance for Credit Losses is as follows:

(In Philippine Peso)	**2022**	2021
Beginning	**722,949**	-
Provision for Credit Loss	**12,436,128**	722,949
Ending	**13,159,077**	722,949

There were no written-off accounts.

NOTE 7 – OTHER CURRENT ASSETS

This account consists of:

(In Philippine Peso)	**2022**	2021
Loan Prefunding	**6,014,514**	2,637,099
Tax Credit	**-**	160,732
	6,014,514	2,797,831

Loan Prefunding pertains to funds provided by the Company to its third-party loan disbursement partners. This fund is being used for the disbursement of approved loan applications.

Tax Credit pertains to excess withholding tax on compensation which can be utilized in succeeding periods.

NOTE 8 – PROPERTY AND EQUIPMENT, NET

Movements on property and equipment follow:

(In Philippine Peso)	Office Equipment	Furniture and Fixture	Total
Cost			
Beginning	**2,617,057**	**310,469**	**2,927,526**
Additions	**859,530**	**163,835**	**1,023,365**
Disposals	**-**	**-**	**-**
	3,476,587	**474,304**	**3,950,891**
Accumulated Depreciation			
Beginning	**583,311**	**83,721**	**667,032**
Depreciation	**899,922**	**94,755**	**994,677**
Disposals	**-**	**-**	**-**
	1,483,233	**178,476**	**1,661,709**
Net Carrying Value, December 31, 2022	**1,993,354**	**295,828**	**2,289,182**

(In Philippine Peso)	Office Equipment	Furniture and Fixture	Total
Cost			
Beginning	319,719	106,484	426,203
Additions	2,297,338	203,985	2,501,323
Disposals	-	-	-
	2,617,057	310,469	2,927,526
Accumulated Depreciation			
Beginning	112,739	10,862	123,601
Depreciation	470,572	72,859	543,431
Disposals	-	-	-
	583,311	83,721	667,032
Net Carrying Value, December 31, 2021	2,033,746	226,748	2,260,494

Depreciation for amounting to ₱994,677 and ₱543,431 for the years 2022 and 2021 are all charged to operating expenses.

No property and equipment have been used as collateral to secure the loans.

As of December 31, 2022 and 2021, the Company has reviewed the carrying values of property and equipment. Based on the evaluation, there are no indications that the assets were impaired.

NOTE 9 – SECURITY DEPOSITS

Security deposits pertain to deposits in connection with its lease agreement amounting to ₱314,400 and ₱304,400 as of December 31, 2022 and 2021, respectively.

NOTE 10 – ACCRUED EXPENSES AND OTHER PAYABLES

This account consists of:

(In Philippine Peso)	**2022**	2021
VAT Payable	**598,959**	450,142
Withholding Taxes Payable	**320,953**	135,525
SSS, HDMF and PHIC Payable	**173,408**	702,722
DST Payable	**153,759**	71,789
Accrued Expenses	**135,000**	50,000
	1,382,079	1,410,178

Accrued Expenses include accrued professional and rental fee.

NOTE 11 – LOAN PAYABLE

This account pertains to a loan obtained from UAB Aldega, a Lithuanian Company. The loan bears interest of 15.50% per annum. The loan is payable after two (2) years renewable upon agreement of both parties. The Company started to obtain a loan in 2021 to finance its operations.

This loan is unsecured and no collateral has been used to secure the loan.

Details of loans payable are as follows:

(In Philippine Peso)	**2022**	2021
Beginning	**48,260,343**	-
Additions	**37,536,063**	48,260,343
Unrealized Forex Loss *(Note 16)*	**646,951**	-
	86,443,357	48,260,343

No payment made during the years 2022 and 2021.

The loan is Euro currency denominated amounting to Euro 1,451,500 and Euro 767,625 as of December 31, 2022 and 2021.

During the years 2022 and 2021, interest recognized in connection with this loan amounted to ₱2,039,332 and ₱2,007,925, respectively *(Note 14)*.

NOTE 12 – EQUITY

Share Capital

The Company is authorized to issue one million five hundred thousand (1,500,000) ordinary shares with a par value of ten Peso (₱10.00) per share.

As of December 31, 2022 and 2021, the Company has subscribed and paid-up ordinary shares of 1,200,000 amounting to ₱12,000,000 only.

The reconciliation of the outstanding share capital for the years 2022 and 2021 follows:

	2022		2021	
	No. of Shares	**Amount**	No. of Shares	Amount
Beginning	**1,200,000**	**₱12,000,000**	1,200,000	₱12,000,000
Issued	**-**	-	-	-
Reacquired	**-**	-	-	-
Ending	**1,200,000**	**₱12,000,000**	1,200,000	₱12,000,000

As of December 31, 2022, one (1) stockholder owns at least one hundred (100) shares of the Company's outstanding capital stock.

Deficit

As of December 31, 2022 and 2021, the accumulated deficit already amounted to ₱54,267,813 and ₱14,807,344, respectively.

NOTE 13 – REVENUES

This account consists of:

(In Philippine Peso)	**2022**	2021
Interest Income - Loans	**31,642,891**	14,609,853
Fines and Other Fees	**1,472,949**	469,617
	33,115,840	15,079,470

NOTE 14 – COST OF SERVICES

This account consists of:

(In Philippine Peso)	**2022**	2021
Interest Expense - Loans	**2,039,332**	2,007,925
Payment Provider	**1,083,389**	1,557,887
Verification Services	**2,418,479**	1,878,967
Salaries and Other Benefits	**3,782,600**	-
IT Services	**5,298,196**	-
	14,621,996	5,444,779

NOTE 15 - OPERATING EXPENSES

This account consists of:

(In Philippine Peso)	**2022**	2021
Loss on Sale of Receivable *(Note 6)*	**27,310,137**	-
Salaries and Other Benefits	**15,330,091**	11,019,928
Provision for Credit Losses *(Note 6)*	**12,436,128**	722,949
Depreciation Expense *(Note 8 & 17)*	**3,056,895**	2,175,799
Advertising and Promotion	**2,840,294**	816,693
Professional Fees	**1,563,350**	563,400
Postage, Telephone and Communication	**1,168,728**	1,360,156
SSS, HDMF and PHIC Contribution	**1,033,788**	1,413,614
Taxes and Licenses *(Note 24)*	**789,871**	240,182
Utility Expense	**386,365**	115,837
Transportation and Travel	**173,308**	301,981
Interest Expense on Lease Liability *(Note 17)*	**169,622**	119,766
Office Supplies	**152,671**	374,328
Repairs and Maintenance	**117,018**	212,500
Representation and Entertainment	**116,073**	129,539
Contracted Services	**111,735**	-
Bank Service Charges	**97,382**	64,916
Debt Collection fee	**55,703**	57,649
Licenses and Subscription	**24,723**	45,223
Covid-Related Expenses	**17,006**	6,320
Training and Seminars	**8,143**	2,277
Insurance Expense	**4,365**	4,365
Meetings and Conferences	**2,129**	14,789
IT Infrastructure Services	**-**	880,233
Percentage Tax Expense	**-**	150,000
Miscellaneous	**75,449**	101,138
	67,040,974	20,893,582

Miscellaneous includes other office expenses.

NOTE 16 – OTHER INCOME/(EXPENSES)

This account consists of:

(In Philippine Peso)	**2022**	2021
Interest Income - Deposits *(Note 5)*	**1,669**	1,678
Realized Forex Gain	**10,340**	53,897
Unrealized Forex Loss *(Note 11)*	**(646,951)**	-
	(634,942)	55,575

NOTE 17 – LEASE COMMITMENT

Company as Lessee
The Company entered into a lease agreement covering the administrative office space. The lease agreement term is 2 years, starting October 16, 2020 to October 15, 2022, with a monthly rental of ₱80,000 with no escalation rate. The lease agreement was renewed for another 2 years with monthly rental of ₱80,000.

On June 30, 2021, the Company has entered into an additional lease agreement for an additional administrative office with a term of one (1) year from August 1, 2021 to July 31, 2022, with a monthly rental of ₱65,000 only. The lease agreement was renewed for another 1 year up to July 31, 2023 with monthly rental of ₱57,570.

The roll forward analysis of right-of-use assets for the years 2022 and 2021 is as follows:

(In Philippine Peso)	**2022**	2021
Cost		
Beginning Balance	**2,932,636**	1,823,842
Additions	**2,384,608**	1,108,794
Disposals	**-**	-
Ending Balance	**5,317,244**	2,932,636
Accumulated Depreciation		
Beginning Balance	**1,708,361**	75,993
Depreciation	**2,062,218**	1,632,368
Disposals	**-**	-
Ending Balance	**3,770,579**	1,708,361
Net Book Value	**1,546,665**	1,224,275

The following are the amounts recognized in the Statements of Comprehensive Income for the years 2022 and 2021:

(In Philippine Peso)	**2022**	2021
Depreciation Expense on ROU Asset	**2,062,218**	1,632,368
Interest Expense on Lease Liability	**169,622**	119,766
	2,231,840	1,752,134

The roll forward analysis of lease liabilities for the years 2022 and 2021 is as follows:

(In Philippine Peso)	**2022**	2021
Beginning	**1,148,359**	1,605,399
Additions	**2,384,608**	1,108,794
Interest Expense	**169,622**	119,766
Payments	**(1,716,500)**	(1,685,600)
Ending	**1,986,089**	1,148,359

The current and noncurrent portion of lease liability as of December 31, 2022 and 2021, are as follows:

(In Philippine Peso)	**2022**	2021
Current portion	**1,283,764**	1,148,359
Noncurrent portion	**702,325**	-
	1,986,089	1,148,359

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2022 and 2021:

(In Philippine Peso)	**2022**	2021
Within 1 Year	**720,000**	1,175,000
Later than 1 Year	**-**	-
	720,000	1,175,000

Contingent Liabilities

The Company has no pending court/legal cases filed by outside parties – individuals or juridical persons. The Management believes that there are neither provisions nor contingent liabilities that need to be presented in the financial statements as of December 31, 2022 and 2021.

NOTE 18 – RELATED PARTY TRANSACTIONS

In the normal course of business, the Company has transactions with its related parties. None of the transactions incorporate special terms and conditions and no guarantees were given or received. Related party transactions are usually settled in cash.

The related party transactions are as follows:

Category	Year	Amount	Outstanding Balance	Terms	Conditions
UAB ALDEGA					
(With Common Director)	2022	38,183,014	86,443,357	Subject to 15.5% annual interest; payable within 2 years, payable in cash	Unsecured
Loans Payable	2021	48,260,343	48,260,343		

Compensation to Key Management Personnel

The total remuneration to key management personnel, which pertains to short-term benefits, amounted to:

(In Philippine Peso)	**2022**	2021
Salary	**4,960,503**	2,413,460
13th-month and Other Benefits	**895,661**	748,731
	5,856,164	3,162,191

NOTE 19 – INCOME TAX

The current income tax expense represents Regular Corporate Income Tax (RCIT).

The reconciliation between income tax expense at the statutory tax rate and as presented in the Statements of Comprehensive Income is as follows:

(In Philippine Peso)	**2022**	2021
Net Income before Tax	**(9,836,414)**	(2,240,663)
Adjustment Relating to income tax rate	**-**	373,131
Add/(Deduct):		
Interest Income *(Note 5)*	**(334)**	(336)
Unrealized forex loss	**129,390**	-
DTA adjustment on lease payments	**(14,245)**	42,735
	(9,721,603)	(1,825,133)

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law on March 26, 2021 and took effect on April 11, 2021 which reduced the RCIT rate from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the Minimum Corporate Income Tax Rate (MCIT) was changed from 2% to 1% of gross income for a period of three years starting July 1, 2020.

The Company is not yet subject to MCIT as it is only in its 4th year of operations.

The effect of the reduction of income tax rates was recognized in 2021. Details are as follows:

(In Philippine Peso)	
Income Tax Benefit in 2021	**(2,198,264)**
Effect relating to change in tax rate	**373,131**
Income Tax Benefit	**(1,825,133)**

In addition, net deferred tax assets as of December 31, 2021 were reduced by ₱373,131 as a result of the change in the income tax rate.

The details of Deferred Tax Assets are as follows:

(In Philippine Peso)	**2022**	2021
NOLCO	**9,946,428**	2,829,364
Provision for Credit Loss	**2,631,816**	144,590
Lease Liability	**87,885**	(29,428)
	12,666,129	2,944,526

The details of Net Operating Loss Carry-Over (NOLCO) are summarized below:

Year Incurred	Amount	Application	Expiration	Ending	Expiry Year
2022	35,585,322	-	-	35,585,322	2025
2021	10,415,511	-	-	10,415,511	2026
2020	3,731,309	-	-	3,731,309	2025
2019	2,930,072	-	(2,930,072)	-	2022
	52,662,214	**-**	**(2,930,072)**	**49,732,142**	

Under the Republic Act No. 11494, also known as the Bayanihan to Recover as One Act (Bayanihan 2 Act) and as implemented under Revenue Regulation No. 25-2020, the NOLCO for taxable years 2021 and 2020 may be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of loss.

NOTE 20 - RISK MANAGEMENT OBJECTIVES AND POLICIES

The main purpose of the Company's financial instruments is to fund its operations and capital expenditures. The Company is exposed to financial risks through its financial assets and financial liabilities. The most important components of this financial risk arising from the use of financial instruments are credit risk, liquidity risk and market risk.

The Board of Directors (BOD) reviews and approves policies for managing each of these risks. The Company monitors market risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the BOD.

The Company's risk management policies are summarized as follows:

Credit Risk

Credit risk represents the potential loss that the Company would incur if the counterparties fail to perform under the contractual obligations. The Company is exposed to this risk for various financial instruments arising from cash in banks, loans and other receivables and security deposits.

To address this risk, the Company's credit exposures from its lending operations passed through stringent procedures in extending credit terms to clients. In addition, the Company deals only with recognized and credit-worthy borrowers.

The aging analysis of the Company's financial assets as of December 31, 2022 and 2021 is as follows:

December 31, 2022							
		Past Due but not Impaired					
(In Philippine Peso)	Neither Past Due nor Impaired	Up to 3 Months	More than 3 to 6 Months	More than 6 months to 1 Year	More than 1 Year	Past Due and Impaired	Total
Cash in Banks	**9,873,087**	**-**	**-**	**-**	**-**	**-**	**9,873,087**
Loans and Other Receivables, Net	**6,968,083**	**7,405,227**	**414,283**	**46,092**	**1,813**	**-**	**14,835,498**
Security Deposits	**314,400**	**-**	**-**	**-**	**-**	**-**	**314,400**
	17,155,570	**7,405,227**	**414,283**	**46,092**	**1,813**	**-**	**25,022,985**

December 31, 2021						
		Past Due but not Impaired				
(In Philippine Peso)	Neither Past Due nor Impaired	Up to 3 Months	More than 3 to 6 Months	More than 6 months to 1 Year	Past Due and Impaired	Total
Cash in Banks	9,266,335	-	-	-	-	9,266,335
Loans and Other Receivables, Net	14,258,646	12,872,267	1,171,553	911,208	-	29,213,675
Security Deposits	304,400	-	-	-	-	304,400
	23,829,381	12,872,267	1,171,553	911,208	-	38,784,410

The computation of Expected Credit Loss (ECL) for the years 2022 and 2021 are as follows:

December 31, 2022								
	Current	Past Due						
(In Philippine Peso)	-	1-5 days	6-30 days	31-90 days	91-180 days	181 days - 1 Year	Over 1 Year	Total
Loans Receivables, Gross	**7,652,499**	**1,537,595**	**5,490,938**	**7,985,507**	**4,142,827**	**921,841**	**181,331**	**27,912,538**
Advances to Employees	**12,037**	**-**	**-**	**-**	**-**	**-**	**-**	**12,037**
Gross Receivables	**7,664,536**	**1,537,595**	**5,490,938**	**7,985,507**	**4,142,827**	**921,841**	**181,331**	**27,924,575**
ECL Rate	**10.00%**	**18.00%**	**39.00%**	**65.00%**	**90.00%**	**95.00%**	**99.00%**	
Estimated Credit Loss	**766,454**	**276,767**	**2,141,466**	**5,190,580**	**3,728,544**	**875,749**	**179,517**	**13,159,077**

December 31, 2021									
	Current	Past Due							Total
(In Philippine Peso)		1-5 days	6-30 days	31-60 days	61-90 days	91-180 days	181-365 days	Over 365 days	
Loans Receivables, Gross	13,963,973	4,615,211	3,727,671	3,076,807	1,863,835	1,301,726	1,035,464	-	29,584,687
Advances to Employees	351,937	-	-	-	-	-	-	-	351,937
Gross Receivables	14,315,910	4,615,211	3,727,671	3,076,807	1,863,835	1,301,726	1,035,464	-	29,936,624
ECL Rate	0.40%	1.20%	2.40%	4.60%	6.70%	10.00%	12.00%	60.00%	
Estimated Credit Loss	57,264	55,383	89,464	141,533	124,877	130,173	124,256	-	722,949

The table below shows the maximum exposure to the credit risk of the Company's financial assets, without taking into account any collateral and other credit enhancements as of December 31, 2022 and 2021:

(In Philippine Peso)	**2022**	2021
Cash in Bank	**9,873,087**	9,266,335
Loans and Other Receivables, Net	**14,835,498**	29,213,675
Security Deposits	**314,400**	304,400
	25,022,985	38,784,410

Cash in Bank
The credit risk for cash in bank is considered negligible since the counterparty is a reputable bank with high-quality external credit ratings. Deposits are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000 for every depositor per banking institution.

Loans and Other Receivables
With respect to receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Receivables consist mainly of advances to a related party of which the risk of none payment is low.

Receivables that are neither past due nor impaired are current and collectible.

Liquidity Risk

Liquidity risk is the risk arising from the failure of the Company to meet maturing obligations due to mismatch in cash flows and incidence of high past-due loans which may put pressure on the Company's liquidity position.

The Company manages its liquidity needs by carefully monitoring cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains a substantial amount of cash in depository banks to meet maturing obligations as they become due. Also, collections from receivables may be used as payment for maturing obligations in case cash in banks falls short.

As of December 31, 2022 and 2021, the Company's liabilities have maturities which are presented below:

December 31, 2022				
(In Philippine Peso)	Less than 6 Months	6 Months to 1 Year	More than 1 Year	Total
Accrued Expenses and Other Payable	**135,000**	**-**	**-**	**135,000**
Lease Liability	**1,748,469**	**237,620**	**-**	**1,986,089**
Loans Payable	**-**	**-**	**86,443,357**	**86,443,357**
	1,883,469	**237,620**	**86,443,357**	**88,564,446**

December 31, 2021				
(In Philippine Peso)	Less than 6 Months	6 Months to 1 Year	More than 1 Year	Total
Accrued Expenses and Other Payable	50,000	-	-	50,000
Lease Liability	846,063	302,296	-	1,148,359
Loans Payable	-	-	48,260,343	48,260,343
	896,063	302,296	48,260,343	49,458,702

Accrued Expenses and Other Payable as of December 31, 2022 and 2021 exclude SSS, HDMF & PHIC Payable, Withholding Taxes Payable, VAT Payable and DST Payable.

Market Risk

Interest Rate Risk
The Company is not exposed to any significant interest rate risk. Interest rate risk is the potential loss arising from changes in market rates. The interest rates that the Company passed on to the borrowers are usually fixed and generally at equal market rates. Thus, exposure to interest rate risk is minimal.

The average interest rates of the Company's financial instruments by the period of maturity are as follows:

	December 31, 2022			December 31, 2021		
	Less than 6 Months	6 Months to 1 Year	More than 1 Year	Less than 6 Months	6 Months to 1 Year	More than 1 Year
Financial Asset:						
Cash in Banks	**0-0.5%**			0-0.5%		
Loans Receivable	**1-2.3%**	**1-2.3%**	**1-2.3%**	1-2.3%	1-2.3%	1-2.3%
Financial Liability:						
Loans Payable			**15.50%**			15.50%

NOTE 21 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the Company's financial assets and liabilities, and the corresponding fair value hierarchy:

	December 31, 2022			
	Carrying	Fair Value		
(In Philippine Peso)	Value	Level 1	Level 2	Level 3
Financial Assets:				
Cash in Bank	**9,873,087**	**-**	**9,873,087**	**-**
Loans and Other Receivables	**14,835,498**	**-**	**14,835,498**	**-**
Security Deposits	**314,400**	**-**	**314,400**	**-**
	25,022,985	**-**	**25,022,985**	**-**
Financial Liability:				
Accrued Expenses and Other Payable	**135,000**	**-**	**50,000**	**-**
Lease Liability	**1,986,089**	**-**	**1,148,359**	**-**
Loans Payable	**86,443,357**	**-**	**86,443,357**	**-**
	88,564,446	**-**	**87,641,716**	**-**

Accrued Expenses and Other Payable excludes SSS, HDMF and PHIC Payable, Withholding Taxes Payable, VAT Payable and DST Payable

	December 31, 2021			
	Carrying	Fair Value		
(In Philippine Peso)	Value	Level 1	Level 2	Level 3
Financial Assets:				
Cash in Bank	9,266,335	-	9,266,335	**-**
Loans and Other Receivables	29,213,675	-	29,213,675	**-**
Security Deposits	304,400	-	304,400	**-**
	38,784,410	-	38,784,410	**-**
Financial Liability:				
Accrued Expenses and Other Payable	50,000	-	50,000	
Lease Liability	1,148,359	-	1,148,359	
Loans Payable	48,260,343	-	48,260,343	**-**
	49,458,702	-	49,458,702	**-**

Accrued Expenses and Other Payable excludes SSS, HDMF and PHIC Payable, Withholding Taxes Payable, VAT Payable and DST Payable

NOTE 22 - CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Company also ensures compliance with externally imposed capital requirements.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to stockholders or issue new shares. No changes were made in the objective policies or processes for the years ended December 31, 2022 and 2021.

The Company considers the following as capital:

(In Philippine Peso)	**2022**	2021
Share Capital	**12,000,000**	12,000,000
Deficit	**(54,267,813)**	(14,807,344)
	(42,267,813)	(2,807,344)

The Company monitors capital on the basis of the carrying amount of equity presented on the face of the Statements of Financial Position. Capital for the reporting period under review is summarized as follows:

(In Philippine Peso)	**2022**	2021
Total Liabilities	**89,811,525**	50,818,880
Total Equity	**(42,267,813)**	(2,807,344)
	(2.12):1.00	(18.10):1.00

Under the Implementing Rules and Regulations (IRR) of Lending Company Regulation Act of 2007 (Republic Act No. 9474), a lending company shall have a minimum paid-up capital of One Million Peso (₱1,000,000), unless the SEC prescribes a higher minimum capitalization, if warranted by the circumstances. For branch extension, additional capital is required in the amount of ₱300,000 in Metro Manila and first-class cities; ₱150,000 for second class and other cities and ₱75,000 for municipalities.

Based on Republic Act No. 8556, otherwise known as the “Financing Company Act of 1998”, financing companies located in Metro Manila and other first-class cities shall have a paid-up capital of not less than Ten million Peso (₱10,000,000) only.

No changes were made in the objective, policies and processes during the years ended December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the Company complied with the required minimum capitalization.

NOTE 23 - RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Company's liabilities arising from financing transactions for the years 2022 and 2021 are as follows:

(In Philippine Peso)	January 1, 2022	Additions	Cash Flows	Interest	Unrealized Loss	December 31, 2022
Lease Liability	**1,148,359**	**2,384,608**	**(1,716,500)**	**169,622**	**-**	**1,986,089**
Loans Payable	**48,260,343**	**37,536,063**	**-**	**-**	**646,951**	**86,443,357**
	49,408,702	**39,920,671**	**(1,716,500)**	**169,622**	**646,951**	**88,429,446**

(In Philippine Peso)	January 1, 2021	Additions	Cash Flows	Interest		December 31, 2021
Lease Liability	1,605,399	1,108,794	(1,685,600)	119,766	-	1,148,359
Loans Payable	-	48,260,343	-	-	-	48,260,343
	1,605,399	49,369,137	(1,685,600)	119,766	-	49,408,702

There are no other changes in the Company's liabilities arising from financing activities.

The Company had no material non-cash financing activities during the years 2022 and 2021.

NOTE 24 - SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR

Under Revenue Regulation 15-2010

In compliance with the requirements set forth by Revenue Regulation 15-2010 issued by the Bureau of Internal Revenue, hereunder is information on taxes, duties and license fees paid or accrued during the taxable year:

a. Percentage Tax

The Company is subject to percentage tax on its gross income as indicated on its Certificate of Registration (COR) issued by the Bureau of Internal Revenue (BIR). Percentage tax is imposed on interest, commissions and discounts from lending activities at 5% or 1%, depending on the remaining maturities of instruments from which such receipts are derived, and at 7% on non-lending fees and commissions, trading and foreign exchange gains and other items constituting gross income.

During the year 2022, the Company has no gross income subject to percentage tax.

b. Value Added Tax

The Company exceed VAT threshold of ₱3,000,000 only. Details of the Company's net sales/receipts, output and input VAT accounts are as follows:

Output VAT

The Company is a VAT-registered with an output tax declaration of ₱3,973,901 for the year 2022 based on the vatable sales amounting to ₱33,115,840, pursuant to the provisions of NIRC of 1997 under Title IV, Sec. 108 (A).

The Company has no zero-rated sales, sales to government and exempt sales during the year 2022.

c. Input VAT

The amount of VAT input taxes claimed are broken down as follows:

(In Philippine Peso)	
Balance at January 1	**-**
Current year's domestic purchases/payments	**-**
or importations for:	**-**
Purchase of Goods Other than Capital Goods	**79,953**
Importation of Goods Other than Capital Goods	**-**
Purchased of Domestic Services	**578,867**
Total	**658,820**
Input VAT applied to Output VAT	**(658,820)**
Balance at December 31	**-**

d. Taxes and Licenses

Details of Taxes and Licenses presented under Operating Expenses in Statements of Comprehensive Income follow:

(In Philippine Peso)	
Documentary Stamp Tax	**602,797**
Business Permits	**42,011**
BIR Annual Registration Fee	**500**
Other Permits and Licenses	**144,563**
	789,871

e. Withholding Taxes Payable

(In Philippine Peso)	
Withholding taxes on compensation	**1,534,943**
Final Withholding Tax	**411,769**
Expanded Withholding Tax	**102,968**
	2,049,680

f. Documentary Stamp Tax

The Company paid documentary stamp taxes of ₱602,797 for the year 2022 in connection with its loans payable and loans issued to borrowers.

g. Excise Tax

The Company did not enter into any transaction subject to the excise tax.

h. Importations

The Company has no importations during the year.

i. Tax Assessments

The Company has no final tax assessments and cases pending before the BIR as of December 31, 2022. Likewise, the Company has no other pending tax cases outside the administration of the BIR as of the said year.

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INDEPENDENT AUDITORS' REPORT ON SEC SUPPLEMENTARY SCHEDULE

The Board of Directors and Stockholders
CASH-EXPRESS PHILIPPINES FINANCING INC.
Under the business style and name of Cash-Express
(Formerly: Cashxpress South East Asia Lending Inc.
Doing business under CashXpressPH Lending)
Level 10-1, One Global Place 25th Street
corner 5th Avenue, Fort Bonifacio, Taguig City
Fourth District NCR, Philippines

We have audited in accordance with Philippines Standards on Auditing, the financial statements of **CASH-EXPRESS PHILIPPINES FINANCING INC.** Under the business style and name of Cash-Express *(Formerly: Cashxpress South East Asia Lending Inc.* ***Doing business under CashXpressPH Lending)*** (the "Company"), as of and for the year ended December 31, 2022 on which we have rendered the attached report dated April 20, 2023. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole.

The accompanying schedules of selected financial ratios and all the effective standards and interpretations are the responsibility of the Company's Management. The schedules are presented for the purpose of complying with the requirements of the Revised Securities Regulation Code Rule 68, particularly Part 1 4(D) & 4(E) thereon, and are not part of the basic financial statements. The information on such schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

ACYATAN & CO., CPAs
BOA/PRC Accreditation No. 0141
Issued on 12-11-2019 Expiring on 07-10-2023
SEC Accreditation No. 0141-SEC (Group C)
Issued on 10-07-2021 Expiring on 10-06-2025

EFREN N. ACYATAN
Senior Partner
CPA Certificate No. 074169
SEC Accreditation No. 74169-SEC (Group C)
Issued on 11-16-2021 Expiring on 11-15-2025
TIN 101-085-150
BIR A.N. 07-001960-003-2018
Issued on 12-31-2021 Expiring 12-30-2024
PTR No. 3124253
Issued on 01-05-2023 at Mandaluyong City

April 20, 2023
Mandaluyong City-Philippines

OUR SEAL

CASH-EXPRESS PHILIPPINES FINANCING INC.
Under the business style and name of Cash-Express
(Formerly: CashXpress South East Asia Lending Inc.
Doing business under CashXpressPH Lending)

SCHEDULE OF SELECTED FINANCIAL RATIOS
(As required under Revised SRC Rule 68, as amended Part 1 5 (C))

For the Years Ended December 31, 2022 and 2021

	2022		2021	
a. Liquidity Ratios				
Current Ratio				
Current Assets / Current Liabilities	**9.12**	**: 1**	16.13	: 1
Quick Ratio				
Cash & Cash Equivalents + Short-term Investments + Receivables / Current Liabilities	**7.34**	**: 1**	15.04	: 1
Cash Ratio				
Cash & Cash Equivalents + Invested Funds / Current Liabilities	**2.93**	**: 1**	3.62	: 1
b. Solvency Ratio				
After Tax Net Profit + Depreciation / Liabilities	**-0.41**	**: 1**	-0.14	: 1
c. Debt to Equity Ratio				
Total Liabilities / Total Equity	**-2.12**	**: 1**	-18.10	: 1
d. Asset to Equity Ratio				
Total Assets / Total Equity	**-1.12**	**: 1**	-17.10	: 1
e. Interest Rate Coverage Ratio				
Earnings Before Interest & Taxes / Interest Expense	**-21.26**	**: 1**	-4.27	: 1
f. Profitability Ratios				
Return on Assets				
Net Income / Average Total Assets	**-0.83**	**: 1**	-0.33	: 1
Return on Equity				
Net Income / Average Equity	**1.75**	**: 1**	-4.98	: 1

CASH-EXPRESS PHILIPPINES FINANCING INC.
Under the business style and name of Cash-Express
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Doing business under CashXpressPH Lending)

SCHEDULE OF SELECTED FINANCIAL RATIOS
(As required under Revised SRC Rule 68 Part 1 5 (D))

For the Years Ended December 31, 2022 and 2021

	2022	2021
a. Ratio or Percentage of Total Real Estate Investment to Total Assets		
Real Estate Investments / Total Assets	***n/a***	*n/a*
b. Ratio of Total Receivables to Total Assets		
Total Receivables / Total Assets	**0.31 : 1**	0.61 : 1
c. Ratio of Total DOSRI Receivables to Net Worth		
DOSRI Receivables / Total Equity	***n/a***	*n/a*
d. Amount of Receivables from a Single Corporation to Total Receivables		
Receivable from Single Corporation / Total Receivables	***n/a***	*n/a*

INDEPENDENT AUDITORS' REPORT TO ACCOMPANY INCOME TAX RETURN

The Board of Directors and Stockholders
CASH-EXPRESS PHILIPPINES FINANCING INC.
Under the business style and name of Cash-Express
(Formerly: Cashxpress South East Asia Lending Inc.
Doing business under CashXpressPH Lending)
Level 10-1, One Global Place 25th Street
corner 5th Avenue, Fort Bonifacio, Taguig City
Fourth District NCR, Philippines

We have audited the accompanying financial statements of **CASH-EXPRESS PHILIPPINES FINANCING INC.** Under the business style and name of Cash-Express *(Formerly: Cashxpress South East Asia Lending Inc.* ***Doing business under CashXpressPH Lending)*** which comprise the Statements of Financial Position as of December 31, 2022 and 2021, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the years then ended, on which we have rendered the attached report dated April 20, 2023.

In compliance with Revenue Regulations No. V-020, we are declaring the following:

1. The supplementary information on taxes and licenses is presented in Note 24 to the financial statements.

2. No partner of our Firm is related by consanguinity or affinity to the president, manager, senior officers or principal stockholders of the Company.

ACYATAN & CO., CPAs
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PTR No. 3124253
Issued on 01-05-2023 at Mandaluyong City

April 20, 2023
Mandaluyong City-Philippines

OUR SEAL

CASH-EXPRESS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **CASH-EXPRESS PHILIPPINES FINANCING INC. under the business style and name of Cash-Express** *(Formerly: Cashxpress South East Asia Lending Inc. Doing business under CashXpressPH Lending)* is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, 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.

Acyatan & Co., CPAs, 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.

VYTAUTAS OLSAUSKAS
Chairman of the Board

ANDREI GORDIENKO
President

GINO P. BERTULFO
Treasurer

Signed this 14th day of April 2023.

One Global Place 5th Ave. BGC, Taguig
E: hr@cashxpress.ph T: (632) 793323601
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