COVER SHEET

2 8 7 8 8

S.E.C. Registration Number

M A K A T I   F I N A N C E   C O R P O R A T I O N

(Company's Full Name)

3 R D   F L O O R   M A Z D A   M A K A T I

B U I L D I N G   2 3 0 1   C H I N O   R O C E S

B A R A N G A Y   M A G A L L A N E S

A V E N U E   M A K A T I   C I T Y   1 2 3 1

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

MARCOS E. LAROSA

Contact Person

(02) 751-8132

Company Telephone Number

DEFINITIVE INFORMATION STATEMENT

1 2 / 3 1

Month *Day*

Fiscal Year

2019

SEC Form 20 - IS

FORM TYPE

Financing

Secondary License Type, If Applicable

0 7

Month *Day*

Annual Meeting

Every last Thursday of July

M S R D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

107

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

June 28, 2019

The Markets and Securities Regulation Department
SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307

Attention: **Mr. Vicente Graciano P. Felizmenio, Jr.**
Director, Markets and Securities Regulation Dept.

The Disclosure Department
THE PHILIPPINE STOCK EXCHANGE, INC.
3rd Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention: **Mr. Jose Valeriano B. Zuño III**
OIC, Head of Disclosure Department

Gentlemen:

We are sending herewith a copy of Makati Finance Corporation SEC FORM 20-IS Definitive Information Statement 2019 in relation to Annual Stockholder's Meeting to be held on July 25, 2019 at the Makati Shangri-La Hotel, Makati City.

We are making this disclosure in compliance with the Continuing Listing Requirements of the Philippine Stock Exchange.

Very truly yours,

MAKATI FINANCE CORPORATION
Registrant

By:

MARCOS E. LAROSA
CFO/Compliance Officer

P R O X Y

The undersigned stockholder of MAKATI FINANCE CORPORATION (the "Corporation") hereby constitutes and appoints ____as proxy to represent and vote **all shares of stock** registered in the name of the undersigned stockholder in the books of the Corporation at all meetings (annual or special) of the stockholders of the Corporation, including that to be held on **25 July 2019, Thursday, at 4:00 p.m.**and at any postponement or adjournment thereof.The proxy is authorized to vote on all matters which may be taken up by thestockholders during the meeting(s). This proxy shall be valid for all stockholders meetings held within a period of five (5) years from the date indicated below, unless sooner revoked or superseded by the undersigned.

____
Date

____
NAME OF STOCKHOLDER

____
SIGNATURE OF STOCKHOLDER
OR DULY AUTHORIZED REPRESENTATIVE

REPUBLIC OF THE PHILIPPINES)
Quezon City) S.S.

CERTIFICATION

I, **DANILO ENRIQUE O. CO**, Filipino, of legal age and with office address at 11F Atlanta Centre, 31 Annapolis St., San Juan, M.M., after having been duly sworn to in accordance with law do hereby declare that:

1. I am the duly elected and incumbent Corporate Secretary of Makati Finance Corporation.

2. I hereby certify that, to the best of my knowledge, none of the 2019 nominees for the Board of Directors of Makati Finance Corporation named below currently works with the Philippine government, or any of its departments, agencies, branches or other offices:

RENE B. BENITEZ
MAX O. BORROMEO
MAXCY FRANCISCO JOSE R. BORROMEO
FRANCISCO C. EIZMENDI JR.
JOEL S. FERRER
JOSE DANIEL R. BORROMEO
ALAN MICHAEL R. CRUZ
ROBERT CHARLES M. LEHMANN
ERIC B. BENITEZ
LAWRENCE EE HOCK LEONG
ASTERIO L. FAVIS JR.

3. This certification is being issued as part of the disclosure requirements of the Securities and Exchange Commission.

DANILO ENRIQUE O. CO
Affiant

SUBSCRIBED AND SWORN to before me this 27 JUN 2019 at Quezon City affiant personally appeared before me and exhibited his Competent Evidence of Identity (Passport) No. P0416443A issued at DFA NCR East on 28 September 2016 expiring 27 September 2021.

Doc No. 121;
Page No. 25;
Book No. XVII;
Series of 2019.

JIHAN G. MERRERA
Notary Public for and in Quezon City
Adm. Matter No. NP-082 (25 Jan. 2018-31 Dec. 2019)
Attorney's Roll No. 51082
PTR No. 7377887; 9 Jan. 2019; QC
IBP Lifetime No. 05754; QC Chapter
MCLE Compliance No. VI-0015048
TIN. 237-611-952
No. 4 General St., Villar Maloles Subdivision,
Brgy. Holy Spirit, Quezon City

MFC-CERT GOV 2019 with names [DIA]

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MR. FRANCISCO C. EIZMENDI, JR.**, Filipino, of legal age and with residence address at 34 Celery Drive, Valle Verde V, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Makati Finance Corporation** (**"MFIN"**) and have been its independent director since June 14, 2007.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Dearborn Motors Corporation	Chairman	2000 – present
Sun Life Grepa Financial	Independent Director	2011 – present
Institute for Solidarity in Asia	Trustee	2008 – present
East West Seed Philippines	Advisory Board Member	2009 – present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Makati Finance Corporation**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission ("SEC").

4. I am not related to any director/officer/substantial shareholder of **Makati Finance Corporation** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not subject to any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, the Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **Makati Finance Corporation** of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this _______ day of _________ at Makati City, Philippines.

FRANCISCO C. EIZMENDI, JR.
Affiant

JUN 28 2019
MAKATI CITY

Subscribed and sworn to before me this ___ day of ___________ at ___________ affiant personally appeared before me and exhibited his Tax Information Number (TIN) 119-132-505.

Doc No. 215
Page No. 44
Book No. 75
Series of 2019

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-87 UNTIL DEC. 31, 2020
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. VI-0027250/4-4-2019
IBP O.R No. 706762-LIFETIME MEMBER JAN. 20, 2007
PTR No. 7333020- JAN 03 2019- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI CITY., COR., JUPITER ST.
MAKATI CITY

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

ICTD JUN 28 2019 2
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

I, **MR. LAWRENCE HOCK LEONG EE,** Singaporean, of legal age and with residence address at 34 Dunbar Walk, Singapore 459326, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Makati Finance Corporation** (**"MFIN"**) and have been its independent director since July 27, 2017.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Amalgamated Investment Bancorporation	Director	2015 – present
Singapore Chartered Accountants	Lifetime Member	1965 - present
Lum Chang Holdings, Inc.	Independent Director	9-years
LCD Global Investments	Non-Executive Chairman	2 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Makati Finance Corporation**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission ("SEC").

4. I am not related to any director/officer/substantial shareholder of **Makati Finance Corporation** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not subject to any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, the Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **Makati Finance Corporation** of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this JUN 28 2019 at Makati City, Philippines.

LAWRENCE HOCK LEONG EE
Affiant

JUN 28 2019 MAKATI CITY

SUBSCRIBED AND SWORN to before me this ___ day of __________ at __________ affiant personally appeared before me and exhibited his Passport Number E4134630J issued by the Department of Foreign Affairs, Manila on December 1, 2015.

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Page No. 45
Book No. 57
Series of 2019

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-87 UNTIL DEC. 31, 2020
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. VI-0022250/4-4-2019
IBP O.R No. 706762-LIFETIME MEMBER JAN. 29, 2007
PTR No. 7333020-JAN 03,2019-MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI CITY., COR., JUPITER ST
MAKATI CITY

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MR. ALAN MICHAEL R. CRUZ,** Filipino, of legal age and a resident of address at No. 410 Madrigal Avenue, Ayala Alabang, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Makati Finance Corporation** (**"MFIN"**) and have been its independent director since July 27, 2017.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
NORTHPINE LAND INC.	President and General Mgr.	June 2011 – Dec.2016
SAN MIGUEL PROPERTIES, INC.	Real Estate Development Mgr.	March 2007 – June 2011
UNITED COCONUT PLANTERS BANK (UCPB)	VP and Division Head, Corporate Service Division	2004 – 2007
UNITED COCONUT PLANTERS BANK (UCPB)	VP and OIC, Asset Management Division	2000 – 2003
BELLE CORPORATION	Asst. VP–Construction Division	1995 – 2000
KREUZ MANAGEMENT	Assistant Vice President	1988 – 1994
A.R. CRUZ & PARTNERS	Managing Director	1989 – 1995
WEISBERG, CASTRO & ASSOCIATES, NEW YORK, USA	Project Architect	1988 – 1989
BRENNAN BEER GORMAN ARCHITECTS, NEW YORK,USA	Designer	1986 – 1988

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Makati Finance Corporation**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission ("SEC").

4. I am not related to any director/officer/substantial shareholder of **Makati Finance Corporation** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not subject to any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, the Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **Makati Finance Corporation** of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this JUN 28 2019 at Makati City, Philippines.

ALAN MICHAEL R. CUZ
Affiant

SUBSCRIBED AND SWORN to before me this ___ day of JUN 28 2019 at MAKATI CITY affiant personally appeared before me and exhibited his Tax Identification Number 103-569-603.

Doc No. 214
Page No. 44
Book No. 72
Series of 2019

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-87 UNTIL DEC. 31, 2020
ROLL OF ATTY NO. 48348
MCLE COMPLIANCE NO. VI-0027250/4-4-2019
IBP O.R No. 706767-LIFETIME MEMBER JAN. 29, 2007
PTR No. 7333020 JAN 03 2019- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI CITY., COR., JUPITER ST.
MAKATI CITY

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
JUN 28 2019
MARKET REGULATION DEPT.
BY: Sheryl TIME: 3:10

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [/] Definitive Information Statement

2. Name of Registrant as specified in its charter **MAKATI FINANCE CORPORATION**

3. **MAKATI CITY, PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **28788**

5. BIR Tax Identification Code **000-473-966**

6. **3F Mazda Makati, 2301 Chino Roces Ave., Brgy. Magallanes, Makati City 1231**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(02) 751-8132**

8. Date, time and place of the meeting of security holders

   Date : **July 25, 2019**
   Time : **4:00 p.m.**
   Place : **Manila A Function Room, Makati Shangri-la Hotel, Ayala Ave., corner Makati Ave., Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders **July 04, 2019**.

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
COMMON STOCK	**231,572,111**

11. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes / No

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
    PHILIPPINE STOCK EXCHANGE Common Stock

INFORMATION REQUIRED IN INFORMATION STATEMENT

GENERAL INFORMATION

DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

The Annual Stockholders' Meeting of the Company will be held on **July 25, 2019, 4:00 p.m**. at the Manila A Function Room, Makati Shangri-la, Ayala Avenue corner Makati Avenue, Makati City. The complete mailing address of the principal office of Makati Finance Corporation is: 3/F Mazda Makati, 2301 Chino Roces Ave. Brgy. Magallanes, Makati City, Philippines. This information statement is to be sent to the Company's stockholders on **July 04, 2019**.

DISSENTERS' RIGHT OF APPRAISAL

Under Section 81, Title X of the Revised Corporation Code of the Philippines ("Revised Corporation Code"), a stockholder shall have the right to dissent and demand of the fair value of his shares in the following instances:

(a) In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class or of extending or shortening the term of corporate existence;
(b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all substantially all of the corporate property and assets as provided in the code; and
(c) In case of merger or consolidation.

The procedure to be followed in exercising the appraisal right of dissenting stockholders, how right is exercised, effect of demand and termination of right, when right to payment ceases, who bears costs of appraisal and notation on certificates/rights of transferee shall be in accordance with Section 82 to 86 of the Revised Corporation Code. A stockholder must have voted against any proposed corporate action in order to avail himself of the appraisal right.

There are no matters to be taken up in the stockholders' meeting which would warrant exercise of appraisal.

INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

Other than their election to the Board of directors, none of the incumbent Directors or Officers of the Company has any substantial interest, direct or indirect, in any matter to be acted upon in the Annual Stockholders' meeting.

None of the Company's Directors has informed the Corporation in writing that he intends to oppose any action to be taken in the Annual Stockholders' Meeting.

CONTROL AND COMPENSATION INFORMATION

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Total number of common shares outstanding as of **May 31, 2019** is **231,572,111** with a par value of P1 per share. Pursuant to Article III, Section 4 of the Company's Amended By-Laws, every stockholder shall be entitled to one (1) vote for each share of the stock standing in his name in the books of the Company on the Record Date as fixed by the Board of Directors.

Every stockholder voting on the election of directors may cumulate such number of votes in accordance with Section 24 of the Corporation Code. Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected: Provided, however, That no delinquent stock shall be voted. Unless otherwise provided in the articles of incorporation or in the by-laws, members of corporations which have no capital stock may cast as many votes as there are trustees to be elected but may not cast more than one vote for one candidate. Candidates receiving the highest number of votes shall be declared elected. Any meeting of the stockholders or members called for an election may adjourn from day to day or from time to time but not sine die or indefinitely if, for any reason, no election is held, or if there are not present or represented by proxy, at the meeting, the owners of a majority of the outstanding capital stock, or if there be no capital stock, a majority of the member entitled to vote.

Stockholders of record of the Company as of **June 27, 2019** ("the Record Date") shall be entitled to notice of, and to vote at, the Annual Stockholders' Meeting.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS
(MORE THAN 5% AS OF MAY 31, 2019)

Title of class	Name, address of record owner and relationship	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	Percent Held
Common	Amalgamated Investment Bancorporation 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Record and beneficial owner	Filipino	96,006,828	41.4600%
Common	Motor Ace Phils. Inc. MC Briones St. Hi-way Magukay, Mandaue City	Record and beneficial owner	Filipino	58,580,694	25.3000%
Common	Pikeville Bancshares Inc. 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Record and beneficial owner	Filipino	15,897,983	6.8700%
	TOTAL			**170,485,505**	**73.6300%**

SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT (AS OF MAY 31, 2019)

Common	Eric B. Benitez 19 Mercedes St., Bel-Air Village, Makati City	Beneficial owner	Filipino	6,458,230	2.78886%
Common	Rene B. Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	5,298,171	2.28791%
Common	Rene B. Benitez ITF Carmela Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	275,903	0.11914%
Common	Rene B. Benitez ITF Lorenzo Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	275,903	0.11914%
Common	Rene B. Benitez ITF Matias Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	264,882	0.11438%
Common	Joel S. Ferrer 2137 Lourdes St. San Miguel Village, Makati City	Beneficial owner	Filipino	2,332,777	1.00736%
Common	Maxcy Francisco Jose R. Borromeo 66 Gorordo Avenue, Cebu City	Beneficial owner	Filipino	2,172	0.00093%
Common	Max O. Borromeo Maria Luisa Park, Banilad, Cebu City	Beneficial owner	Filipino	39,533	0.01707%
Common	Juan Carlos Del Rosario Unit 9 17-A, Mckinley Road, Forbes Park, Makati City	Beneficial owner	Filipino	30	0.00000%
Common	Francisco C. Eizmendi, Jr. 34 Celery Drive, Valle Verde 5, Pasig City	Beneficial owner	Filipino	15	0.00000%
Common	Alan Michael R. Cruz 410 madrigal Avenue, Ayala Alabang, Muntinlupa	Beneficial owner	Filipino	1	0.00000%
Common	Jose Daniel R. Borromeo Mandaue, Cebu City	Beneficial owner	Filipino	2,173	0.00093%
Common	Lawrence Ee Hock Leong Residence 34, Dunbar Walk, Singapore	Beneficial owner	Singaporean	1	0.00000%
Common	Robert Charles M. Lehmann 11F Multinational Bancorporation Bldg., 6805 Ayala Avenue, Makati City	Beneficial owner	Filipino	1	0.00000%
	All directors & officers as a group			**14,949,792**	**6.45572%**

The representative of Amalgamated Investment Bancorporation entitled to vote is Mr. Robert Charles Lehmann. The representative of MF Pikeville Holdings/Pikeville Bancshares entitled to vote is Mr. Rene B. Benitez. The representative of Motor Ace Philippines, Inc entitled to vote is Mr. Maxcy Francisco Jose R. Borromeo. There are no directors and nominees owning more than 5% of the outstanding shares who are affected by any acquisition, business combination or other reorganization, and there are no other commitments with respect to issuance of shares.

No changes in control have occurred since the beginning of the last fiscal year.

NOMINATIONS TO THE BOARD

The nomination committee is composed of: Mr. Eric B. Benitez, Chairman, Mr. Max Francisco Jose O. Borromeo, Mr. Rene B. Benitez and Mr. Jose Daniel R. Borromeo as members. Pursuant to the Company's Corporate Governance Manual, the Nomination Committee has pre-screened and shortlisted all candidates to be nominated as members of the Board of Directors. The Nomination Committee has considered the guidelines set forth in the Manual. The nominated individuals to be elected during the Stockholders' Meeting, for the term 2019 to 2020, are as follows:

1. Mr. Rene B. Benitez
2. Mr. Max Francisco Jose O. Borromeo
3. Mr. Joel S. Ferrer
4. Mr. Francisco Eizmendi Jr.
5. Mr. Eric B. Benitez
6. Mr. Lawrence Hock Leong Ee
7. Mr. Jose Daniel R. Borromeo
8. Mr. Maxcy Francisco Jose R. Borromeo
9. Mr. Alan Michael R. Cruz
10. Mr. Robert Charles M Lehmann
11. Mr. Asterio L. Favis, Jr.

Mr. Lawrence Hock Leong Ee, Mr. Francisco Eizmendi, Jr. and Mr. Alan Michael R. Cruz have been nominated by Mr. Rene B. Benitez as independent directors. There are no relations between Mr. Benitez, Mr. Ee, Mr. Eizmendi and Mr. Cruz up to the fourth degree either by consanguinity or affinity.

DIRECTORS AND EXECUTIVE OFFICERS

The Directors elected who shall serve for a term of one (1) year or until their successors shall have been elected, and their business experience for the last five years:

Mr. Rene B. Benitez, 57, Filipino, is the Company's *Chairman* and has been a director since 1996. Prior to assuming his role as Chairman, Mr. Benitez has served in various board and senior executive capacities. Mr. Benitez is also Chairman, FCA Orbita LLC, a real estate asset management company based in New York. He is Executive Committee Chairman of Amalgamated Investment Bancorporation, and Vice Chairman of the Dearborn Motors Group of car dealerships. Mr. Benitez is a highly experienced director, currently serving in various international boards, among them are FPC 30 Green Energy Fund, a public power generation company in Australia, and the Yale Graduate School Alumni Association in New Haven, CT. To help the start up ecosystem, he recently co-founded the Manila Angel Investors Network. Mr. Benitez graduated with a dual major in Business Economics and Organizational Studies from Pitzer College of the Claremont Colleges, and has a master's degree in International and Development Economics from Yale University in New Haven, CT.

Mr. Max Francisco Jose O. Borromeo, 70, Filipino, is the Company's *President*. He has been a Director since 2000. Aside from being a Director of the Company, Mr. Borromeo is currently a Director in the following companies: Honda Motor World, Inc., HMW Lending Investors, Dearborn Motors Co., Inc, Astron Gestus, Inc., Visayas Auto Ventures, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation, Cebu Parkland, Inc., and Salud Borromeo Foundation, Inc. He graduated with a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

Mr. Joel S. Ferrer, 65, Filipino, is the Company's *Treasurer*. He has been a Director since 1998. Mr. Ferrer is currently the President of PARMAN Inc., a staffing company serving local and international clients. At the same time he also managing interests in real estate and agribusiness. Previous to this, he had worked for ERECSA, Inc. where he was the Executive Vice President. His other work experience includes being an investment executive at the Summa International Bank of Indonesia and a Lending Officer at the Bank of America.

He obtained his Masters Degree in Business Management from the Asian Institute of Management and completed the Strategic Business Economics Program of the University of Asia and the Pacific.

Mr. Francisco C. Eizmendi Jr., 83, Filipino, is one of the Independent Directors of the Company. He was elected as a Director in the recent Stockholders' Meeting of Makati Finance Corporation and concurrently an Independent Director of Sun Life Grepa Financial and Member of Board Advisers of East West Seed (Philippines). Mr. Eizmendi had been the President and Chief Operating Officer of San Miguel Corporation for 15 years. He was an Independent Director of Rizal Commercial Banking Corporation. Mr. Eizmendi graduated with a Bachelor of Science in Chemical Engineering Degree from the University of Santo Tomas in 1956.

Mr. Eric B. Benitez, 52, Filipino, has served as a Director since 2011. Mr. Benitez was formerly a Director in Credit Risk Management at Eurohypo AG (wholly-owned subsidiary of Commerzbank AG) in New York. Prior to Eurohypo, Mr. Benitez was a senior consultant within the Real Estate Business Advisory Services Group at the New York office of PricewaterhouseCoopers, LLP. He began his career in 1988 as an analyst in the trust department at Sanwa Bank (now part of The Bank of Tokyo-Mitsubishi UFJ) in San Francisco, CA. Previously, Mr. Benitez was formerly a Board Member of the Philippine Finance Association. He earned his BA in Applied Mathematics from the University of California, Berkeley and his MS in Real Estate from Columbia University in New York.

Mr. Lawrence Hock Leong Ee, 77, Singaporean, is one of the Independent Director. He has been a Director since 2014 and was elected as a Independent Director on July 27, 2017.. He is currently Senior Adviser and Board of Director of Amalgamated Investment Bancorporation. He is lifetime member of the Institute of Singapore Chartered Accountants. He had been a Partner of Earnst and Young for 11 years and retired in 1997. His other work experience includes being an Independent Director of Lum Chang Holdings, Inc. for 9 years. He also served as Non-Executive Chairman of LCD Global Investments for 2 years. He graduated in the Institute of Chartered Accountants and Wales in 1965.

Mr. Maxcy Francisco Jose R. Borromeo, 46, *Filipino, is the Company's President.* He was Chief Operating Officer of Makati Finance Corporation since 2014-2016 and He was elected as Director last July 28, 2016. Aside from being a President of the Company, Mr. Borromeo is also a Director of Honda Motor World, Inc., HMW Lending Investors, Inc., Motor Ace Philippines, Inc., MAPI Lending Investors, Inc., Astron Gestus, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation and Borromeo Brother's Estate, Inc. He is also a member of the Board of Trustees of Salud Borromeo Foundation, Inc. He graduated with a Bachelor of Arts degree in Political Science from the Ateneo de Manila University. He completed the following courses from the Asian Institute of Management, Professional Management Development Course, Strategic Management, Operations Management, and Financial Management. He obtained his Master's degree in Applied Finance with a focus on banking from the University of Wollongong, Australia.

Mr. Jose Daniel R. Borromeo, 47 Filipino, He was elected as Director last July 28, 2016. He is the President and General Manager of Honda Motor World, Inc. , HMW Lending Investors, Inc., Motor Ace Philippines, Inc., MAPI Lending Investors, Inc and Dream Honda, Inc. .He is also the Managing Director of Borromeo Brothers Estate, Inc., Margarita Agro Industrial Corp., Tolar Development Corp. and , MC Bros. Development Corp. He is the President of Astron Gestus, Inc., Cebu Maxi Management Corp., Maxi Agricultural Corporation and Cebu Parkland Inc. His the Corporate Planning Officer of Dearborn Motors, Inc. He graduated in Business Management degree major in Marketing from Hampshire College, New Hampshire, USA.

Mr. Alan Michael R. Cruz , 56, Filipino, he was elected as Independent Director last July 27, 2017. He was the President and General Manager of Northpine Land, Inc. from June 2011 to December 2016. He was also the Real Estate Development Manager of San Miguel Properties, Inc. from March 2007 to June 2011. He also served as Vice President and Division Head of United Coconut Planters Bank (UCPB) from 2004-2007 and Vice President and OIC – Asset Management Division from 2000-2003. He graduated in 1985 from University of the Philippines with the degree of B.S. Architecture. He was also 10th placer in 1985 board examination.

Mr. Robert Charles "Bob" M. Lehmann, 63, Filipino, he was elected as Director last October 20, 2017. He is currently the President and CEO of Amalgamated Investment Bancorporation (AIB). Also, Mr. Lehmann is concurrently a Director of Philippine Eagle Foundation. He has served 24 years in the banking industry in various senior positions here and abroad. His last position being the Executive Vice President of Security Bank. Prior to that, he was with Standard Chartered Bank in the region for many years, after several Philippine Country Manager positions with American and U.K. banks. A graduate of Ateneo High School, he has an undergraduate degree in B.S. International Business and a Masters in Business Administration from the University of San Francisco.

Mr. Asterio L. Favis, Jr., 66, Filipino, He is currently working as consultant of Amalgamated Investment Bancorporation (AIB) and Ateneo-BAP Institute of Banking. Mr. Favis had been in banking industry for about 30 years handling various senior positions. His last position being the Executive Vice President(EVP) of Sterling Bank of Asia from April 2007 to December 2013, as Head, Treasury Group for two years, one year as OIC of Consumer Lending Group and three years as EVP/Office of the President . He was EVP/Head, Treasury Division of Philippine National Bank from November 2002 to March 2007. He was also SVP/Head, Financial Markets Division in AB Capital & Investment Corporation from 1999 to 2002 and SVP/Head, Treasury Division in Asianbank Corporation from 1990 to 1999. Prior to that, he was with PCI Bank from 1983 to 1990 as AVP/Head, Foreign Exchange for three years, VP/Head, Domestic Money Market for three years and VP/Office of the President for one year. He graduated in 1976 from Ateneo de Manila University with the degree of B.S. Management Engineering (Cum Laude).

INDEPENDENT DIRECTORS

Among the Directors, Messrs. Francisco C. Eizmendi,Jr., Alan Michael R. Cruz and Lawrence Hock Leong Ee were elected as the three (3) Independent Directors of the Company at the 2017 Annual Stockholders' Meeting.

SENIOR MANAGEMENT

Mr. Marcos E. Larosa, CPA – *40*, *Filipino*, was employed by the Company in July 1, 2014 as its new CFO. He was the Regional Finance Manager of Dole Asia Company Limited since November 2013 before joining Makati Finance Corporation. For 11 years he has worked with Matimco Incorporated, a local wood manufacturing and distribution company handling several managerial positions; as Finance Manager (2010-2013), Sales Support Manager (2004-2009), Budget Planning and Control Manager (2003) . He started his career as Audit Associate in Sycip Gorres Velayo & Co. (SGV) (1999-2002) right after passing the CPA Board exam in October 1999. He graduated with a Bachelor of Science degree in Accounting (cum laude) from the Polytechnic University of the Philippines in 1999.

Atty. Danilo Enrique O. Co, *Corporate Secretary and Legal Counsel*, ***50***, Filipino. Atty. Co has been serving the Corporation as its Corporate Secretary and Legal Counsel shortly after it went public in 2003. He is currently the Managing Partner of Co Ferrer Ang-Co & Gonzales Law Offices, a full-service Philippine law firm specializing in corporate law. He is also a Director, Corporate Secretary and/or Asst. Corporate Secretary of several other Philippine corporations, such as Art Provenance Philippines Inc., Amalgamated Investment Bancorporation, Anvaya Cove Beach and Nature Club, Cuervo Appraisers Inc., Dearborn Motors Co. Inc., Kalayaan College Inc., Santos Knight Frank Inc., Speed Money Transfer Philippines Inc., Talent Scout Inc., The Studio of Secret 6 Inc., and Western Roadhouse Foods Inc. Atty. Co obtained his BS Business Administration (cum laude) and Law degrees from the University of the Philippines.

FAMILY RELATIONSHIP

Mr. Rene B. Benitez and Eric B. Benitez are siblings. Mr. Maxcy Francisco Jose R. Borromeo and Mr. Jose Daniel R. Borromeo are sons of Mr. Max O. Borromeo.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

None of the Directors and Executive Officers were involved in any legal proceedings during the past five (5) years up to the latest date that are material to evaluation. Neither have they been convicted by final judgment in any criminal proceeding or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, not any action by any court or administrative body to have violated a securities or commodities law.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS – NOTE 21

In the ordinary course of business, the Company enters into transactions with its stockholders and affiliates. Under the Company's policy, these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. Related party transactions are settled in cash.

Affiliates are other companies linked indirectly to the Company through interlocking directorship or officership and those under common significant influence and common control.

The following transactions have been entered into with related parties:

		2018			2017			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	**Ref**	**Amount of Transaction**	**Due from related parties**	**Due to related parties**	Amount of transactions	Due from related parties	Due to related parties	**Nature, Terms and Condition**
Parent Company								
Miscellaneous receivables	a	**₱–**	**₱80,514**	**₱–**	₱–	₱80,514	₱–	Non-interest bearing, unsecured; No impairment
Notes payable	b			**245,100,000**			161,900,000	Unsecured, 1 year interest bearing placement at 5.75% annual interest rate
Availments		**177,000,000**	–	–	9,000,000	–	–	
Settlements		**93,800,000**	–	–	212,000,000	–	–	
Interest expense		**9,250,114**	–	**2,599,083**	18,867,920	–	3,483,367	
Share in net income of an associate	c	–	–	–	2,252,071	–	–	Share in net income from investee's profit
Short term placements	d	–	–	–	486,700,000	–	–	Short-term interest bearing placements at 3.4% annual interest rate
Interest income		–	–	–	528,391	–	–	
Entities under common control								
Motor Ace Philippines, Inc.								
Miscellaneous receivables	a		–	–		2,110,298	–	Non-interest bearing, unsecured; No impairment
Availments		**320,477**	–	–	492,554	–	–	
Settlements		**2,430,775**	–	–	285,553	–	–	

Forward

		2018			2017			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	Ref	Amount of Transaction	Due from related parties	Due to related parties	Amount of transactions	Due from related parties	Due to related parties	Nature, Terms and Condition
Accounts payable	e		**₱–**	**₱12,451,141**		₱–	₱4,363,429	30 day unsecured, non-interest bearing
Availments		**87,171,559**	**–**	**–**	55,172,255	–	–	
Settlements		**79,083,847**	**–**	**–**	57,794,652	–	–	
MAPI Lending Investors, Inc.								
Miscellaneous receivables	a		**1,494,807**	**–**		752,160	–	30 day unsecured, non-interest bearing
Availments		**1,077,320**	**–**	**–**	2,347,868	–	–	
Settlements		**334,673**	**–**	**–**	1,649,658	–	–	
Accounts payable	e		**–**	**–**		–	4,868,402	Non-interest bearing, unsecured
Availments		**108,240**	**–**	**–**	7,484,447	–	–	
Settlements		**4,976,642**	**–**	**–**	5,004,040	–	–	
Short term placements	d	**32,648,250**	**22,731,983**	**–**	17,497,050	12,663,844	–	Short-term interest bearing placements
Interest income		**1,828,156**	**950,840**	**–**	1,352,873	565,800	–	at 10.5% annual interest rate
HMW Lending Investors, Inc.								
Short term placements	d	**40,000,000**	**–**	**–**	94,000,000	84,103,562	–	Short-term interest bearing placements
Interest income		**3,418,489**	**83,111**	**–**	3,515,873	2,453,819	–	at 8.5% annual interest rate
Honda Motor World, Inc.								
Miscellaneous receivables	a		**–**	**–**		2,399,331	–	Non-interest bearing, unsecured; No Impairment
Availments		**86,406**	**–**	**–**	25,120	–	–	
Settlements		**2,485,737**	**–**	**–**	71,883	–	–	
Accounts payable	e		**–**	**1,266,646**		–	1,489,503	Unsecured, interest bearing placement at 10.0% annual interest rate
Availments		**30,839,616**	**–**	**–**	23,035,167	–	–	
Settlements		**31,062,473**	**–**	**–**	27,540,888	–	–	
Pikeville Bancshares								
Professional fees		**1,193,920**	**–**	**390,320**	1,193,920	–	326,032	Payment of consultancy fees
MERG Realty Development Corp.								
Miscellaneous receivables	a	**–**	**18,057**	**–**		18,057	–	Non-interest bearing; No impairment
Availments		**–**	**–**	**–**	–	–	–	
Settlements		**–**	**–**	**–**	–	–	–	

Forward

		2018			2017			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	**Ref**	**Amount of Transaction**	**Due from related parties**	**Due to related parties**	**Amount of transactions**	**Due from related parties**	**Due to related parties**	**Nature, Terms and Condition**
Notes payable	b			**47,358,487**		–	44,406,271	Unsecured interest bearing placements
Availments		**10,007,418**	**–**	**–**	31,406,271	–	–	at 5.5% annual interest rate; no
Settlements		**7,055,202**	**–**	**–**	–	–	–	impairment
Interest expense		**2,522,469**	**–**	**–**	1,439,709	–	–	
Directors and other stockholders								
Notes payable	b		**–**	**23,378,673**		–		Unsecured interest bearing placements
Availments		**9,097,897**	**–**	**–**	8,970,369	–	24,276,776	at 5.5% annual interest rate; no
Settlements		**9,996,000**	**–**	**–**	19,720,488	–	–	impairment
Interest expense		**1,564,572**	**–**	**16,780**	1,420,225	–	16,780	
Professional and other management fees		**4,158,291**	**–**	**–**	2,683,498	–	–	Payment of professional fees
TOTAL			**₱25,359,312**	**₱332,561,130**		₱105,147,385	₱245,125,365	

a. This includes various receivables from the Parent Company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement.

b. As at December 31, 2018 and 2017, notes payable and accrued interest payable arising from borrowings from stockholders amounted to ₱315.84 million and ₱230.58 million, respectively and ₱2.62 million and ₱3.48 million, respectively. Interest expense from these borrowings amounted to ₱13.34 million and ₱21.90 million in 2018 and 2017, respectively.

   Borrowings availed from related parties amounted to₱196.11and ₱49.20 million in 2018 and 2017, respectively. Settlement from borrowings amounted to ₱110.85 and ₱231.72 million in 2018 and 2017, respectively. Interest rates from borrowings range from5.0% to 5.75% and 5.5% to 5.75% in 2018 and 2017 respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. Gain on sale of AIB shares resulted from the buy-back transaction of Ala of its own 6.0 million shares with a cost of ₱33.33 million and accumulated equity in net earnings of ₱42.02 million.

d. The Company had short-term placements with related parties amounting to ₱72.65 million and ₱ 598.21 million in 2018 and 2017, respectively. As at December 31, 2017 and 2016, ₱5.25 million and ₱99.79 million of these placements remain outstanding. Interest income from these placements amounted to ₱3.75 million ₱0.26 million in 2017 and 2016, respectively (Note 7).

e. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.

f. This pertains to the commission payable to other related parties as referral fees for successful loan bookings.

The remuneration of directors and other members of key management personnel consist of short-term benefits amounting to ₱18.69 million, ₱17.80 million and₱17.07 million in 2018 ,2017 and 2016, respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statements of comprehensive income.

ITEM 10. Executive Compensation

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

SUMMARY COMPENSATION TABLE				
YEAR	**NAME AND PRINCIPAL POSITION**	**SALARY/MANAGEMENT FEE**	**BONUS**	**OTHER COMPENSATION**
2019 (Estimate)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borromeo – Vice Chairman Maxcy R. Borromeo – President/COO Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	10,477,902	5,905,574	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	10,477,902	5,905,574	2,310,000
2018 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borromeo – Vice Chairman Maxcy R. Borromeo – President/COO Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	10,383,400	3,854,678	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	10,383,400	5,370,997	2,050,000
2017 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Chairman Max Borromeo – Vice Chairman Maxcy R. Borromeo – President/COO Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	10,383,400	3,854,678	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	10,383,400	5,370,997	2,050,000
2016 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Vice Chairman Teresita Benitez – Chairperson Max Borromeo – President Maxcy R. Borromeo – Chief Operating Officer Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	9,682,640	2,211,493	650,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	9,682,640	5,134,204	2,250,000

The Company has an existing management contract with Cebu Maxi Management Corporation for advice and assistance to be provided by Mr. Max O. Borromeo, Vice Chairman and with Pikeville Resources, Inc. for advice and assistance to be provided by Mr. Rene B. Benitez, Chairman. The directors receive a per diem of ₱50,000 for each attendance at board meeting and ₱10,000 for each board committee meeting. There are no special compensatory plan or arrangement with any officer, which would give undue advantage over any other employee of the Company. No stock warrants or stock options on the Company's shares have been issued or given to the Directors or Executive Officers as a form of compensation for services rendered. The Compensation Committee has four members, one of whom is independent director namely: Joel S. Ferrer (Chairman), Juan Carlos del Rosario, Eric B. Benitez, and Alan Michael R. Cruz.

IDENTITY OF SIGNIFICANT EMPLOYEES

There is no person who is not an executive officer who is expected to make a significant contribution to the business of the company.

INDEPENDENT PUBLIC ACCOUNTANTS

The auditing firm of Roxas Cruz Tagle & Co. is the incumbent external auditor of the Company for the calendar year 2018. The Company has complied with SRC Rule 68 (3)(b)(iv), regarding rotation of external auditors or engagement partners every five years. Mr. Clark Joseph C. Babor, the partner in charge, is the lead auditor, and Mr. Donato P. Danao, as the signing Partner, of the Company. It is expected that Roxas Cruz Tagle & Co. will be reappointed as the Company's external auditor for year 2019.

The representatives of the said firm are expected to be present at the shareholders' meeting, will have the opportunity to make a statement if they so desire, and are expected to be available to respond to appropriate questions.

There had been no disagreements with Roxas Cruz Tagle & Co. with regard to accounting policies and financial disclosures of the Company. The audit committee of MFC regularly meets to tackle whatever issues that may come out of the regular audit of the company's external auditor and reports them to the BOD. Recommendations by the audit committee are then deliberated during the Board meetings. Audit Committee is comprised of the following – Mr. Francisco C. Eizmendi Jr. as Chairman and Mr. Juan Carlos del Rosario, Mr. Robert Charles M. Lehmann and Mr. Lawrence Hock Leong Ee as members.

ISSUANCE AND EXCHANGE OF SECURITIES

AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

As approved by the Board of Directors and upon concurrence by the Stockholders of the Company, an annual dividend declaration policy was set up, amount of which will be equivalent to 30% of the Company's net earnings for the year. For the year 2006, the Board of Directors approved the following: 30% of the audited net income after tax of ₱ 16,205,137 is ₱ 4,861,541 of which 50% was declared as stock dividends amounting to ₱2,430,710 in favor of the stockholders of record as of July 12, 2007 and 8.28% of the outstanding capital stock as of October 31, 2007 amounting to ₱83,117,897 is ₱6,882,103 was declared as stock dividends in favor of the stockholders of record as of November 26, 2007. For the year 2005, the Board of Directors approved the following: 30% of the audited net income after tax of ₱12,193,904 is ₱3,658,170, 50% of the amount, ₱1,829,066 was declared as stock dividend. Stock dividends shall be approved by a majority vote of the stockholders. On June 19, 2008, the Board of Directors approved the declaration of 2.51% stock dividends in the aggregate amount of ₱2,257,147 in favor of the stockholders of record as of July 17, 2008, with a payment date not later than August 12, 2008.

For the year 2009, the Board of Directors approved the following: 30% of the audited net income after tax of ₱5,465,094 is ₱1,639,528, 50% of the amount, ₱819,716 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2010, the Board of Directors approved the following: 30% of the audited net income after tax of ₱10,748,518 is ₱3,224,556, 50% of the amount ₱1,612,240 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2011, the Board of Directors approved the following: 30% of the audited net income after tax of ₱12,355,253 is ₱3,706,576, 50% of the amount ₱1,853,245 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2012, the Board of Directors approved the following: 30% of the audited net income after tax of ₱13,827,722 is ₱4,148,317, 50% of the amount ₱2,074,121 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2013, the Board of Directors approved the following: 30% of the audited net income after tax of ₱16,301,689 is ₱4,890,507, 50% of the amount ₱2,445,209 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2014, the Board of Directors approved the following: 30% of the audited net income after tax of ₱23,103,929 is ₱6,931,178, 50% of the amount ₱3,465,553 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2015, the Board of Directors approved the following: 30% of the audited net income after tax of ₱41,685,179 is ₱12,505,553, 50% of the amount ₱6,252,710 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2016, the Board of Directors approved the following: 30% of FY 2015 audited net income after tax of ₱45,980,891 amounting to ₱13,794,267, 50% of the amount ₱6,897,073 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2017, the Board of Directors approved the following: 30% of FY 2016 audited net income after tax of ₱46,331.949 amounting to ₱13,899,584, 50% of the amount ₱6,949,792 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

For the year 2018, the Board of Directors approved the following: 30% of FY 2017 audited net income after tax of ₱54,339,143 amounting to ₱16,319,742, 50% of the amount ₱8,159,810 was declared as stock dividend. Stock dividend was approved by a majority vote of the stockholders.

In 2019, it is expected that the Board shall propose dividend declaration of 30% of FY2018 Net Income After Tax in the next BOD Meeting in July 25, 2019.

OTHER MATTERS

AMENDMENT OF CHARTER, BY-LAWS AND OTHER DOCUMENTS

The Articles of Incorporation have already been amended to change the principal corporate office address in compliance with SEC Memo Circular No. 6, Series of 2014. The amendment was approved by SEC in January 2015. There were no significant effects of such amendment to the Company's operation.

PROPOSED ACTION

The following matters will be submitted to a vote at the Annual Meeting of the stockholders:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on July 26, 2018.
2. Presentation and Approval of the 2018 Annual Report and the 2018 Audited Financial Statements

A copy of the 2018 Audited Financial Statements will be furnished to all shareholders as of Record Date, and the 2018 Annual Report will be presented during the Annual Stockholders' Meeting.

3. Declaration of Dividends (50% cash and 50% stock)

   The dividend policy dictates that 30% of 2018 Net Income after Tax will be declared as dividends. It is expected that the Board shall proposed this in the next BOD Meeting in July 25, 2019.

4. Ratification of acts, contracts, investments and resolutions of the Board of Directors and Management since the last Annual Stockholders' Meeting

   All acts and proceedings taken by the Directors and Corporate Officers relate mostly to the regular business transactions wherein the Board of Directors is required to act upon. These actions are subjected to annual review of the Company's independent auditors. Major items are as follows:

   a. Approval of audited financial statements
   b. Approval of Corporate budget
   c. Election of Directors/Officers/Committees
   d. Approval of credit facilities
   e. Appointment of signatories to bank accounts
   f. Approval of dividends (cash/stock)
   g. Approval of the minutes of the previous meetings
   h. Execution of contracts and investments in the ordinary course of business

   Upon prior written request, copies of the Minutes of the Meetings of the Board of Directors may be examined by stockholders of record as of Record Date at the office of the Corporate Secretary at Co Ferrer & Ang-Co Law Offices at 11/F Atlanta Center, 31 Annapolis St., Greenhills, San Juan, Metro Manila at a mutually agreed time, during regular office hours.

5. Election of Directors

6. Appointment of Independent External Auditors

VOTING PROCEDURES

The affirmative vote of stockholders present in person or by proxy representing at least a majority of the outstanding capital stock of the Corporation shall be sufficient to carry the vote for any of the matters submitted to a vote at the Annual Stockholders' Meeting. Matters to be approved under "Other Matters" of the agenda, if any, shall be approved by stockholders owning majority of the shares of stock present during the annual stockholders' meeting or such other voting requirement as may be mandated by law.

The manner of voting and counting of votes will be as follows:

a) Every stockholder entitled to vote shall have the right to vote, either in person or by proxy, the number of shares registered in his/her/their respective name of record as of the close of business hours of **June 27, 2019**. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before **July 19, 2019** for inspection and recording shall be honored for purposes of voting.
b) For the stock dividend declaration, approval shall require a majority vote by the stockholders entitled to vote.

c) For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder has a number of votes equal to the number of shares he owns, times the number of directors to be elected. The stockholder under this voting system has the option to (I) to cast all his votes in favor of one (1) nominee; or (ii) distribute those votes in the same principle among as many nominees as he shall see fit. Only candidates duly nominated during the meeting shall be voted by the stockholders entitled to vote or by their proxies.

d) For the stock dividend declaration, approval shall require a majority vote by the stockholders entitled to vote.

e) Unless required by law, or upon motion by any stockholder, voting need not be by ballot and will be done by show of hands and counted manually by the Corporate Secretary.

UNDERTAKING TO PROVIDE ANNUAL REPORT

The registrant undertakes to provide *without charge* to each stockholder a copy of the Company's Annual Report on SEC Form 17-A upon written request to the Company addressed to:

MARCOS E. LAROSA
Chief Finance Officer
Makati Finance Corporation
3/F Mazda Makati Bldg.2301 Chino Roces Ave.
Brgy. Magallanes 1231, Makati Avenue, Makati City

UNDERTAKING TO PROVIDE UPDATED CERTIFICATION OF INDEPENDENT DIRECTOR

The registrant undertakes to provide SEC the updated Certificate of Qualification and Disqualification of Independent Directors within thirty (30) days after the Annual Stockholders' Meeting in July 25, 2019.

SIGNATURES

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

MAKATI FINANCE CORPORATION
Issuer

MARCOS E. LAROSA / CFO/Compliance Officer
Signature and Title

Date: June 28, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Plans and Prospects for 2019

2019 is expected to be a banner year for the company as it projects to significantly grow its overall loan portfolio as it continue to aggressively offer its new financial product lines such as the Pension loans; Corporate salary loans; Personal loans; Micro business loans, Brand New Car loans, Pre-owned Car and Leisure bike financing. This is on top of its existing drive to steadily grow its traditional product lines of Rx Cashline (Doctor's loan); Business Loans; Receivable Factoring and Motorcycle Financing portfolios.

At the start of 2019, MFC has capitalize its relationship with Dearborn Motors (Ford), Auto Zoom Zoom (Mazda) & Sakura Autoworld (Suzuki) with its Brand New Car Financing product. As we continue to service and improve our relationship with these three Major Car Dealers partners, we also embarked on forging tie ups with other car dealers of noted brands like Toyota, Mitsubishi, Hyundai Nissan, among others in our effort to increase our Brand New Car loan portfolio.

Seeing opportunities for growth in the car loan financing, MFC also entered into the pre-owned car financing, in which we entered into partnerships with several known pre-owned car dealers and also opened our doors to direct client sourcing for this segment of the car financing product line.

Motorcycle Financing has been a Major contributor of MFC's loan portfolio Growth in the past years and shall continue to do as we revitalized this segment of our product line with its continued partnership with our motorcycle dealer partners like Honda Motor World Inc. & Motor Ace Philippines, Inc. who has allowed MFC to reintroduce its financing capabilities to additional branches in Metro Manila and South Luzon which is expected to significantly contribute to the overall growth of MFC Loan portfolio in 2019.

With the expected growth in the Big bikes/Leisure bike segment of the Motorcycle industry. MFC has also forged tie ups with the Big Bike Dealers of such brands as KTM, BMW, Yamaha and Vespa. MFC aims to aggressively compete with our peer competitors by introducing added value to our financing schemes in cooperation with our partner dealers.

As MFC reiterates its commitment to providing source of funding for consumers and businesses. MFC in 2019 has embarked on an image & information building drive as well as conduct strategized marketing & sales promotion schemes highlighting the various financial products and services the company offers.

With this Plans and Prospects for 2019, MFC positions itself as among the top player and financing company of choice in serving the financing needs of the often neglected middle markets in the Philippines. MFC's 53 years of vast experience in lending activities with its various loan products specifically tailored to continue focusing on the niche consumer loan market and micro SME markets. MFC shall continuously raise the quality of the services it provides to its clients.

Funds Generation

We currently have a ₱350 million facility with Amalgamated Investment Bancorporation (AIB) and ₱355 million term loan financing with various financial institutions. The Company is in discussion with other financial institutions to secure credit loan facilities to finance MFC's growth potential in 2018.

Currently fund requirements are being met by loans, collections, acceptance of private placements under the 19 lender rule.

INFORMATION ON EXTERNAL AUDITOR

There had been no disagreements with Roxas Cruz Tagle & Co. with regard to accounting policies and financial disclosures of the Company. Mr. Clark Joseph C. Babor, the engagement partner, and Mr. Donato P. Danao, the signing partner, are the newly appointed auditors of the Company for the Calendar Year ending December 31, 2018, and has not yet completed the five-year cap requirement of SEC.

The audit fee including out-of-pocket expenses for the services rendered by Roxas Cruz Tagle & Co. for 2018 audit period amounted to ₱375,000. And for 2017 audit period MFC engaged R.G. Manabat & Co. for a service fee of ₱670,000. The Company has not engaged Roxas Cruz Tagle & Co. and R.G. Manabat & Co. for any tax-related or other professional services in 2018 and 2017, respectively. The audit committee of MFC regularly meets to tackle whatever issues that may come out of the regular audit of the company's external auditor and reports them to the BOD. Recommendations by the audit committee are then deliberated during the Board meetings

Discussion of Past Financial Performance

<u>As of December 31, 2018</u>

Results of Operation

Net Income after Tax for the year ending December 31, 2018, as reflected in the audited financial statements ended at ₱9.2 million, though lower versus P54.4million a year ago mainly due to a onetime gain on sale of investment in an associate amounting to Php 102 million in 2017. However, the Company's Income after taking out the gain on sale of investment significantly improved from a loss of Php 50.65 million in 2017 to an income of Php 9.2 million in 2018, mainly driven by reduction in the Company's operating expenses from P223.25 million in 2017 to just Php 117.4 million in 2018.

Total operating income ended at ₱135.3 million in 2018 from ₱154.7 million in 2017. The decline was mainly due to lower generated interest income. Total expenses in 2018 ended at ₱117.4 million, lower versus ₱223.25 million in 2018, mainly due to decrease in loss on sale of repossessed motorcycle inventories by ₱21.17 million, decrease in provision for credit losses by ₱38.99 million due to efficient collection efforts of receivables in 2018, decrease in provision for impairment loss in inventory by ₱26.23 million.

Interest income in 2018 amounted to ₱133.93 million; major breakdown of which is ₱23.65 million from Rx, P43.29 million from MFC Factors and Business Loans and ₱61.64 million from MC Financing.

As of December 31, 2018, Earnings Per Share ended at ₱0.04 from ₱0.24 in 2017.

Financial Condition and Capital Resources

Total assets as of December 31, 2018 ended at ₱1,019.47 million, higher versus ₱970.79 million in 2017 mainly due to increase in loans receivables by ₱121.6 million. On the other hand, total liabilities also grew by ₱46.18 million, from ₱464 million in 2017 to ₱510 million in 2018 mainly due to net loan availments amounting to ₱37.4 million during the year.

Interest Income

The interest income this year ended at ₱133.93 million in 2018 from ₱157.66 million in 2017. This is mainly due to lower loans receivable at the beginning of 2018.

Net Interest Income

Net interest income amounted to ₱112.44 million in 2018 versus ₱124.75 million in 2017. This is mainly due to lower loans receivable at the beginning of 2018.

Other Income

Other income decreased by ₱7.09 million, from ₱29.95 million in 2017 to ₱22.86 million in 2018, mainly due to lower gain on foreclosure of assets from ₱10.53 million in 2017 to ₱4.32 million 2018.

Income Before Income Tax

As of December 31, 2018, the company's Income before share in net income of an associate and gain on sale of investment in an associate amounted to ₱18.65 million, higher versus a loss of ₱68.55 million in 2017, mainly due to reduction in operating expenses from P223.25 million in 2017 to just Php 117.4 million in 2018.

<u>As of December 31, 2017</u>

Results of Operation

Net Income after Tax for the year ending December 31, 2017, as reflected in the audited financial statements ended at ₱54.4 million, or 17.41% higher from ₱46.33 million in 2016. This is mainly due to reduction in operating expenses by ₱ 77 million and increase in other income by ₱ 24.15 million.

Total operating income ended at ₱257.5 million in 2017 from ₱273.1 million in 2016. The 5.71% decline was mainly due to decline in generated interest income. Total expenses in 2017 ended at ₱222.25 million, lower versus ₱300.33 million in 2016, mainly due to decrease in loss on sale and inventory write-down of repossessed motorcycle inventories by ₱48.14 million and decrease in provision for credit losses by ₱9.4 million. Salaries and employee benefits also decreased by ₱19.14 million

Interest income in 2017 amounted to ₱157.66 million; major breakdown of which is ₱19.54 million from Rx, P32.15 million from MFC Factors and Business Loans and ₱101.54 million from MC Financing.

As of December 31, 2017, Earnings Per Share ended at ₱0.24 from ₱0.21 in 2016.

Financial Condition and Capital Resources

Total assets as of December 31, 2017 ended at ₱970.79 million, lower versus ₱1,227.58 million in 2016 mainly due to decrease in loans receivables by ₱232.08 million and sale of investment in associate amounting to ₱94.96 million. On the other hand, total liabilities also declined by ₱303.49 million, from ₱767.49 million in 2016 to ₱464 million in 2017 mainly due to net settlement of notes payable amounting to ₱283.85 million.

Interest Income

The interest income this year ended at ₱157.66 million in 2017 from ₱209.49 million in 2016. This is mainly due to lower loans receivable at the beginning of 2017.

Net Interest Income

Net interest income amounted to ₱124.75 million in 2017 versus ₱164.5 million in 2016. This is mainly due to lower loans receivable at the beginning of 2017.

Other Income

Other income increased by ₱24.15 million, from ₱108.6 million in 2016 to ₱132.75 million in 2017 due mainly to increase in gain from sale of investment in an associate amounting to ₱18.17 million and ₱10.53 million gain on foreclosure of investment properties .

Income Before Income Tax

As of December 31, 2017, the company ended at Income before share in net income of an associate amounting to ₱34.25 million, higher versus a loss of ₱27.24 million in 2016, mainly due to lower total operating expenses by ₱77.08 million.

Net Income

The Company posted a net income of ₱54.4 million in 2017, or 17.41% higher versus ₱46.3 million in 2016.

<u>As of December 31, 2016</u>

Results of Operation

Net Income after Tax for the year ending December 31, 2016, as reflected in the audited financial statements had increased by 0.76% to P46.33 million in 2016 from P45.98 million in 2015. This is mainly due to the increase in share in net income from of an associate by P6.4 million from P40.78 million in 2015 to P47.22 million in 2016 and a onetime gain from sale of investment in an associate amounting to P84.63 million.

Total operating income improved from P186.32 million in 2015 to P273.1 million in 2016, mainly due to onetime gain from sale of investment in an associate as discussed above. Total expenses in 2016 ended at P300.33 million, higher versus P185million in 2015, mainly due to increase in loss on sale and inventory write-down of repossessed motorcycle inventories by P60.7 million and increase in provision for credit losses by P17.47 million. Taxes and licenses also increased by P13.84 million due to accrued capital gains tax from sale of investment in an associate amounting to P12 million.

Interest income in 2016 amounted to P209.49 million; major breakdown of which is P21.2 million from Rx, P24.26 million from MFC Factors and Business Loans and P163.22 million from MC Financing.

As of December 31, 2016, Earnings Per Share ended at P0.21 from P0.22 in 2015.

Financial Condition and Capital Resources

Total assets as of December 31, 2016 ended at P1,227.6 million, lower versus P1,321 million in 2015 mainly due to decrease in repossessed motorcycle inventories by P88.0 million and sale of investment in an associate with a book value amounting to P75.35 million. On the other hand, total liabilities also declined by P133.3 million, from P900.7 million in 2015 to P767.5 million in 2016 mainly due to net settlement of notes payable amounting to P132.1 million.

Interest Income

The interest income this year ended at P209.5 million in 2016 from P211.4 million in 2014. This is mainly due to lower loans receivable at the beginning of 2016.

Net Interest Income

Net interest income amounted to P164.5 million in 2016 versus P166.5 million in 2015. This is mainly due to lower loans receivable at the beginning of 2016.

Other Income

Other income increased by P88.7 million, from P19.9 million in 2015 to P108.6 million in 2016 due mainly to a onetime gain from sale of investment in an associate amounting to P84.6 million and higher collections of processing fees from new loan releases and late payment charges collected from past due accounts.

Income Before Income Tax

As of December 31, 2016, the company ended at a loss before share in net income of an associate amounting to P27.2 million, mainly due to increase in loss on sale and inventory write-down of repossessed motorcycle inventories by P60.7 million and increase in provision for credit losses by P17.47 million.

Net Income

The Company posted a net income of P46.3 million in 2016, higher versus P46.0 million in 2015 or an increase of 0.76%.

As of December 31, 2015

Results of Operation

Net Income after Tax for the year ending December 31, 2015, as reflected in the audited financial statements increased by 10.3% to P46.0 million in 2015 from P41.7 million in 2014. This is mainly due to the increase in operating income by
P1.5 million, increase in share in net income of an associate by P1.2 million and increase in income tax benefit by P2.6 million.

Total operating income rose from P185.2 million in 2014 to P186.3 million in 2015 or 0.5% increase from the previous year's performance. Total expenses in 2015 ended at P185.0 million which was 0.36% higher from P184.4 million expenses in 2014.

Interest income in 2015 amounted to P211.4 million, major breakdown of which is P21.2 million from Rx; P9.1 million from Factors; P6.9 million from Business Loans and P174.4 million from MC Financing.

With higher income in 2015, Earnings Per Share went up to P0.22 compared to P0.21 in 2014.

Financial Condition and Capital Resources

Total assets increased by P60.8 million in 2015 as against that in 2014, from P1,260.2 million to P1,321.0 million due primarily to the increase in loans receivables as a result of higher loan releases from P668.4 million in 2014 to P859.8 million in 2015. On the other hand, total liabilities slightly increased by P20.1 million, from P880.6 million 2014 to P900.7 million in 2015.

Interest Income

The interest income this year ended at P211.4 million in 2015 from P220.2 million in 2014. This is mainly due to lower loans receivable at the beginning of 2015.

Net Interest Income

Net interest income amounted to P166.5 million in 2015 versus P169.6 million in 2014. This is mainly due to lower loans receivable at the beginning of 2015

Other Income

Other income increased by P4.3 million or 27.45% from 2014 due mainly to higher collections of processing fees from new loan releases and late payment charges collected from past due accounts.

Income Before Income Tax

Due to the slight increase in total operating income, income before income tax and before share in net income from an associate increased to P1.3 million in 2015 from from P0.9 million in 2014.

Net Income

The Company posted a net income of P 46.0 million in 2015, higher versus P 41.7 million in 2014 or an increase of 10.3%.

<u>As of December 31, 2014</u>

Results of Operation

Net Income after Tax for the year ending December 31, 2014, as reflected in the audited financial statements had increased by 80.4% to P41.7 million in 2014 from P23.1 million in 2013 or an increase in an absolute amount of P18.6 million.

Total operating income rose from P179.7 million in 2013 to P185.2 million in 2014 or 3.1% increase from 2013 performance. Total expenses in 2014 ended at P184.4 million which was 7.1% lower from P198.54 million expenses in 2013.

Interest income in 2014 amounted to P220.19 million; major breakdown of which is P21.46 million from Rx, P5.40 million from Factors and P189.80 million from MC Financing.

With higher income in 2014, Earnings Per Share went up at P0.21 compared to P0.11 in 2013.

Financial Condition and Capital Resources

In 2014 total assets declined by P32.98 million as against that in 2013, from P1, 293.14 million to P1,260.16 million due primarily to the decrease in motorcycle financing loan releases in 2014 due to stringent credit scoring policy. There was also a noticeable decline in our notes payable by P63.25 million as compared to that in 2013.

Interest Income

The interest income this year was up by 10.87% or P21.59 million in absolute amounts from P198.61 million in 2013 to P220.19 million in 2014.

Net Interest Income

Net interest income increased by 13.03% or by P19.56 million, interest expense increased by 4.18% or P2.03 to P50.51 million in 2014 from P48.54 million. Interest income increased due to effective collection efforts and aggressive recovery of long overdue accounts in 2014.

Other Income

Other income decreased by ₱14.00 million or 47.30% from 2013 due mainly to a one time gain on sale of available for sale financial assets in 2013 amounting to P12.22 million.

Income Before Income Tax

Due to the slight increase in interest income and reduction in operating expenses due to lower provision for credit losses, income before income tax increased to P0.86 million from loss before tax of P18.88 million in 2013.

Net Income

The Company posted a net income of ₱ 41.69 million in 2014 compared to ₱ 23.10 million in 2013 or an increase of 80.42%.

As of December 31, 2013

Results of Operation

The audited financial statements of the Company reflected a Net Income After Tax for the year ending December 31, 2013 at ₱ 23.1 million.

In 2013 MFC continued its focus on strengthening the operations and services of its existing outlets. It went into a total review of the portfolio and evaluating the status for each account. Collectability of those accounts which had been non-moving for a number of months were evaluated and determined as either for special collection efforts or for write-off. Completeness of documents for each account were analyzed and accounts with incomplete documents were rectified and those non-rectifiable accounts were recommended for write-off. The process flow of outlet operations were reviewed and streamlined. Management also focused on improving and beefing up manpower on its back-room operations. The Company now has a wider reach in the offer of its services resulting in a rise in the amounts financed and the corresponding rise in income generation. Volume of motorcycle units financed increased by 43%, from 9,156 motorcycle units in 2012 to 13,109 motorcycle units in 2013.

Net interest income went up to ₱150.07 million from ₱132.08 million in 2012, a 13.6% increase. Expenses likewise increased from ₱127.63 million in 2012 to ₱198.54 million in 2013. The increase is the result of write-offs after the total review and analysis of the MC financing portfolio.

Interest income in 2013 amounted to ₱198.6 million; general breakdown of which was ₱19.7 million from Rx, ₱9.3 million from Factors and ₱169.5 million from MC Financing.

With the resulting income in 2013, Earnings Per Share in 2013 was at ₱0.118. Likewise, Return on equity (ROE) in 2013 was at 6.9% while Return on Assets was 1.8%.

Financial Condition and Capital Resources

In 2013 total assets increased by P159.50 million as against that in 2012, from P1,133.64 million to P1,293.14 million which was primarily due to increase in our loan portfolio on products being offered. There was also a noticeable increase in our notes payable by P128.03 million as compared to that in 2012.

Net Interest Income

The net interest income this year was up by 13.62% in absolute amounts P132.08 million in 2012 to P150.07 million in 2013.

Other Income

Other income increased by ₱16.81 million or 131.57% from December 2012.

Income Before Income Tax

Income before income tax decreased by 36.50% from December 2012.

Net Income

The Company posted a net income of ₱23.10 million compared to ₱ 28.61 million in 2012 (restated) or an decrease of 19.25%.

KEY PERFORMANCE INDICATORS:

Following are the top five (5) key performance indicators of the Company.

EXHIBIT VI
MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2018

	2018	2017
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	**156.68%**	**183.67%**
Debt to equity ratio	**100.17%**	**91.56%**
Quick ratio	**92.25%**	**166.84%**
PROFITABILITY RATIOS		
Return on assets	**0.90%**	**5.60%**
Return on equity	**1.80%**	**10.73%**
Net profit margin	**49.20%**	**18.73%**
ASSET TO EQUITY RATIO	**200.17%**	**191.56%**
INTEREST RATE COVERAGE RATIO	**1.87**	**1.11**
OTHER RELEVANT RATIOS		
Ratio or percentage of total real estate investments to total assets	**6.05%**	**5.54%**
Total receivables to total assets	**72.45%**	**63.55%**
Total DOSRI receivables to net worth	**4.71%**	**0.00%**
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc. (MAPI)	**0.00%**	**0.34%**
Honda Motor World, Inc.	**0.00%**	**0.39%**
Amalgamated Investment Bancorporation	**0.01%**	**0.01%**
MAPI Lending Investors, Inc.	**0.20%**	**0.12%**

Computation for the Ratios:

- Current Ratio = Current Assets/Current Liabilities
- Debt to Equity Ratio = Total Liabilities/Total Equity
- Quick Ratio = Quick Assets/Current Liabilities
- Return on Assets = Net Income After Tax/Total Assets
- Return on Equity = Net Income After Tax/Total Equity
- Net Profit Margin = Net Income After Tax/Total Income
- Asset to Equity Ratio = Total Assets/Total Equity

TRENDS, EVENTS OR UNCERTAINTIES WITH MATERIAL IMPACT ON LIQUIDITY

There are no known trends, events or uncertainties that will have a material impact on the company's liquidity.

EVENTS THAT WILL TRIGGER DIRECT OR CONTINGENT FINANCIAL OBLIGATION

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

MATERIAL OFF-BALANCE SHEET TRANSACTIONS, ARRANGEMENT OR OBLIGATION

There are no material off-balance sheet transactions, arrangement or obligation.

CAPITAL EXPENDITURES

The Company had started to implement in April 2009 the geographical expansion for the Motorcyle Financing line. This resulted to invest in buying new office equipments, furnitures and vehicles as service unit for the CSR.

TRENDS, EVENTS OR UNCERTAINTIES WITH MATERIAL IMPACT ON SALES

There are no known trends, events or uncertainties with material impact on sales.

SIGNIFICANT ELEMENTS OF INCOME OR LOSS

Significant elements of net income of the Company for 2009 came from its continuing operations.

SEASONAL ASPECTS

There was no seasonal aspect that had material effect on the Company's financial condition or results of operation

HOLDERS OF COMMON STOCK as of May 31, 2019
TOP 20 Stockholders

There are a total of 107 stockholders as of May 31, 2019

Name	Nat	Class	No. of Common Shares	Percentage
AMALGAMATED INVESTMENT BANCORPORATION	FIL	A	96,006,828	41.46%
MOTOR ACE PHILIPPINES, INC.	FIL	A	58,580,694	25.30%
MF PIKEVILLE HOLDINGS, INC.	FIL	A	15,897,983	6.87%
PCD NOMINEE CORPORATION (FILIPINO)	FIL	A	12,389,117	5.35%
MICHAEL WEE	FOR	A	9,582,263	4.14%
BORROMEO BROS. ESTATE INC.	FIL	A	8,613,647	3.72%
ERIC B. BENITEZ	FIL	A	6,458,230	2.79%
MELLISSA B. LIMCAOCO	FIL	A	5,796,277	2.50%
GLENN B. BENITEZ	FIL	A	5,518,668	2.38%
RENE B. BENITEZ	FIL	A	5,298,171	2.29%
JOEL S. FERRER	FIL	A	2,332,777	1.01%
REYES, MARY GRACE V.	FIL	A	687,618	0.30%
SALUD BORROMEO FOUNDATION INC.	FIL	A	468,181	0.20%
TERESITA B. BENITEZ	FIL	A	450,391	0.19%
MERG REALTY DEVELOPMENT	FIL	A	400,139	0.17%
MELLISSA B. LIMCAOCO ITF DANIELLE B. LIMCAOCO	FIL	A	275,903	0.12%
MELLISSA B. LIMCAOCO ITF MICHAELA LIMCAOCO	FIL	A	275,903	0.12%
GLENN BENITEZ ITF ANDREA C. BENITEZ	FIL	A	275,903	0.12%
GLENN BENITEZ ITF ALFONSO C. BENITEZ	FIL	A	275,903	0.12%
GLENN BENITEZ ITF ALESSANDRA C. BENITEZ	FIL	A	275,903	0.12%
SUB-TOTAL			229,860,499	99.27%
OTHER STOCKHOLDERS (87)			1,711,612	0.73%
GRAND TOTAL (107 stockholders)			231,572,111	100.00%

Currently the Company is compliant in the PSE continuing listing requirement rule on minimum public ownership. The rule requires a 10% minimum public float. MFC has 19.79% public float.

MARKET SHARE INFORMATION

The Company was listed in the Philippine Stock Exchange on January 6, 2003.

On January 6, 2003 with authorized capital stock of ₱90 million, a total of 19.56 million shares of stock were offered to the general public in the company's Initial Public Offering (IPO). On November 6, 2007, the Board of Directors and Stockholders approved the increase in the Company's authorized capital stock to ₱300 million. On March 27, 2008, the Securities and Exchange Commission approved the Company's application for a follow-on offering to the general public of 75,500,000 new common shares and 7,598,892 secondary shares. But the sharp fall in stock prices locally and globally prompted the Board and Management to forego the planned additional public offering.

The latest available price information on Makati Finance's stock price is **₱2.44** per share as of **June 27, 2019**.

Philippine Stock Exchange Market prices for the last two years were as follows:

	Market Prices	
Quarter Ending	**High**	**Low**
March 2019	2.69	2.69
December 2018	2.73	2.73
September 2018	2.80	2.80
June 2018	3.03	3.03
March 2018	2.92	2.92
December 2017	2.90	2.90
September 2017	2.89	2.89
June 2017	3.08	3.07
March 2017	2.93	2.93

DIVIDENDS

As approved by the BOD and upon concurrence by the stockholders of the Company, an annual dividend declaration policy was set up, amount of which will be equivalent to 30% of the Company's net earnings for the year. For the year 2016, the BOD and Stockholders approved the declaration of cash dividends amounting to ₱6,897,133.50. Fractional shares were settled in cash. For the year 2017, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱6,949,792.35. Fractional shares were settled in cash. For the year 2018, the Board of Directors and Stockholders approved the declaration of cash dividends amounting to ₱ 8,159,871.45. Fractional shares were settled in cash.

NAMES OF THE UNDERWRITERS OR IDENTITY OF PERSONS TO WHOM THE SECURITIES WERE SOLD

There were no underwriters or persons to whom the stock dividends were sold.

EXEMPTION FROM REGISTRATION CLAIMED

Pursuant to SRC Rule No. 10 Section D, the declaration of stock dividends is an exempt transaction. The approval of the Commission for the stock dividend declaration was not sought by the Company.

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

Makati Finance shall set up an evaluation system that will determine and measure compliance with the Manual on Corporate Governance.

Measures undertaken by MFC for full compliance with the adopted leading practices on good corporate governance includes election of independent directors and creation of the Nomination Committee starting year 2003 and continued up to the present time. Each incumbent director of MFC underwent seminars on good corporate governance in year 2003. The Company submitted to the SEC its Revised Anti-Money Laundering Manual as mandated by Republic Act 9160, as amended by Republic Act. No. 9194 on October 28, 2004. Also, the Company submitted the Audit Charter Manual. Lastly, the Company's By-Laws shall be amended to incorporate provisions on independent directors. Deviations from the Company's Manual on Corporate Governance are not applicable. With regards to plans on improving corporate governance of the Company, Makati Finance is already adopting the International Accounting Standards in the presentation of its financial statements with the help of its external auditors. Communications are open with Roxas Cruz Tagle & Co. with regards to further compliance with the IAS.

SIGNATURES

Pursuant to the requirement of the Securities Regulation Code, this Definitive Information Statement (SEC 20-IS) is to be signed on its behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on____________________, 2019.

By:

RENE B. BENITEZ Chairman of the Board	**MAXCY FRANCISCO JOSE R. BORROMEO** President
MAX O. BORROMEO Vice Chairman	**JOEL S. FERRER** Treasurer
MARCOS E. LAROSA Chief Finance Officer/Compliance Officer	**DANILO ENRIQUE O. CO** Corporate Secretary

SUBSCRIBED AND SWORN to before me this JUN 11 2019 day of ________________2018 , affiant(s) exhibiting to me their __________________, as follows:

NAME/NO.	GOVT.I.D.	PLACE OF ISSUE
RENE B. BENITEZ	TIN:137-438-326	
MAXCY FRANCISCO JOSE R. BORROMEO	TIN : 153-065-629	
MAX O. BORROMEO	TIN : 108-479-305	
JOEL S. FERRER	TIN : 103-275-130	
MARCOS E. LAROSA	TIN : 206-361-568	
DANILO ENRIQUE O. CO	TIN : 134-866-959	

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Page No. 33
Book No. 4
Series of 2019

NOTARY PUBLIC
ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-87- UNTIL DEC. 31, 2020
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. V-0026676/4-11-2018
IBP O.R No.706762-LIFETIME MEMBER JAN. 29, 2007
PTR No.7333020- JAN 03, 2019- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST
MAKATI CITY

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	8	7	8	8

COMPANY NAME

MAKATI FINANCE CORPORATION

(A Subsidiary of Amalgamated Investment Bancorporation)

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

3RD FLOOR MAZDA MAKATI BUILDING, 2301 CHINO ROCES AVENUE, BARANGAY MAGALLANES, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	FINANCING

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
makatifinance.com.ph	02-751-8132	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
106	Last Thursday of July	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
Marcos E. Larosa	melarosa@makatifinance.com.ph	896-0221/ 897-0749	0917-530-9923

CONTACT PERSON's ADDRESS

3rd floor Mazda Makati Building, 2301 Chino Roces Avenue, Barangay Magallanes, 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 occurrence thereof within information and complete contact details of the new contact person designated.*

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Makati Finance Corporation**(the **"Company"**) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, 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 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.

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

Signed under oath by the following:

Rene B. Benitez
Chairman of the Board

Maxcy Francisco Jose R. Borromeo
President

Marcos E. Larosa
Chief Financial Officer

Signed this 2nd day of April, 2019

SUBSCRIBED AND SWORN TO BEFORE ME THIS APR 10 2019 DAY OF ______ IN CITY OF MAKATI METRO MANILA PHILIPPINES. AFFIANT EXHIBITING HIS/HER ______ ISSUED IN ______ ON ______.

ATTY. ROBERT N. LUZ
NOTARY PUBLIC
Until December 31, 2019
Appt. No. M-102, Makati City
IBP #058192 for 2019 - RSM
PTR #7328679, Jan 03, 2019-Makati
S.C. Roll No. 59597
MCLE Compliance No. V-0015439; 9 March 2016
Unit 301 3rd Flr. Campos Rueda Bldg.
101 Urban Avenue, Brgy. Pio del Pilar
Makati City

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BOOK No. 07
SERIES OF 2019

BDO Roxas Cruz Tagle and Co.
Audit | Tax | Consulting | BSO

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Tel: +(632) 844 2016
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Shareholders
Makati Finance Corporation
(A Subsidiary of Amalgamated Investment Bancorporation)
3rd floor Mazda Makati Building
2301 Chino Roces Avenue
Barangay Magallanes, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Makati Finance Corporation ("the Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's 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.

Key Audit Matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of Expected Credit Losses on Loans Receivables

The Company is required to use the Expected Credit Loss (ECL) model to determine impairment of loans receivables. This is significant to our audit because loans receivables amounted to ₱738.52 million as at December 31, 2018, representing 72% of total assets. Moreover, the assessment using the ECL model involves significant judgments and estimates. We have reviewed the reasonableness of the assumptions used by the management in the assessment of expected credit losses. Necessary disclosures are included in Note 4, Use of judgments, estimates and assumptions, and Note 8, Loans and other receivables - net.

Determination of Net Realizable Value of Motorcycle Units

The Company carries Motorcycle Units at lower of cost or net realizable value (NRV). This is significant to our audit because motorcycle units amounted to ₱70.58 million as at December 31, 2018, representing 7% of total assets. Moreover, significant judgments and estimates are involved in determining NRV. We have reviewed the reasonableness of the assumptions used by management in determining NRV. Necessary disclosures are included in Note 4, Use of judgments, estimates and assumptions, and Note 11, Other assets - net.

Other information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's 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 auditor's 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 PSAs 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 PSAs, 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 auditor's 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 auditor's 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those markets that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

The financial statements of the Company as at and for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on April 12, 2018.

ROXAS CRUZ TAGLE AND CO.

Donato P. Danao
Partner
CPA Certificate No. 0029087
Tax Identification No. 114-245-583-000
PTR No. 7348360, issued on January 10, 2019, Makati City
BOA/PRC Registration No. 0005 (Firm), issued on December 13, 2018,
effective until July 20, 2021
SEC Accreditation No. 0007-FR-5 (Firm), Group A, issued on July 5, 2018,
effective until July 4, 2021
SEC Accreditation No. 0043-AR-5 (Individual), Group A, issued on August 16, 2018,
effective until August 15, 2021
BIR Accreditation No. 08-001682-4-2018, issued on January 26,2018,
effective until January 25, 2021

April 2, 2019
Makati City

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE FIGURES AS AT DECEMBER 31, 2017)

	Note	2018	2017
ASSETS			
Cash and cash equivalents	*7*	**₱60,727,435**	₱126,800,064
Loans and other receivables - net	*8*	**738,592,949**	616,946,052
Property and equipment - net	*9*	**7,089,171**	10,850,897
Investment properties - net	*10*	**61,640,377**	53,825,871
Deferred tax assets - net	*18*	**70,430,319**	77,825,999
Other assets - net	*11*	**80,748,175**	84,539,417
Retirement plan assets - net	*16*	**244,127**	–
		₱1,019,472,553	₱970,788,300
LIABILITIES AND EQUITY			
Liabilities			
Notes payable	*12*	**₱464,742,883**	₱427,338,890
Accounts payable	*19*	**17,918,996**	16,463,258
Accrued expenses	*13*	**25,873,348**	19,672,053
Income tax payable	*18*	**611,610**	89,119
Deferred tax liability	*16*	**1,028,443**	–
Retirement benefits liability - net	*16*	**–**	436,790
		510,175,280	464,000,110
Equity			
Capital stock	*15*	**231,572,111**	223,412,301
Additional paid-in capital		**5,803,922**	5,803,922
Retained earnings		**265,783,544**	273,833,971
Remeasurement gains on retirement benefit liability	*16*	**6,137,696**	3,737,996
		509,297,273	506,788,190
		₱1,019,472,553	₱970,788,300

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENT OFCOMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE FIGURES FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016)

	Note	**2018**	2017	2016
Interest income	*7,8*	**₱133,929,324**	₱157,661,732	₱209,486,415
Interest expense	*12,19*	**21,488,855**	32,913,687	44,983,569
		112,440,469	124,748,045	164,502,846
Other income				
Gain on foreclosed assets	*10*	**4,320,613**	10,526,725	–
Service charges		**6,024,171**	4,404,252	5,318,829
Miscellaneous	*17*	**12,511,588**	15,019,422	18,644,061
		22,856,372	29,950,399	23,962,890
Total operating income		**135,296,841**	154,698,444	188,465,736
Operating expenses				
Salaries and employee benefits		**55,040,738**	56,006,403	75,142,379
Occupancy costs	*21*	**16,349,727**	16,435,820	19,233,030
Taxes and licenses		**12,228,553**	28,846,766	30,334,036
Management and professional fees		**7,833,473**	7,336,159	9,211,200
Commission		**6,830,370**	7,997,697	5,455,875
Travel and transportation		**6,477,228**	6,038,986	5,863,569
Provision for impairment loss of motorcycle units	*11*	**6,359,127**	32,595,997	52,605,396
Depreciation and amortization	*9,10,11*	**5,340,924**	5,677,458	4,014,009
Loss from sale of motorcycle units	*11*	**2,794,153**	23,961,274	52,095,494
Entertainment, amusement and recreation		**748,392**	729,938	608,917
Provision (recovery) for credit losses	*8*	**(11,712,656)**	27,279,895	36,699,617
Miscellaneous	*17*	**9,116,363**	10,346,249	9,074,614
Total operating expenses		**117,406,392**	223,252,642	300,338,136
Non-operating income				
Gain on sale of investment properties	*10*	**758,000**	–	–
Gain on sale of investment in an associate		**–**	102,801,839	84,634,527
Income(loss) before share in netincomeofanassociate andincome tax		**18,648,449**	34,247,641	(27,237,873)
Share in net income of an associate	*19*	**–**	2,252,071	47,222,206

Forward

MAKATI FINANCE CORPORATION

(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

(WITH COMPARATIVE FIGURES FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016)

		2018	2017	2016
Income before income tax		**₱18,648,449**	₱36,499,712	₱19,984,333
Income tax benefit (expense)	*18*	**(9,473,953)**	17,899,431	26,347,616
Net income		**9,174,496**	54,399,143	46,331,949
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Remeasurement gains (loss) on retirement benefit liability, net of deferred tax of₱1.03 million,₱0.32 million and ₱0.76 million in 2018, 2017, and 2016 respectively	*16*	**2,399,700**	(753,593)	446,193
Total comprehensive income		**₱11,574,196**	₱53,645,550	₱46,778,142
Basic/Diluted Earnings Per share	*20*	**₱0.04**	₱0.24	₱0.21

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION

(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

(WITH COMPARATIVE FIGURES FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016)

	Capital Stock (Note 15)	Additional Paid-in Capital	Retained Earnings (Note 15)	Remeasurement Gains on Retirement Benefit Liability (Note 16)	Share in Other Comprehensive Income of an Associate	Total Equity
Balance at January 1, 2018 as previously reported	**₱223,412,301**	**₱5,803,922**	**₱273,833,971**	**₱3,737,996**	**₱–**	**₱506,788,190**
Adjustment	**–**	**–**	**(905,181)**	**–**	**–**	**(905,181)**
Balance at January 1, 2018, as adjusted	**223,412,301**	**5,803,922**	**272,928,790**	**3,737,996**	**–**	**505,883,009**
Stock dividends	**8,159,810**	**–**	**(8,159,810)**	**–**	**–**	**–**
Cash dividends	**–**	**–**	**(8,159,932)**	**–**	**–**	**(8,159,932)**
Total comprehensive income						
Net income	**–**	**–**	**9,174,496**	**–**	**–**	**9,174,496**
Other comprehensive income	**–**	**–**	**–**	**2,399,700**	**–**	**2,399,700**
	–	**–**	**9,174,496**	**2,399,700**	**–**	**11,574,196**
Balance at December 31, 2018	**₱231,572,111**	**₱5,803,922**	**₱265,783,544**	**₱6,137,696**	**₱–**	**₱509,297,273**
Balance at January 1, 2017	₱216,462,556	₱5,803,922	₱233,334,355	₱4,491,589	₱57	₱460,092,479
Stock dividends	6,949,745	–	(6,949,745)	–	–	–
Cash dividends	–	–	(6,949,839)	–	–	(6,949,839)
Total comprehensive income						
Net income	–	–	54,399,143	–	–	54,399,143
Other comprehensive income	–	–	57	(753,593)	(57)	(753,593)
	–	–	54,399,200	(753,593)	(57)	53,645,550
Balance at December 31, 2017	₱223,412,301	₱5,803,922	₱273,833,971	₱3,737,996	₱–	₱506,788,190
Balance at January 1, 2016	₱209,565,483	₱5,803,922	₱200,796,673	₱4,045,396	₱57	₱420,211,531
Stock dividends	6,897,073	–	(6,897,073)	–	–	–
Cash dividends	–	–	(6,897,194)	–	–	(6,897,194)
Total comprehensive income						
Net income	–	–	46,331,949	–	–	46,331,949
Other comprehensive income	–	–	–	446,193	–	446,193
	–	–	46,331,949	446,193	–	46,778,142
Balance at December 31, 2016	₱216,462,556	₱5,803,922	₱233,334,355	₱4,491,589	₱57	₱460,092,479

See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION

(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

(WITH COMPARATIVE FIGURES FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016)

	Note	**2018**	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱18,648,449**	₱36,499,712	₱19,984,333
Adjustments for:				
Provision for impairment loss of motorcycle units		**6,359,127**	32,595,997	52,605,396
Depreciation and amortization	*9,10,11*	**5,340,924**	5,677,458	4,014,009
Loss from sale of motorcycle units		**2,794,153**	23,961,274	52,095,494
Retirement benefits expense (income)	*16*	**1,842,045**	(2,189,142)	2,147,236
Provision (recovery) for credit losses for loans and receivables	*8*	**(11,712,656)**	27,279,895	36,699,617
Gain on foreclosed assets	*11*	**(4,320,613)**	(10,526,725)	–
Gain on disposal of investment property		**(758,000)**	–	–
Recovery of impairment loss from investment property		**(432,334)**	–	–
Gain on disposal of property and equipment		**–**	–	(14,047)
Share in net income of an associate		**–**	(2,252,071)	(47,222,206)
Gain on sale of investment in an associate		**–**	(102,801,839)	(84,634,527)
Operating (loss) income before changes in working capital		**17,761,095**	8,244,559	35,675,305
Decrease (increase) in:				
Loans and other receivables		**(109,934,241)**	164,150,166	26,061,832
Other assets		**(19,578,609)**	(35,169,432)	(43,499,107)
Increase (decrease) in:				
Accounts payable		**1,455,738**	745,470	(12,252,711)
Accrued expenses		**6,201,295**	(17,878,065)	8,985,107
Net cash flows provided by (used in) operating activities		**(104,094,722)**	120,092,698	14,970,426
Income taxes paid		**(1,555,782)**	(3,298,135)	(1,699,178)
Proceeds from sale of motorcycle units		**18,265,578**	4,812,179	24,196,179
Net cash provided by (used in) operating activities		**(87,384,926)**	121,606,742	37,467,427

Forward

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE FIGURES FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016)

	Note	**2018**	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Investment properties	*10*	**(₱8,899,692)**	₱–	₱–
Property and equipment	*9*	**(611,970)**	(1,434,292)	(15,159,421)
Software	*11*	**(20,102)**	(208,620)	(346,817)
Proceeds from sale of:				
Property and equipment		**–**	–	226,536
Investment in an associate		**–**	200,016,000	159,984,000
Investment properties	*10*	**1,600,000**	–	–
Cash dividends received		**–**	–	36,000,000
Net cash provided by (used in) investing activities		**(7,931,764)**	198,373,088	180,704,298
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of notes payable	22	**267,152,586**	240,696,640	214,421,609
Settlements of notes payable	22	**(229,748,593)**	(524,544,208)	(346,484,618)
Cash dividends paid- including fractional shares	*15*	**(8,159,932)**	(6,949,839)	(6,897,194)
Net cash provided by (used in) financing activities		**29,244,061**	(290,797,407)	(138,960,203)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(66,072,629)**	29,182,423	79,211,522
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*7*	**126,800,064**	97,617,641	18,406,119
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**₱60,727,435**	₱126,800,064	₱97,617,641
OPERATIONALCASH FLOWS FROM INTEREST				
Interest received		**₱134,679,111**	₱156,200,648	₱209,594,473
Interest paid		**22,307,837**	40,124,997	49,790,761

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE FIGURES AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017)

1. Reporting entity

Makati Finance Corporation (the Company) was incorporated in the Philippines on February 17, 1966. The company operates as a domestic corporation engaged in the sale of various financial products and services, catering generally to the consumer market.

On October 21, 2015, the Philippine Securities and Exchange Commission (SEC) approved the request of the Company to amend its Articles of Incorporation for the extension of the corporate term for another 50 years.

Amalgamated Investment Bancorporation(AIB) owns 28.42% of the Company as at December 31, 2018 and 2017.

The Company has equity interest of 20% in AIB as at December 31, 2016. Such investment was sold in 2017.

On March 11, 2002, the Board of Directors (BOD) and stockholders approved the offer of up to 19,560,000 shares from the companies unissued common stock through initial common public offering (IPO). The application for the IPO of the company was approved by the SEC and the Philippine Stock Exchange(PSE), on December 9, 2002 and November 28, 2002, respectively. The company was listed in the PSE under the Small and Medium Enterprise Board on January 6, 2003, with an offer price of ₱1.38 per share.

As at December 27, 2018, the Company's closing price at the PSE amounts to ₱2.73 per share.

The Company's principal place of business is at 3rdFloor Mazda Makati Building, 2301 Chino Roces Avenue, Barangay Magallanes, Makati, Makati City.

2. Basis of preparation

Statement of Compliance
The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

The financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 2, 2019.

Basis of measurement
The financial statements of the Company have been prepared on the historical cost basis.

Functional and presentation currency

The financial statements are presented in Philippine peso, which is the functional currency of the Company. All values are rounded off to the nearest thousand (₱000), except when otherwise indicated.

3. Significant accounting policies

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting, recognition, and derecognition.

  - PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which these are held and its contractual cash flow characteristics.

  - For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss 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.

  - For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

  - For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

  - The derecognition provisions are carried over almost unchanged from PAS 39.

  Based on the Company's analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as at December 31, 2018, the Company has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39 (or shall be classified under the new classification categories of PFRS 9).

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Company's financial assets as at January 1, 2018:

	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39	Carrying Amount under PFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	₱126,800,069	₱126,800,069
Loans and other receivables	Loans and receivables	Financial assets at amortized cost	616,946,052	616,946,052
Security deposit	Loans and receivables	Financial assets at amortized cost	3,149,779	3,149,779
Other investments	Available for sale investments	Financial assets at FVOCI	80,000	80,000

The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified approach (or general approach, as applicable), has no impact on the carrying amounts of the Company's financial assets carried at amortized cost (and/or other comprehensive income).

There is no material impact on the basic and diluted earnings per share as a result of the Company's adoption of PFRS 9.

- PFRS 15, Revenue from Contracts with Customers – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and their related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

  Based on the Company's assessment, all of the Company's contracts with customers generally undertake to provide single performance obligation at a fixed price which is mainly the delivery of goods (or rendering of services). Thus, the allocation of transaction price to the single performance obligation is not applicable. The Company recognizes revenue as the goods are transferred to the customer at the point of delivery (or as the services are rendered over time). Accordingly, the adoption of PFRS 15 has no impact in the timing of the Company's revenue recognition.

- Amendments to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Amended PFRS Issued But Not Yet Effective
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard will replace PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

  For the Company's non-cancellable operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Company will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16 – which might have a significant impact on the amounts recognized in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the Company complete the review.

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

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company.

Current versus noncurrent classification
The Company presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

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

Initial recognition and measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

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

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). 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 at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

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

This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition. 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 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, 2018 and 2017, the Company does not have financial assets and liabilities at 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. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2018 and 2017, the Company's cash and cash equivalents, loans and receivables and security deposits are included under this category (Notes 7, 8 and 11).

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, 2018 and 2017, the Company's liabilities arising from its notes payable, accounts payableand accrued expenses are included under this category (Notes 12,13 and 19).

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 in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and 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 from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

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

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

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

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

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

Impairment of financial assets at amortized cost
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.

For debt instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the 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.

Derecognition of financial assets and liabilities
Financial assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognizedwhen:

- 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.

Classification of financial instrument between liability and equity
A financial instrument is classified as liability if it provides for a contractual obligation to:
- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Cash and cash equivalents
Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Loans and other receivables
Loans and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

Loans and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Depreciation, which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Furniture, fixtures and equipment	3 – 5
Leasehold rights and improvements	10 or the period of the lease, whichever is shorter
Transportation equipment	3 - 5

The remaining useful lives and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

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

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the separate statements of income in the period of retirement and disposal.

Investment properties

Investment properties primarily consist of foreclosed real estate properties. These are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. A gain or loss on exchange is recognized in profit or loss under "Gain on foreclosed assets" account.

Foreclosed real estate properties are classified under "investment properties" account upon:

(a) entry of judgment in case of judicial foreclosure;
(b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
(c) notarization of the Deed of Dacion in case of payment in kind (dacionenpago).

Subsequent to initial recognition, depreciable investment properties are carried at cost less depreciation and any impairment in value. The Company estimates the useful lives of its investment properties based on the period over which the assets are expected to be available for use. Any depreciation for these assets is calculated on a straight line basis using a useful life that ranges from 15 to 20 years.

Expenditures incurred after the investment properties have been put into operations such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Investment properties are derecognized when it has either been disposed or when it is permanently withdrawn from the use and not future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognized in profit or loss in the year of derecognition.

Investment in an associate

An associate pertains to an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies. Investment in an associate is accounted under the equity method of accounting.

Under the equity method, the investment in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share in the net assets of the associate since acquisition date.

Any change in other comprehensive income (OCI) of the investee is presented as part of the Company's OCI. IN addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The Company's share in profit or loss of an associate is shown as a separate line item in the statement of comprehensive income.

The financial statements of the associate are prepared for the same reporting period as the Company, using consistent accounting policies.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss. Gain on sale of investment in an associate is recognized upon sale of the investment as the difference between the selling price and the carrying value of the investment sold.

<u>Motorcycle units</u>
Motorcycle are carried at cost, which is the fair value at recognition date. The Company recognizes motorcycle units at the lower of cost and net realizable value (NRV) based on its assessment of the recoverability of the repossessed motorcycles. In determining the recoverability of the units, management considers whether those units are damaged or if the selling prices have declined. Likewise, management also considers the estimated costs to be incurred to make the sale. The cost of motorcycle units is determined using specific identification. The excess of the cost over the NRV is recognized as a loss from write-down of motorcycle units in profit or loss. Motorcycle units is presented under “Other assets” account in the statement to financial position.

<u>Software costs</u>
Software costs that are not an integral part of the hardware are classified as intangible assets. This is included under “Other asset” account in the statement of financial position, which includes costs incurred relative to the development of the Company’s software.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure is expensed as incurred.

Software asset is amortized on a straight line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software assets for the current and comparative periods range from three to five years.

Amortization methods, useful lives are reviewed at each reporting date and adjusted if appropriate.

<u>Impairment of non-financial assets</u>
The carrying amounts of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Trademarks and other intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate statements of income in those expense categories consistent with the function of the impaired asset.

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

<u>Fair value measurements</u>
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: 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 for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

<u>Accounts payable and accrued expenses</u>
Accounts payable and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business whichever is longer); otherwise, they are presented as noncurrent liabilities.

Accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions.

Provisions and contingencies
Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is charged against profit or loss, net of any reimbursement.

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

Share capital
Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments. Share capital is measured at par value. When the shares are sold at premium, the difference between the proceeds and par value is credited as additional paid-in capital.

Retained earnings
Unappropriated retained earnings include all current and prior period results as disclosed in the statement of changes in equity, free from any restriction.

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

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

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

Interest from bank deposit accounts is recognized as the interest is earned. Interest income is presented net of tax unless final tax is deemed significant.

Service charges
Service charges are recognized as revenue as the services are rendered.

Expense recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Foreign currency denominated transactions and balances

Transactions in foreign currencies are recorded in Philippine Peso based on the exchange rates prevailing at the transaction dates. Foreign currency-denominated monetary assets and liabilities are translated into Philippine Peso using the rates of exchange provided by its Parent Company, which approximate the prevailing exchange rate at statement of financial position date. Exchange gains or losses arising from translation of foreign currency-denominated items at rates different from those at which they were previously recorded are recognized in profit or loss.

Retirement benefit costs

The liability or asset recognized in the statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of all related pension obligations.

Retirement benefit costs comprise the following:

• Service cost
• Net interest on the net defined benefit liability or asset
• Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense inprofit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income inprofit or loss.

Remeasurements comprising actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Income tax

The tax expense for the period comprises current and deferred tax. Tax expense is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, or when the tax arises from a business combination. Current and deferred tax that relates to items that are recognized in other comprehensive income or directly in equity are also recognized in other comprehensive income or directly in equity, respectively.

Current tax

Current tax assets and current tax liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the applicable tax rate for the years presented.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and its carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. However, deferred income tax liabilities are not recognized if it arises from:

a) the initial recognition of goodwill; or
b) the initial recognition of an asset or liability in a transaction which:

    (i) is not a business combination;
    (ii) the initial recognition of an asset or liability in a transaction which is not a business combination at the time of the transaction affects neither accounting nor taxable profit; and
    (iii) investments in subsidiaries and jointly controlled entities where the Parent Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits from MCIT and NOLCO can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination; and at the time of transaction, affects neither accounting profit nor taxable profit (tax loss).

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same transaction authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

Operating leases

Co*mpany as lessee*

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities. The key management personnel of the Company and post-employment benefit plans for the benefit of the Company's employees are also considered to be related parties.

Earnings per share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year if any. The Company does not have dilutive potential common shares.

Segment reporting

The Company's operating businesses are recognized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6 to the financial statements.

Events after the statement of financial position date

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

4. Use of Judgments, Estimates and Assumptions

The preparation of the separate financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the separate financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

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. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the accounting policies, the Company has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the separate financial statements:

Operating lease
Company as a lessee
The Company has entered into a contract of lease for its office space and warehouse it occupies. The Company has determined that all the significant risks and rewards of ownership on these properties are retained by the lessor (Note 21).

Capitalization of software costs
The Company has entered into a contract for the development of its loans management system. The Company used judgment to decide whether development costs are capitalizable as intangible assets and to assess that the asset will generate probable future economic benefits. The Company recorded the cost under "Other assets" account in the statement of financial position.

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

As at December 31, 2018 and 2017, management assessed that no provisions nor contingencies are necessary to be recognized or disclosed, respectively, in the financial statements.

Estimatesand assumptions
The key estimates and assumptions used in the separate financial statements are based upon the Company's evaluation of relevant facts and circumstances as at the date of the separate financial statements. Actual results could differ from such estimates.

Determining Significant Increases in Credit Risk and Estimating Allowance for Credit Losses
The Company establishes a three stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized (as well as the amount of interest revenue).

For the purpose of determining significant increases in credit risk and recognizing a loss allowance, the Company groups its loans and other financial receivables on the basis of share credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

At initial recognition of a financial asset, the Company recognizes a loss allowance equal to 12-month expected credit losses. These are the credit losses that are expected to result from default events that are possible within 12 months from the reporting date. This means that the actual loss does not need to take place within the 12-month period; it is the occurrence of the default event that ultimately results in that loss.

After initial recognition, the three stages would be applied as follows:

- Stage 1: Credit risk has not increased significantly since initial recognition – recognize 12-month expected credit losses
- Stage 2: Credit risk has increased significantly since initial recognition – recognize lifetime expected losses with interest revenue being calculated based on the gross amount of the asset
- Stage 3: There is objective evidence of impairment as at the reporting date (using the criteria currently included in PAS 39) – recognize lifetime expected losses, with interest

revenue being based on the net amount of the asset (that is, based on the impaired amount of the asset).

Determining from recognizing 12-month expected credit losses to lifetime expected credit losses requires judgment and careful estimates from management as the focus is on the change in the risk of the default, and not on the changes in the amount of expected credit losses. When determining which loans and other receivables may be subject to lifetime expected credit losses, the Company considers indicators such as request for loan modification or restructuring, changes in the health condition of borrowers, when accounts become past due or when accounts are in default, changes in industry or economic conditions that affect the ability of the borrowers to pay and other changes in the expected behavior of the borrower, and past-due information.

The measurement of expected credit losses is based on the present value of cash shortfalls, and takes into account both the amount and timing of contractual payments, including any proceeds from the repossession and sale of collaterals. These are reassessed and adjusted on any expected changes in the credit risks. Therefore, a credit loss may arise in instances where there is a delay in the payment of contractually required amount, even if all contractual cash payments are ultimately expected to be received in full.

As at December 31, 2018 and 2017, allowance for credit losses amounted to ₱108.18 million and ₱119.89 million, respectively (Note 8). The carrying values of loans and other receivables amounted to ₱738.59 million and ₱616.95 million as at December 31, 2018 and 2017, respectively (Note 8).

Impairment of non-financial assets
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

As at December 31, 2018 and 2017, the Company did not recognize impairment on investment in an associate, property and equipment, investment properties and software costs.

The carrying values of property and equipment, investment properties and software costs are disclosed in Notes 9, 10 and 11.

Write-down of motorcycle units to NRV
The Company recognizes loss on write-down of motorcycle units at a level considered adequate to reflect the excess of cost of motorcycle units over their NRV. NRV of units are assessed based on the estimated selling prices less the estimated cost necessary to sell. Increase in the NRV will increase the carrying amount of units but only to the extent of their original acquisition cost.

As at December 31, 2018 and 2017, the carrying value of motorcycle units amounted to ₱70.58 million and ₱74.53 million, respectively (Note 11).

Recognition of Deferred Tax Assets
The Company reviews the carrying amounts of deferred taxes at each reporting date and reduce deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income. The amount of deferred tax assets are disclosed in Note 18 to the financial statements.

Estimating Useful Lives of Property and Equipment, Investment Properties and Software Costs
The Company estimates the useful lives of its property and equipment, investment properties and software cost based on the period over which these properties are expected to be available for use. The estimated useful lives of the properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these properties. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The estimated useful lives are disclosed in Note 3 to the financial statements.

Valuation of Retirement Benefits Liability
The cost of defined benefit pension plan as well as the present value of the pension obligation was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details on the retirement liability are provided in Note 16 to the financial statements.

As at December 31, 2018 and 2017, the net retirement plan assets amounted to ₱0.24 million and net retirement liability amounted to ₱0.44million, respectively (Note 16).

<u>Fair Value Measurement</u>
The methods and assumptions used by the Company in estimating the fair value of its financial instrument are as follows:

Cash and Cash *Equivalents*
Carrying amounts approximate fair values due to the relatively short-term maturities of these financial assets.

Loans and Other *Receivables*
The carrying amounts of loans and receivables approximate the fair values due either to the relatively short-term maturities of these assets or the fact that the interest rates reflect the prevailing market rates.

Notes Payable
The carrying amount of notes payable approximate fair values as the interest rates are repriced quarterly.

Accounts Payable and Accrued Expenses (excluding payable to government)
The carrying amounts of accounts payable and accrued expenses (excluding payable to government) approximate fair values due to their short-term maturities.

5. Financial Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. There is no change in the financial risk management objectives and policies of the Company.

Credit Risk

Credit Risk Management and Collateral and Other Credit Enhancements

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages credit risk by setting limits for individual borrowers, and groups of borrowers, and industry segments. The Company also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

In addition, the Company obtains security where appropriate and enters into collateral arrangements with counterparties to limit the duration of exposures. Finally, credit applications go through a process of screening using the Company's credit standards to minimize risk.

The Company also focuses on markets and borrowers that have a relatively better capability to repay their loans. One example of this is the medical professional market where most doctors are able to pay because of their higher disposable income. Despite the systems and checks in place for the Company, there is no guarantee that none of its existing and future clients will default on a loan. An increase in loan defaults will have a negative effect on the Company's profitability.

The Company's motorcycle financing business has the motorcycle itself as collateral in case the borrower defaults on its loan. Other receivable from customers are secured by real estate and other chattel properties.

It is the Company's policy to dispose repossessed properties in an orderly fashion and proceeds are used to repay or reduce the outstanding claim.

The Company evaluates the concentration of risk with respect to receivable from customers as low, as its customers are located in several areas around Southern Luzon.

The table below shows the maximum exposure of loans and receivables after financial effect of collateral and credit enhancements to the maximum exposure to credit risk.

	2018			2017		
	Gross Maximum Exposures	**Fair value of Collateral Credit Enhancement**	**Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements**	Gross Maximum Exposures	Fair value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Financial Assets At Amortized Cost						
Cash and cash equivalents*	**₱58,744,735**	**₱–**	**₱58,744,735**	₱126,259,754	₱–	₱126,259,754
Receivable from Customers:						
Consumer	**654,600,487**	**421,009,611**	**233,590,876**	577,376,962	450,759,438	126,617,524
Services	**179,240,789**	**25,946,313**	**153,294,476**	141,770,344	23,880,120	117,890,224
Other Receivables	**12,931,054**	**–**	**12,931,054**	17,690,772	–	17,690,772
Security deposits**	**3,900,651**	**–**	**3,900,651**	3,149,779	–	3,149,779
	₱909,417,716	**₱446,955,924**	**₱462,461,792**	₱866,247,611	₱474,639,558	₱391,608,053

**Excluding cash on hand*

***Presented under "Other assets - net"*

The tables below show a comparison of the credit quality of the Company's financial assets (net of unearned interest income and client's equity)

	2018					
	Stage 1			State 2	Stage 3	
	Neither Past Due nor Impaired					
	High Grade	Medium Grade	Low Grade	Past Due but not Impaired	Impaired	Total
Financial Assets At Amortized Cost						
Cash and cash equivalents*	**₱58,744,735**	**₱–**	**₱–**	**₱–**	**₱–**	**₱58,744,735**
Receivable from Customers:						
Consumer	**253,544,871**	**–**	**157,279,464**	**141,437,797**	**102,338,356**	**654,600,488**
Services	**17,132,200**	**–**	**127,761,968**	**24,806,437**	**9,540,184**	**179,240,789**
Other Receivables	**–**	**–**	**12,931,054**	**–**	**–**	**12,931,054**
Security deposits	**–**	**–**	**3,900,651**	**–**	**–**	**3,900,651**
Financial assets at FVOCI**	**–**	**–**	**876,710**	**–**	**–**	**876,710**
	₱329,421,806	**₱–**	**₱302,749,847**	**₱166,244,234**	**₱111,878,540**	**₱910,294,427**

**Excluding cash on hand*
***Presented under "Other assets - net"*

	2017					
	Stage 1			Stage 2	Stage 3	
	Neither Past Due nor Impaired					
	High Grade	Medium Grade	Low Grade	Past Due but not Impaired	Impaired	Total
Financial Assets At Amortized Cost						
Cash and cash equivalents*	₱126,259,754	₱–	₱–	₱–	₱–	₱126,259,754
Receivable from Customers:						
Consumer	325,447,820	–	31,533,408	112,057,211	108,338,523	577,376,962
Services	10,823,815	–	92,709,481	19,777,047	18,460,012	141,770,354
Other Receivables	–	–	17,690,772	–	–	17,690,772
Security deposits	–	–	3,149,779	–	–	3,149,779
Financial assets at FVOCI**	–	–	80,000	–	–	80,000
	₱462,531,389	₱–	₱145,163,440	₱131,834,258	₱126,798,535	₱866,327,621

**Excluding cash on hand*
***Presented under "Other assets - net"*

Interest income was computed based on the carrying value (after allowance) for loans and receivables categorized under stage 3.

The Company's basis in grading its financial assets is as follows:

Cash in Banks
High grade pertains to cash deposited in local banks belonging to top ten (10) rank.

Cash Equivalents
High grade pertains to short term placements with AIB and other related parties, which have high probability of collection, as evidenced by AIB's and other related parties' ability to satisfy its obligations.

Loans and Other Receivables

- High grade pertains to receivables with no default in payment and fully secured with collateral.
- Medium grade pertains to receivables with no default in payment and partially secured with collateral.
- Low grade pertains to receivables with no default in payment and without security.
- Past due but not impaired receivables represent transactions with third parties where no significant credit risk exposure is anticipated considering that there was no historical default rate.
- Impaired pertains to past due receivables the Company believes that impairment is appropriate based on the cash flows of the available collateral or status of collection of the amounts due to the Company.

The analysis of receivables from customers that were past due but not impaired is as follows:

	2018					
	1-30 days	30-60 days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	**₱46,450,039**	**₱14,175,202**	**₱41,700,858**	**₱7,472,683**	**₱31,639,015**	**₱141,437,797**
Services	**14,874,292**	**2,781,405**	**6,466,580**	**6,626**	**677,534**	**24,806,437**
	₱61,324,331	**₱16,956,607**	**₱48,167,438**	**₱7,479,309**	**₱32,316,549**	**₱166,244,234**

	2017					
	1-30 days	30-60 days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	₱52,290,445	₱20,024,781	₱12,923,558	₱11,815,373	₱13,003,054	₱112,057,211
Services	9,228,773	3,887,167	2,280,887	2,085,303	2,294,917	19,777,047
	₱61,519,218	₱25,911,948	₱15,204,445	₱13,900,676	₱15,297,971	₱131,834,258

Liquidity Risk

Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or Payment of asset purchases. The Company seeks to manage its liquidity profile to be able to service its maturing debts and to finance its operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and advances from related parties.

The table summarizes the contractual maturity profile of the Company's financial assets and liabilities based on undiscounted contractual payments and remaining contractual maturities.

		Contractual Maturities 2018					
	Carrying Amount	**Up to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**1 to 3 Years**	**More than 3 Years**	**Total**
Financial assets							
Cash and cash equivalents	**₱60,727,435**	**₱60,727,435**	**₱–**	**₱–**	**₱–**	**₱–**	**₱60,727,435**
Loans and other receivables							
Receivable from customers:							
Consumer	**654,600,487**	**198,862,650**	**122,702,881**	**151,755,490**	**328,453,297**	**70,785,806**	**872,560,124**
Services	**179,240,789**	**136,485,304**	**17,887,248**	**28,219,991**	**62,533,000**	**28,591,018**	**273,716,561**
Other receivables	**12,931,053**	**1,684,901**	**1,059,586**	**4,499,756**	**5,729,543**	**–**	**12,973,786**
Security deposits	**3,900,651**	**–**	**–**	**–**	**–**	**3,900,651**	**3,900,651**
Financial assets at FVOCI*	**876,710**	**–**	**–**	**–**	**–**	**876,710**	**876,710**
	₱912,277,125	**₱397,760,290**	**₱141,649,715**	**₱184,475,237**	**₱396,715,840**	**₱104,154,185**	**₱1,224,755,267**
Financial Liabilities							
Notes payable	**464,742,883**	**44,500,418**	**107,087,181**	**313,155,284**	**–**	**–**	**464,742,883**
Accounts payable	**17,918,996**	**17,918,996**	**–**	**–**	**–**	**–**	**17,918,996**
Accrued expenses**	**20,846,276**	**20,846,276**	**–**	**–**	**–**	**–**	**20,846,276**
	503,508,155	**83,265,690**	**107,087,181**	**313,155,284**	**–**	**–**	**503,508,155**
Net liquidity gap	**₱408,768,970**	**₱314,494,600**	**₱34,562,534**	**(₱128,680,047)**	**₱396,715,840**	**₱103,357,476**	**₱721,247,112**

includes investments in golf shares which is presented under 'Other assets-net'
****excluding government payable***

		Contractual Maturities 2017					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial assets							
Cash and cash equivalents	₱126,800,064	₱126,800,064	–	–	–	–	₱126,800,064
Loans and other receivables							
Receivable from customers:							
Consumer	577,376,962	136,051,732	117,193,510	184,439,377	270,427,738	49,093,618	757,205,975
Services	141,770,354	106,296,461	14,425,257	25,182,449	62,248,541	–	208,152,708
Other receivables	17,690,772	–	–	21,825,829	–	–	21,825,829
Security deposits	3,149,779	–	–	–	–	3,149,779	3,149,779
Financial assets at FVOCI *	80,000	–	–	–	–	80,000	80,000
	₱866,867,931	369,148,257	131,618,767	231,447,655	332,676,279	52,323,397	1,117,214,355
Financial Liabilities							
Notes payable	427,338,890	40,239,093	36,239,093	330,063,602	20,797,102	–	427,338,890
Accounts payable	16,463,258	16,463,258	–	–	–	–	16,463,258
Accrued expenses**	17,224,745	17,224,745	–	–	–	–	17,224,745
	461,026,893	73,927,096	36,239,093	330,063,602	20,797,102	_	461,026,893
Net liquidity gap	₱405,841,038	₱295,221,161	₱95,379,674	(₱98,615,947)	₱311,879,177	₱52,323,397	₱656,187,462

**includes investments in golf shares which is presented under 'Other assets-net'*
***excluding government payable*

Market Risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates(current risk), market interest rates (interest rate risk) and equity price (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risks arise from open position in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Company has no exposure to currency and price risks.

Interest Rate Risk

The probability of the Company may be influenced by changes in the level of interest rates. In the event that interest rates go up significantly, less people will be inclined to avail of a loan. The Company funds its loans operations through a combination of the operational cash flow and borrowings from related parties. Any increase in interest rates will cause the Company to incur more expenses for every peso they earn in interest income.

The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The interest rates on notes payable are fixed with maturity ranging from one (1) to three (3) years.

Sensitivity of Net Interest Income

A principal part of the Company's management of market risk in non-trading portfolios is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Company aims, through its management of market risk in non-trading portfolios, to mitigate the effect of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such activities on the current net revenue stream.

Presented below are the interest-bearing financial instruments:

	Note	**2018**	2017
Cash in bank and cash equivalents	*7*	**₱58,744,735**	₱126,259,754
Loans and receivable, net	*8*	**730,120,068**	616,925,617
Notes payable	*13*	**(464,742,883)**	(427,338,890)
Net exposure		**₱324,121,920**	₱315,846,481

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Company's interest-bearing financial instruments, with all other variables held constant, on the Company's statements of total comprehensive income before income and final tax for the years ended December 31:

	Increase/Decrease in Interest Rate(in basis points)	Effect to Total Comprehensive Income before Income and Final Tax
2018	+100bps	₱3,368,064
	-100bps	(3,368,064
2017	+100bps	2,346,377
	-100bps	(2,346,377

6. Segment Information

Operating Segments
The Company's operating businesses are recognized andmanaged separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. The Company derives revenues from the following main operating business segments:

Rx Cashline Group
The Rx Cashline Group grants Rx cash line product- loans tailored to medical professionals.

MFC Factors Group
The MFC Factors Group is responsible for the research of businesses that seek to factor their receivables for extra liquidity.

MC Financing Group
The MC Financing Group grants loans to motorcycle buyers.

Other Segments
This segment includes business loans, car loans, and corporate salary loans.

The Company considers its Management Committee as chief operating decision maker. Management conducts weekly Management Committee meetings to monitor the performance and conversion of each of the product lines handled. Strategies and recommendations are formulated while operating parameters and guidelines are developed and implemented in these weekly meetings. Product line performance is evaluated based on how it performs versus target and versus last year's actual figures. Another major consideration is on the analysis of risk and collectability exposure contributed by each product line.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment assets and liabilities comprise all of the assets and liabilities, measured in a manner consistent with that shown in the statements of financial position.

The Company's assets producing revenues are located in the Philippines (i.e., one geographical location), therefore geographical segment information is no longer presented.

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

Financial information about operating segments follows:

	2018				
	Rx Cash Line	**MFC Factors**	**MC Financing**	**Others**	**Total**
Loans and Other Receivables	**₱166,535,133**	**₱378,586,886**	**₱495,635,667**	**₱118,492,785**	**₱1,159,250,471**
Results of operation					
Revenues					
Interest Income	**₱23,652,725**	**₱40,285,247**	**₱61,636,851**	**₱8,354,501**	**₱133,929,324**
Other Income	**3,095,559**	**8,804,760**	**4,707,280**	**7,006,773**	**23,614,372**
	26,748,284	**49,090,007**	**66,344,131**	**15,361,274**	**157,543,696**
Expenses					
Interest expense	**1,560,058**	**5,481,098**	**8,960,984**	**5,486,715**	**21,488,855**
Provision for losses	**(5,328,844)**	**541,821**	**409,088**	**1,818,559**	**(2,559,376)**
Operating expenses	**12,415,643**	**31,012,835**	**66,992,955**	**9,544,335**	**119,965,768**
	8,646,857	**37,035,754**	**76,363,027**	**16,849,609**	**138,895,247**
Net operating income(loss)	**18,101,427**	**12,054,253**	**(10,018,896)**	**(1,488,335)**	**18,648,449**
Less: Income tax expense	**5,430,428**	**3,616,276**	**999,800**	**(572,551)**	**9,473,953**
Net Income(loss)	**12,670,999**	**8,437,977**	**(11,018,696)**	**(915,784)**	**9,174,496**
Statement of Financial Position					
Total Assets	**₱109,735,402**	**₱381,895,803**	**₱424,107,178**	**₱103,734,170**	**₱1,019,472,553**
Total Liabilities	**₱64,834,871**	**₱193,283,542**	**₱189,000,790**	**₱63,056,077**	**₱510,175,280**
Other segment information					
Capital expenditures	**₱–**	**₱–**	**₱–**	**₱611,970**	**₱611,970**
Depreciation and amortization	**₱673,269**	**₱2,007,126**	**₱1,962,653**	**₱697,876**	**₱5,340,924**

	2017				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	₱118,275,453	₱253,140,942	₱581,487,644	₱34,280,473	₱987,184,512
Results of operation					
Revenues					
Interest Income	₱19,537,997	₱32,147,331	₱101,544,196	₱4,432,208	₱157,661,732
Other Income	2,650,408	3,984,746	7,454,834	118,662,250	132,752,238
	22,188,405	36,132,077	108,999,030	123,094,458	290,413,970
Expenses					
Interest expense	2,002,116	6,678,942	24,227,409	5,220	32,913,687
Provision for credit losses	809,670	–	26,470,225	–	27,279,895
Operating expenses	14,972,843	24,382,100	73,553,071	80,812,662	193,720,676
	17,784,629	31,061,042	124,250,705	80,817,882	253,914,258
Net operating income(loss)	4,403,776	5,071,035	(15,251,675)	42,276,576	36,499,712
Less: Income tax expense	(1,367,564)	(2,226,971)	(6,718,067)	(7,586,829)	(17,899,431)
Net Income	₱5,771,340	₱7,298,006	(₱8,533,608)	₱49,863,405	₱54,399,143
Statement of Financial Position					
Total Assets	₱64,724,751	₱241,137,958	₱475,396,141	₱189,529,450	₱970,788,300
Total Liabilities	₱53,112,221	₱110,605,096	₱264,835,105	₱35,447,688	₱464,000,109
Other segment information					
Capital expenditures	₱–	₱–	₱–	₱1,434,292	₱1,434,292
Depreciation and amortization	₱587,949	₱1,258,367	₱2,890,481	₱622,913	₱5,359,710

7. Cash and cash equivalents

This account consists of:

	2018	2017
Cash on hand	**₱1,982,700**	₱540,310
Cash in banks	**34,978,801**	26,472,729
Cash equivalents	**23,765,934**	99,787,025
	₱60,727,435	₱126,800,064

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.64% to 0.74% per annum in both years. Interest income on cash in banks amounted to ₱47 thousand, ₱ 74 thousand, and ₱28 thousand in 2018, 2017, and 2016, respectively.

As at December 31, 2018, cash equivalents include short-term placements with MAPI Lending Investors, Inc. (MAPILI) and HMW Lending Investors, Inc. (HMWLI) with maturities from 3 to 90 days at 10.5% and 8.5% interest per annum. Interest income on cash equivalents amounted to ₱3.15 million,₱3.75 million, ₱0.26 million in 2018, 2017 and 2016,respectively (Note 19).

8. Loans and other receivables -net

This account consists of:

	Note	2018	2017
Receivables from customers			
Consumer		**₱872,560,125**	₱757,205,975
Services		**273,716,561**	208,152,708
Other receivables	*19*	**12,973,785**	21,825,829
		1,159,250,471	987,184,512
Unearned interest income		**(283,034,257)**	(223,383,249)
Allowance for credit losses		**(108,179,380)**	(119,892,036)
Clients equity		**(29,443,885)**	(26,963,175)
		₱738,592,949	₱616,946,052

Loans and receivables (gross of unearned interest income, client's equity and allowance for credit losses) grouped according to product type as follows:

	Note	2018	2017
Motorcycle financing		**₱485,526,651**	₱571,358,193
Business loans		**289,475,750**	163,263,687
Rx cash line		**165,638,961**	117,379,281
Receivables purchased		**98,146,282**	89,877,255
Car loans		**76,484,813**	10,619,506
Corporate salary loans		**5,854,167**	1,855,573
		1,121,126,624	954,353,495
Accrued interest receivable		**11,630,504**	12,380,291
Housing loans		**10,174,642**	–
Sales contract receivable		**1,491,200**	2,135,064
Pension loans		**447,622**	–
Advances to officers and employees		**182,024**	525,620
Due from affiliates		**101,007**	101,007
Miscellaneous receivables	*19*	**14,096,848**	17,689,035
		₱1,159,250,471	₱987,184,512

Miscellaneous receivables pertain to receivables from employees, other related parties and other non-related parties.

Interest rates on loans receivable ranges from 1.2% to 2.6% add-on rate per month plus gross receipts tax. Interest income earned from receivables from customers amounted to ₱130.8 million,₱153.70 million and ₱209.20 million in 2018, 2017and 2016,respectively.

Movements in allowance for credit losses follow:

	December 31, 2018			
	Receivable from Customers			
	Services	Consumer	Others	Total
At January 1	**₱16,942,833**	**₱97,474,427**	**₱5,474,776**	**₱119,892,036**
Recovery during the year	**(6,480,696)**	**(4,222,900)**	**(1,009,060)**	**(11,712,656)**
At December 31	**₱10,462,137**	**₱93,251,527**	**₱4,465,716**	**₱108,179,380**

	December 31, 2017			
	Receivable from Customers			
	Services	Consumer	Others	Total
At January 1	₱16,501,357	₱72,945,970	₱3,164,814	₱92,612,141
Provisions during the year	441,476	24,528,457	2,309,962	27,279,895
At December 31	₱16,942,833	₱97,474,427	₱5,474,776	₱119,892,036

	December 31, 2016			
	Receivable from Customers			
	Services	Consumer	Others	Total
At January 1	₱8,275,757	₱46,687,767	₱949,000	₱55,912,524
Provisions during the year	8,225,600	26,258,203	2,215,814	36,699,617
At December 31	₱16,501,357	₱72,945,970	₱3,164,814	₱92,612,141

In determining the allowance for credit losses on loans and other receivables, the Company groups its loans and other financial receivables on the basis of share credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

9. Property and equipment -net

The roll forward analysis of this account follows:

	2018			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	**₱15,055,538**	**₱7,476,840**	**₱8,716,395**	**₱31,248,773**
Additions	**611,970**	**–**	**–**	**611,970**
At December 31	**15,667,508**	**7,476,840**	**8,716,395**	**31,860,743**
Accumulated Depreciation				
At January 1	**12,756,436**	**3,155,087**	**4,486,353**	**20,397,876**
Depreciation	**1,542,498**	**1,393,156**	**1,438,042**	**4,373,696**
At December 31	**14,298,934**	**4,548,243**	**5,924,395**	**24,771,572**
Carrying amount	**₱1,368,574**	**₱2,928,597**	**₱2,792,000**	**₱7,089,171**

	2017			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱14,447,145	₱7,476,840	₱8,523,396	₱30,447,381
Additions	699,292	–	735,000	1,434,292
Disposals	(90,899)	–	(542,001)	(632,900)
At December 31	15,055,538	7,476,840	8,716,395	31,248,773
Accumulated Depreciation				
At January 1	10,693,469	1,693,436	3,236,645	15,623,550
Depreciation	2,105,467	1,461,651	1,340,042	4,907,160
Disposals	(42,500)	–	(90,334)	(132,834)
At December 31	12,756,436	3,155,087	4,486,353	20,397,876
Carrying amount	₱2,299,102	₱4,321,753	₱4,230,042	₱10,850,897

In 2017, the Company sold furniture and fixtures and office equipment at its carrying amount, hence no gains or losses on disposal was incurred. There was no disposal in 2018.

As at December 31, 2018 and 2017, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱3.26 million and ₱2.43 million, respectively.

10. Investment properties - net

The roll forward of this account in 2018 follows:

	2018		
	Land	**Building**	**Total**
Cost			
At January 1	**₱43,580,954**	**₱11,637,000**	**₱55,217,954**
Additions	**–**	**8,899,692**	**8,899,692**
Reclassification	**5,251,000**	**(5,251,000)**	**–**
Disposals	**(842,000)**	**–**	**(842,000)**
At December 31	**47,989,954**	**15,285,692**	**63,275,646**
Accumulated depreciation and amortization			
At January 1	**–**	**452,550**	**452,550**
Depreciation	**–**	**675,520**	**675,520**
At December 31	**–**	**1,128,070**	**1,128,070**
Allowance for impairment loss	**(507,199)**	**–**	**(507,199)**
Net book value	**₱47,482,755**	**₱14,157,622**	**₱61,640,377**

	2017		
	Land	Building	Total
Cost			
At January 1	₱3,544,001	₱–	₱3,544,001
Additions	41,235,421	11,637,000	52,872,421
Disposals	(1,198,468)	–	(1,198,468)
At December 31	43,580,954	11,637,000	55,217,954
Accumulated depreciation and amortization			
Depreciation	–	452,550	452,550
Allowance for impairment loss	(939,533)	–	(939,533)
Net book value	₱42,641,421	₱11,184,450	₱53,825,871

The aggregate fair value of the investment properties of the Company amounted to ₱66.39 million and ₱59.39 million as at December 31, 2018 and 2017, respectively.

The Company foreclosed properties upon default of the borrowers and recognized gain on repossession which amounted to ₱4.32 million and ₱10.53 million in 2018 and 2017, respectively. These are presented under "Gain on foreclosed assets" account in the statement of comprehensive income. Such gain was recognized based on the appraised values made by an external expert upon the foreclosure of the assets.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to ₱148,628 and ₱4,143 in 2018 and 2017, respectively.

The movements in the allowance for impairment losses on investment properties follow:

	2018	2017
Balance, January 1	**₱939,553**	₱939,533
Reversal	**(432,334)**	–
Balance, December 31	**₱507,199**	₱939,533

11. Other assets - net

This account consists of:

	2018	2017
Motorcycle units, net	**₱70,577,608**	₱74,531,921
Prepaid securities	**5,289,819**	6,122,724
Security deposits	**3,900,651**	3,149,779
Other investments	**876,710**	80,000
Software costs	**103,387**	374,993
Other properties acquired	**–**	280,000
	₱80,748,175	₱84,539,417

Motorcycle units pertain to repossessed units from the Company's motorcycle financing business carried at the lower of cost or its net realizable value. These units are intended for immediate resale. Included in the statements of comprehensive income are the loss from sale of motorcycle units amounting to ₱2.79 million, ₱23.96 million and ₱52.10million and provision for impairment loss of motorcycle units amounting to ₱6.40 million,₱32.60 million and ₱ 52.61million in 2018, 2017 and 2016, respectively.

The movement in software costs follow:

	2018	2017
Cost		
At January 1	**₱5,078,615**	₱4,869,996
Additions	**20,102**	208,619
At December 31	**5,098,717**	5,078,615
Accumulated amortization		
At January 1	**4,703,622**	4,385,874
Amortization for the year	**291,708**	317,748
Accumulated Amortization	**4,995,330**	4,703,622
Carrying amount	**₱103,387**	₱374,993

12. Notes payable

This account consists of:

	Note	2018	2017
Related parties	*19*	**₱70,737,160**	₱68,683,047
Banks		**135,376,488**	186,555,843
Individuals/corporate		**258,629,235**	172,100,000
		₱464,742,883	₱427,338,890

Interest rates from borrowings range from 4.00% to 4.35% and 4.00% to 6.00% per annum in 2018 and 2017, respectively.

Interest expense on these notes payable amounted to ₱21.49 million, ₱32.91 million and ₱44.98 million in 2018, 2017 and 2016, respectively.

Notes payable to related parties and individuals/corporate are unsecured, with maturity of up to one (1) year.

Notes payable to banks have a maturity of up to three (3) years. As at December 31, 2018 and 2017, the notes payable to banks are secured by certain motorcycle financing receivables. Under the agreements with the bank creditors, the notes payable are subject to Deed of Assignment on summary list of loans receivable (with 50% to 85% loanable value) on a per availment basis.

The following assets were used to secure the notes payable to banks availed by the Company:

	2018		2017	
	Carrying amount	**Secured notes**	Carrying amount	Secured notes
Motorcycle financing receivables	**₱194,976,496**	**₱135,376,488**	₱260,299,462	₱186,555,842

13. Accrued expenses

This account consists of:

	Note	2018	2017
Accrued taxes		**₱5,027,072**	₱2,447,308
Accrued occupancy costs		**3,215,311**	5,694,105
Accrued interest	*19*	**3,163,813**	3,982,795
Accrued management and professional fees		**953,740**	2,213,210
Accrued administrative expenses		**783,723**	1,518,195
Accrued insurance payable		**343,452**	379,615
Others		**12,386,237**	3,436,825
		₱25,873,348	₱19,672,053

Others include accrual on utilities, commission and premium.

14. Maturity analysis of assets and liabilities

The following table shows an analysis of assets and liabilities of the Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	2018			2017		
	Less than 12 Months	Over 12 Months	Total	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	**₱60,727,435**	**₱–**	**₱60,727,435**	₱126,800,064	₱–	₱126,800,064
Loans and other receivables gross	**663,157,807**	**496,092,664**	**1,159,250,471**	605,414,615	381,769,897	987,184,512
Security deposits, and other investments	**–**	**4,777,361**	**4,777,361**	–	3,229,779	3,229,779
	723,885,242	**500,870,025**	**1,224,755,267**	732,214,679	384,999,676	1,117,214,355
Nonfinancial Assets						
Property and equipment-net	**–**	**7,089,171**	**7,089,171**	–	10,850,897	10,850,897
Investment properties-net	**–**	**61,640,377**	**61,640,377**	–	53,825,871	53,825,871
Deferred tax assets	**–**	**70,430,319**	**70,430,319**	–	77,825,999	77,825,999
Retirement plan assets - net	**–**	**244,127**	**244,127**	–	–	–
Other assets*	**5,271,318**	**70,699,496**	**75,970,814**	6,122,724	75,186,914	81,309,638
	5,271,318	**210,103,490**	**215,374,808**	6,122,724	217,689,681	223,812,405
Less: Allowance for credit losses	**(61,884,815)**	**(46,294,565)**	**(108,179,380)**	(27,279,895)	(92,612,141)	(119,892,036)
Unearned interest income	**(161,911,840)**	**(121,122,417)**	**(283,034,257)**	(136,785,759)	(86,597,490)	(223,383,249)
Client's equity	**(29,443,885)**	**–**	**(29,443,885)**	(26,963,175)	–	(26,963,175)
	(253,240,540)	**(167,416,982)**	**(420,657,522)**	(191,028,829)	(179,209,631)	(370,238,460)
	₱475,916,020	**₱543,556,533**	**₱1,019,472,553**	₱547,308,574	₱423,479,726	₱970,788,300
Financial Liabilities						
Notes payable	**464,742,883**	**–**	**464,742,883**	406,541,788	20,797,102	427,338,890
Accounts payable	**17,918,996**	**–**	**17,918,996**	16,463,258	–	16,463,258
Accrued expenses**	**20,846,276**	**–**	**20,846,276**	17,224,745	–	17,224,745
	503,508,155	**–**	**503,508,155**	440,229,791	20,797,102	461,026,893
Nonfinancial Liabilities						
Accrued expenses	**5,027,072**	**–**	**5,027,072**	2,447,308	–	2,447,308
Retirement Liability	**–**	**–**	–	–	436,790	436,790
Deferred tax liability	**–**	**1,028,443**	**1,028,443**			
Income tax payable	**611,610**	**–**	**611,610**	89,119	–	89,119
	5,638,682	1,028,443	**6,667,125**	2,536,427	436,790	2,973,217
	₱509,146,837	₱1,028,443	**₱510,175,280**	₱442,766,218	₱21,233,892	₱464,000,110

**excluding security deposit, other investments which are presented under financial assets*
***excluding payable to government which is presented under nonfinancial liabilities*

15. Equity

On July 26, 2018, the BOD and stockholders approved the declaration of 3.65% stock dividends in the amount of ₱8.16 million to stockholders of record as of August 23, 2018 with distribution date not later than September 18, 2018. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱8.16 million.

On July 27, 2017, the BOD and stockholders approved the declaration of 3.21% stock dividends in the amount of ₱6.95 million to stockholders of record as of August 24, 2017 with distribution date not later than September 19, 2017. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱6.95 million.

On July 28, 2016, the BOD and stockholders approved the declaration of 3.29% stock dividends in the amount of ₱6.90 million to stockholders of record as of August 26, 2016 with distribution date not later than September 21, 2016. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱6.90 million.

As at December 31, 2018, the Company has 231,572,111 common shares issued and outstanding which are owned by 106 shareholders.

The movements in the number of issued shares and capital stock follow:

	2018		2017		2016	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Authorized - 300,000,000shares; ₱1 par value						
At January 1	**223,412,301**	**₱223,412,301**	216,462,556	₱216,462,556	209,565,483	₱209,565,483
Stock Dividends	**8,159,810**	**8,159,810**	6,949,745	6,949,745	6,897,073	6,897,073
At December 31	**231,572,111**	**₱231,572,111**	223,412,301	₱223,412,301	216,462,556	₱216,462,556

On January 21, 2016, the BOD of AIB resolved to approve the block sale of 25% (52,391,311) common shares of MFC at ₱1.40 per share to Motor Ace Philippines Inc. This was approved by the PSE and executed on May 13, 2016.

The block sale effectively reduced AIB's ownership of the Company from 69.42% to 42.46% in 2016.

Adjustment on retained earnings
In 2018, the Company adjusted its January 1, 2018 retained earnings amounting to ₱905,181 to reflect the appropriate remeasurement gain.

Capital Management
The primary objective of the Company's capital management policies and procedures are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and to maximize shareholder value.

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 shareholders or issue new shares. The Company considers its total equity as capital, excluding remeasurement gains on defined benefit obligation. No changes were made in the objectives, policies or processes in 2018.

Under R.A No. 8556,the Company is required to maintain the following capital requirements:

(a) minimum paid-up capital of ₱10.00 million; and
(b) additional capital requirements for each branch of ₱1.00 million for branches established in Metro Manila, ₱0.50 million for branches established in other classes of cities and ₱0.25 million for branches established in municipalities.

For the years ended December 31, 2018, 2017 and 2016, the Company was in compliance with the minimum paid-up capital.

The Company is compliant with the minimum public float of 10% that is required by the PSE where the Company shares are traded.

16. Retirement plan

The Company has a funded, tax-qualified defined benefit plan covering all of its officers and regular employees. The benefits are based on years of service and compensation on the last year of service.

The plan is non-contributory and of the defined benefit type which provides a retirement benefit equal to one hundred percent (100%) of the latest monthly salary for every year of credited service. Benefits are paid in lump sum upon retirement or separation in accordance with the terms of the plan. Normal retirement age is at age 60.

Net benefit cost (income) is included in the Company's profit or loss under 'Salaries and employee benefits. The amounts of retirement benefit reserve recognized in the statements of comprehensive income follow:

	2018	2017
Components of retirement benefit liability recorded in profit or loss as retirement benefit (income) expense		
Current service cost	**₱1,817,148**	₱1,713,951
Past service costs – curtailments	**—**	(3,986,449)
Net interest expense:		
Interest expense	**378,651**	419,877
Interest income on plan assets	**(353,754)**	(336,521)
	1,842,045	(2,189,142)
Components of retirement benefit liability recorded in OCI		
Remeasurementloss (gain) on defined benefits obligation	**(3,130,409)**	691,224
Adjustment remeasurement gain on defined benefits obligation	**(905,181)**	—
Remeasurement loss on plan assets	**589,064**	385,338
Remeasurement loss on effect of asset ceiling	**18,383**	—
	(3,428,143)	1,076,562
Total components of retirement liability	**(₱1,586,098)**	(₱1,112,580)

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

	2018	2017
Present value of retirement benefits obligation	**₱5,708,396**	₱6,643,006
Fair value of plan assets	**(5,970,906)**	(6,206,216)
Funded status – deficit (surplus)	**(262,510)**	436,790
Effect of asset ceiling	**18,383**	—
Net defined benefit liability (asset)	**(₱244,127)**	₱436,790

The movements of the present value of retirement benefits obligation of the Company follow:

	2018	2017
Balance at beginning of year	**₱6,643,006**	₱7,804,403
Current service cost	**1,817,148**	1,713,951
Past service costs – curtailments	**—**	(3,986,449)
Interest expense	**378,651**	419,877
Remeasurement (gains) losses on obligation arising from:		
Changes in financial assumptions	**(2,094,951)**	(416,267)
Experience adjustment	**(1,035,458)**	1,107,491
Balance at end of year	**₱5,708,396**	₱6,643,006

A curtailment significantly reduced the number of employees covered by the plan which resulted in the recognition of past service cost in 2017.

The movements of the fair value of plan assets of the Company follow:

	2018	2017
Balance at beginning of year	**₱6,206,216**	₱6,255,033
Interest income	**353,754**	336,521
Remeasurement loss on plan assets	**(589,064)**	(385,338)
Effect of asset ceiling	**(18,383)**	—
Balance at end of year	**₱5,952,523**	₱6,206,216

Changes in the retirement benefit liability (asset) follow:

	2018	2017
Balance at beginning of year	**₱436,790**	₱1,549,370
Current service cost	**1,817,148**	1,713,951
Past service costs - curtailments	**–**	(3,986,449)
Net interest cost on the retirement liability	**24,897**	83,356
Remeasurementloss on plan assets	**589,064**	385,338
Effect of asset ceiling	**18,383**	–
Actuarial losses (gains) on retirement liability arising from:		
Experience adjustment	**(1,035,458)**	1,107,491
Changes in financial assumptions	**(2,094,951)**	(416,267)
Balance at end of year	**(₱244,127)**	₱436,790

The fair values of plan assets by each class as at the end of the reporting period follow:

	2018	2017
Cash and cash equivalents	**₱1,240,949**	₱1,184,578
Financial assets at FVPL	**4,685,499**	4,985,936
Accrued and other receivables	**44,458**	35,702
	₱5,970,906	₱6,206,216

All debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The cost of defined benefit plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	January 1	
	2018	2017
Discount rate	**7.53%**	5.70%
Future salary increases	**5.00%**	5.00%
Average remaining working life (in years)	**26.9**	27.7

Assumptions for mortality and disability rate are based on the 2001 CSO Table- Generational and The Disability Study both published by the Society of Actuaries adjusted to suit local experience.

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis. The sensitivity analysis below has been determined based on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Change in Basis Points	Increase (decrease) in defined benefit obligation
Discount rate	**+100 basis point**	**(₱845,530)**
	-100 basis point	**1,042,051**
Future salary increases	**+100 basis point**	**1,058,788**
	-100 basis point	**(871,306)**

Deferred tax liability recognized for the actuarial gains amounted to ₱1,028,443.

The Company has no contributions to the defined benefit plan in 2018.

The average duration of the defined benefit plan as at the reporting date is 16.5 years and 19.1 years for year 2018 and 2017, respectively.

The Plan's Board of Trustees has no specific matching strategy between plan assets and plan liabilities.

17. Miscellaneous

Miscellaneous income consists of the following items:

	2018	2017	2016
Penalties	**₱8,988,019**	₱10,140,631	₱11,735,907
Recoveries	**3,413,331**	4,807,162	6,812,744
Others	**110,238**	71,629	95,410
	₱12,511,588	₱15,019,422	₱18,644,061

Miscellaneous expense consists of the following items:

	2018	2017	2016
Communication	**₱2,049,463**	₱2,289,744	₱2,837,607
Repairs and maintenance	**1,921,282**	1,147,845	623,579
Insurance	**1,655,406**	2,425,303	2,494,214
Stationeries and supplies	**1,443,904**	1,852,574	1,653,120
Meetings and conferences	**220,200**	300,172	518,330
Training and development	**166,133**	141,108	201,748
Others	**1,659,975**	2,189,503	746,016
	₱9,116,363	₱10,346,249	₱9,074,614

Other expenses include advertising costs, donations, membership dues and other miscellaneous expenses.

18. Income taxes

Current tax regulations provide that the RCIT rate is 30%. The regulations also provide for MCIT of 2% on modified gross income and allow NOLCO. The MCIT and NOLCO may be applied against the Company's income tax liability and taxable income, respectively, over a three-year period from the year incurrence.

The components of the Company's income tax expense (benefit) for the years ended December 31, 2018, 2017 and 2016.

	2018	2017	2016
Current:			
MCIT	**₱2,078,273**	₱1,897,303	₱2,833,371
RCIT	**—**	—	—
Deferred	**7,395,680**	(19,796,734)	(29,180,987)
	₱9,473,953	(₱17,899,431)	(₱26,347,616)

The components of deferred tax assets- net follow:

	2018	2017
Deferred tax assets on:		
Allowance for credit losses	**₱32,453,814**	₱35,967,611
Allowance for inventory write-down	**14,132,609**	22,372,864
NOLCO	**23,027,054**	18,668,682
Accrued expenses	**2,022,466**	2,022,466
Past service costs	**48,352**	48,352
	71,684,295	79,079,975
Deferred tax liabilities on:		
Remeasurement gain on defined benefit obligation	**(1,253,976)**	(1,253,976)
	₱70,430,319	₱77,825,999

The Company did not recognize deferred tax asset on the MCIT amounting to ₱6.81 million and ₱4.73 million as at December 31, 2018 and 2017, respectively.

Details of the Company's NOLCO and MCIT which could be carried over as a deduction from the Company's future taxable income for the two taxable years as follow:

NOLCO

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2018	**₱14,527,909**	**₱–**	**₱14,527,909**	2021
2017	25,110,093	–	25,110,093	2020
2016	37,118,846	–	37,118,846	2019
	₱76,756,848	**₱–**	**₱76,756,848**	

MCIT

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2018	**₱2,078,273**	**₱–**	**₱2,078,273**	2021
2017	1,897,303	–	1,897,303	2020
2016	2,833,371	–	2,833,371	2019
	₱6,808,947	**₱–**	**₱6,808,947**	

The reconciliation of the statutory income tax to the effective income tax follows:

	2018	2017
Income before income tax	**₱18,648,449**	₱36,499,712
Income tax computed at statutory rate (30%)	**5,594,535**	10,949,914
Additions to (reduction in) income tax resulting from the tax effects of:		
Nondeductible expense	**552,973**	4,975,980
Non-deductible interest expense	**395,940**	473,585
Interest income subjected to final tax and dividend income	**(959,855)**	(1,148,084)
Gain on repossessed assets	**(1,296,184)**	
Unrecognized DTA	**2,077,913**	(34,674,191)
Adjustment on the beginning DTA	**3,108,631**	1,523,365
Effective income tax expense(benefit)	**₱9,473,953**	(₱17,899,431)

Interest allowed as deductible expense is reduced by an amount equivalent to 33.00% of interest income subjected to final tax.

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of a company engaged in the sale of services. EAR expenses amounted to ₱0.75 millionand ₱0.73 million in 2018 and 2017, respectively.

19. Related party transactions

In the ordinary course of business, the Company enters into transactions with its stockholders and affiliates. Under the Company's policy, these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. Related party transactions are settled in cash.

Affiliates are other companies linked indirectly to the Company through interlocking directorship or officership and those under common significant influence and common control.

The following transactions have been entered into with related parties:

		2018			2017			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	**Ref**	**Amount of Transaction**	**Due from related parties**	**Due to related parties**	Amount of transactions	Due from related parties	Due to related parties	**Nature, Terms and Condition**
Parent Company								
Miscellaneous receivables	a	**₱–**	**₱80,514**	**₱–**	₱–	₱80,514	₱–	Non-interest bearing, unsecured; No impairment
Notes payable	b			**245,100,000**			161,900,000	Unsecured, 1 year interest bearing placement at 5.75% annual interest rate
Availments		**177,000,000**	–	–	9,000,000	–	–	
Settlements		**93,800,000**	–	–	212,000,000	–	–	
Interest expense		**9,250,114**	–	**2,599,083**	18,867,920	–	3,483,367	
Share in net income of an associate	c	–	–	–	2,252,071	–	–	Share in net income from investee's profit
Short term placements	d	–	–	–	486,700,000	–	–	Short-term interest bearing placements at 3.4% annual interest rate
Interest income		–	–	–	528,391	–	–	
Entities under common control								
Motor Ace Philippines, Inc.								
Miscellaneous receivables	a		–	–		2,110,298	–	Non-interest bearing, unsecured; No impairment
Availments		**320,477**	–	–	492,554	–	–	
Settlements		**2,430,775**	–	–	285,553	–	–	

Forward

Category/Transaction	Ref	2018 Amount of Transaction	2018 Outstanding Balances Due from related parties	2018 Outstanding Balances Due to related parties	2017 Amount of transactions	2017 Outstanding Balances Due from related parties	2017 Outstanding Balances Due to related parties	Nature, Terms and Condition
Accounts payable	e		**₱–**	**₱12,451,141**		₱–	₱4,363,429	30 day unsecured, non-interest bearing
Availments		**87,171,559**	**–**	**–**	55,172,255	–	–	
Settlements		**79,083,847**	**–**	**–**	57,794,652	–	–	
MAPI Lending Investors, Inc.								
Miscellaneous receivables	a		**1,494,807**	**–**		752,160	–	30 day unsecured, non-interest bearing
Availments		**1,077,320**	**–**	**–**	2,347,868	–	–	
Settlements		**334,673**	**–**	**–**	1,649,658	–	–	
Accounts payable	e		**–**	**–**		–	4,868,402	Non-interest bearing, unsecured
Availments		**108,240**	**–**	**–**	7,484,447	–	–	
Settlements		**4,976,642**	**–**	**–**	5,004,040	–	–	
Short term placements	d	**32,648,250**	**22,731,983**	**–**	17,497,050	12,663,844	–	Short-term interest bearing placements at 10.5% annual interest rate
Interest income		**1,828,156**	**950,840**	**–**	1,352,873	565,800	–	
HMW Lending Investors, Inc.								
Short term placements	d	**40,000,000**	**–**	**–**	94,000,000	84,103,562	–	Short-term interest bearing placements at 8.5% annual interest rate
Interest income		**3,418,489**	**83,111**	**–**	3,515,873	2,453,819	–	
Honda Motor World, Inc.								
Miscellaneous receivables	a		**–**	**–**		2,399,331	–	Non-interest bearing, unsecured; No Impairment
Availments		**86,406**	**–**	**–**	25,120	–	–	
Settlements		**2,485,737**	**–**	**–**	71,883	–	–	
Accounts payable	e		**–**	**1,266,646**		–	1,489,503	Unsecured, interest bearing placement at 10.0% annual interest rate
Availments		**30,839,616**	**–**	**–**	23,035,167	–	–	
Settlements		**31,062,473**	**–**	**–**	27,540,888	–	–	
Pikeville Bancshares								
Professional fees		**1,193,920**	**–**	**390,320**	1,193,920	–	326,032	Payment of consultancy fees
MERG Realty Development Corp.								
Miscellaneous receivables	a		**18,057**	**–**		18,057	–	Non-interest bearing; No impairment
Availments		**–**	**–**	**–**	–	–	–	
Settlements		**–**	**–**	**–**	–	–	–	

Forward

		2018			2017			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	**Ref**	**Amount of Transaction**	**Due from related parties**	**Due to related parties**	**Amount of transactions**	**Due from related parties**	**Due to related parties**	**Nature, Terms and Condition**
Notes payable	b			**47,358,487**		–	44,406,271	Unsecured interest bearing placements at 5.5% annual interest rate; no impairment
Availments		**10,007,418**	**–**	**–**	31,406,271	–	–	
Settlements		**7,055,202**	**–**	**–**	–	–	–	
Interest expense		**2,522,469**	**–**	**–**	1,439,709	–	–	
Directors and other stockholders								
Notes payable	b		–	**23,378,673**		–		Unsecured interest bearing placements at 5.5% annual interest rate; no impairment
Availments		**9,097,897**	–	–	8,970,369	–	24,276,776	
Settlements		**9,996,000**	–	–	19,720,488	–	–	
Interest expense		**1,564,572**	–	**16,780**	1,420,225	–	16,780	
Professional and other management fees		**4,158,291**	–	–	2,683,498	–	–	Payment of professional fees
TOTAL			**₱25,359,312**	**₱332,561,130**		₱105,147,385	₱245,125,365	

a. This includes various receivables from the Parent Company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement.

b. As at December 31, 2018 and 2017, notes payable and accrued interest payable arisingfrom borrowings from stockholders amounted to ₱315.84 million and ₱230.58 million, respectively and ₱2.62 million and ₱3.48 million, respectively. Interest expense from these borrowings amountedto ₱13.34 million and ₱21.90 million in 2018 and 2017, respectively.

Borrowings availed from related parties amounted to₱196.11and ₱49.20 million in 2018 and 2017, respectively. Settlement from borrowings amounted to ₱110.85 and ₱231.72 million in 2018 and 2017, respectively. Interest rates from borrowings range from5.0% to 5.75% and 5.5% to 5.75% in 2018 and 2017 respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. Gain on sale of AIB shares resulted from the buy-back transaction of Ala of its own 6.0 million shares with a cost of ₱33.33 million and accumulated equity in net earnings of ₱42.02 million.

d. The Company had short-term placements with related parties amounting to ₱72.65 million and ₱598.21 million in 2018 and 2017, respectively. As at December 31, 2017 and 2016, ₱5.25 million and ₱99.79 million of these placements remain outstanding. Interest income from these placements amounted to ₱3.75 million ₱0.26 million in 2017 and 2016, respectively (Note 7).

e.Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.

f. This pertains to the commission payable to other related parties as referral fees for successful loan bookings.

The remuneration of directors and other members of key management personnel consist of short-term benefits amounting to ₱18.69 million, ₱17.80 million and₱17.07 million in 2018 ,2017 and 2016, respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statements of comprehensive income.

20. Earnings per share(EPS)

	2018	2017	2016
a. Net Income	**₱9,174,496**	₱53,645,550	₱46,331,949
b. Weighted average number of outstanding common shares	**226,132,258**	223,412,301	216,462,556
c. Basic/diluted earnings per share (a/b)	**₱0.04**	₱0.24	₱0.21

The weighted average number of outstanding common shares in 2018 and 2017 was recomputed after giving retroactive effect to stock dividends declared on July 26, 2018, July 27, 2017 and July 28,2016.

21. Lease commitment

The Company entered into a new lease contract for a period of five (5) years starting from February 1, 2016 to January 31, 2021. Total rent expense included under 'Occupancy cost' account in the statements of comprehensive income incurred in 2018, 2017, and 2016 amounted to ₱ 16.35million, ₱16.44 million and ₱19.23 million, respectively.

The aggregate future minimum lease payments for the lease commitments are as follows:

	2018	2017	2016
Less than one year	**₱13,102,722**	₱9,863,666	₱8,836,109
Between one and five years	**18,647,091**	18,643,031	24,795,708
	₱31,751,831	₱28,396,697	₱33,631,817

22. Notes to statements of cash flows

The following table shows the reconciliation analysis of liabilities arising from financing liabilities for the year ended December 31, 2018:

Notes Payable, December 31, 2017		₱427,338,890
Cash flows during the year		
Proceeds from loans payable	267,152,586	
Payment of loans payable	(229,748,593)	37,403,993
Notes Payable, December 31, 2018		₱464,742,883

23. Supplementary information required by the Bureau of Internal Revenue(BIR)

In addition to the disclosures mandated under PFRS, and such other standards and/orconventions as may be adopted, companies are required by the BIR to provide in the notes tofinancial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS.

The following are the tax information required for the taxable year ended December 31,2018 based on Revenue Regulation No. 15-2010:

A. Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses, and permit fees lodged under 'Taxes and Licenses' account in the Company's statement of comprehensive income. Details for year 2018 consist of the following:

Gross Receipts Tax (GRT)	₱7,286,292
Documentary Stamp Tax (DST) on loan instruments	3,855,474
License and Permit Fees	1,086,787
	₱12,228,553

As at December 31, 2018, accrued GRT and DST amounted to ₱1,798,261 and ₱760,407, respectively.

B. Withholding taxes

Details of the withholding taxes at December 31, 2018 follow:

Expanded withholding taxes	₱5,324,170
Withholding taxes on compensation and benefits	3,920,128
	₱9,244,298

C. Tax Cases

As at December 31, 2018, the Company has no pending tax court cases.

D. Tax Assessment

As at December 31, 2018, the Company has no pending tax assessment.

EXHIBIT I
SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PFRS
December 31, 2018

PHILLIPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A : Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1 : Additional Exemptions for First-time Adopters			✓
	Amendments to PFRS 1 : Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1 : Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRSs			✓
	Amendments to PFRS 1: Deletion of short-term exemptions for first-time adopters*			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendment to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Share-based Payment - Definition of VestingCondition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in aBusiness Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of	✓		

PHILLIPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	Financial Assets - Effective Date and Transition			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7:Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Disclosures – Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 toCondensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments andReconciliation of the Total of the Reportable Segments' Assets to theEntity's Assets	✓		
PFRS 9 (2014)	Financial Instruments*	✓		
	Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39*			✓
	Amendments to PFRS 9: Prepayment Features with Negative Compensation***			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Consolidation for Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**	Original effective date has been deferred/postponed		
	Amendments to PFRS 10, PFRS 12, and PAS 28: Application of the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Investment Entities			✓
	Amendments to PFRS 11: Accounting for Acquisitions of an Interest in a Joint Operation			✓
PFRS 12	Disclosure of Interest in Other Entities			✓
	Amendments to PFRS 10 , PFRS 12, and PAS 28: Application of the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*	✓		
	Amendments t PFRS 15: Clarifications to PFRS 15*	✓		
PFRS 16	Leases*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative	✓		

PHILLIPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	Information			
	Amendments to PAS 1, Disclosure initiative			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative			✓
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method – Proportionate Restatementof Accumulated Depreciation			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel			✓
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**	Original effective date has been deferred/postponed		
	Amendments to PFRS 10, PFRS 12, and PAS 28: Application of the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures***			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		

PHILLIPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets and Financial Liabilities	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38 : Revaluation Method – Proportionate Restatement Of AccumulatedAmortization			✓
	Amendments to PAS 16 and 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendments to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying theInterrelationship between PFRS 3 and PAS 40 whenClassifying Property as Investment Property orOwner-Occupied Property	✓		
	Amendments to PAS 40: Transfers of Investment Property*			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement contains a Lease	✓		
IFRIC 5	Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓

PHILLIPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyper Inflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirements			✓
IFRIC 15	Agreements for the Construction of Real Estate**	Original effective date has been deferred/postponed		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of a Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Assets			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Considerations***	✓		
IFRIC 23	Uncertainty Over Income Tax Treatments***			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue—Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets—Web Site Costs			✓

*****Standards and interpretations whose mandatory adoption date is after December 31, 2016.
******Standards and interpretations whose original effective date has been deferred/postponed by FRSC.
*******Standards and interpretations adopted by FRSC and is subject for approval by the Board of Accountancy

EXHIBIT II
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2018

Unappropriated Retained Earnings, available for dividends distribution - beginning as previously presented		₱88,915,651
Add: Net income actually earned/realized during the year		
Net income during the period	9,174,496	
Deferred tax expense during the year	7,395,680	
Unrealized gain on foreclosure of investment properties	(4,320,613)	12,249,563
Less: Dividends declared during the year		(16,319,742)
RETAINED EARNINGS AVAILABLE FOR DIVIDENDS DISTRIBUTION		**₱84,845,472**

EXHIBIT III
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
December 31, 2018

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Income received and accrued
Short-term cash investments			
MAPI Lending Investors, Inc.	N/A	₱23,682,823	₱1,562,543
Honda Motor World Lending, Inc	N/A	83,111	1,590,333
Other investments:			
Orchard golf club shares	1	80,000	–

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Honda Motor World, Inc	₱2,399,331	₱86,407	₱2,485,738	₱–	₱–	₱–	₱–
Motor Ace Phils, Inc.	2,110,298	320,477	2,430,775	–	–	–	–
MAPI Lending Investors, Inc.	752,160	1,077,320	334,673	–	1,494,807	–	1,494,807

Schedule C. Amounts Receivable from Related parties which are eliminated during the consolidation of financial statements

Name and designation of debtor	Balance of beginning period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
NONE	₱–	₱–	₱–	₱–	₱–	₱–	₱–

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deduction)	Ending balance
Windows 7 Prof OEM License	₱42,477	₱-	₱42,476	₱—	₱—	₱1
Other Software Cost	86,716	—	18,619	—	—	68,097
Web hosting domain Dot.Ph	2,745	3,836	2,581	—	—	4,001
DOTPH Services/2-years	1,988	—	1,988	—	—	—
HRIS Support	3,111	—	3,110	—	—	1
Sophos router/3-years Firewall License	207,903	—	199,667	—	—	8,236
Access point 55C 34900	30,053	—	23,267	—	—	6,786
Email domain payment (makatifinance.com.ph)	—	3,766	—	—	—	1,255
Renewal of web hosting (07/28/2018 - 07/27/2020)	—	12,500	—	—	—	8,334
TOTAL	**374,993**	**20,102**	**291,708**	—	—	103,387

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-Term Debt" in statement of financial position
NONE	₱—	₱—	₱—

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
NONE	₱—	₱—

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
NONE	₱—	₱—	₱—	₱—

Schedule H. Capital Stock

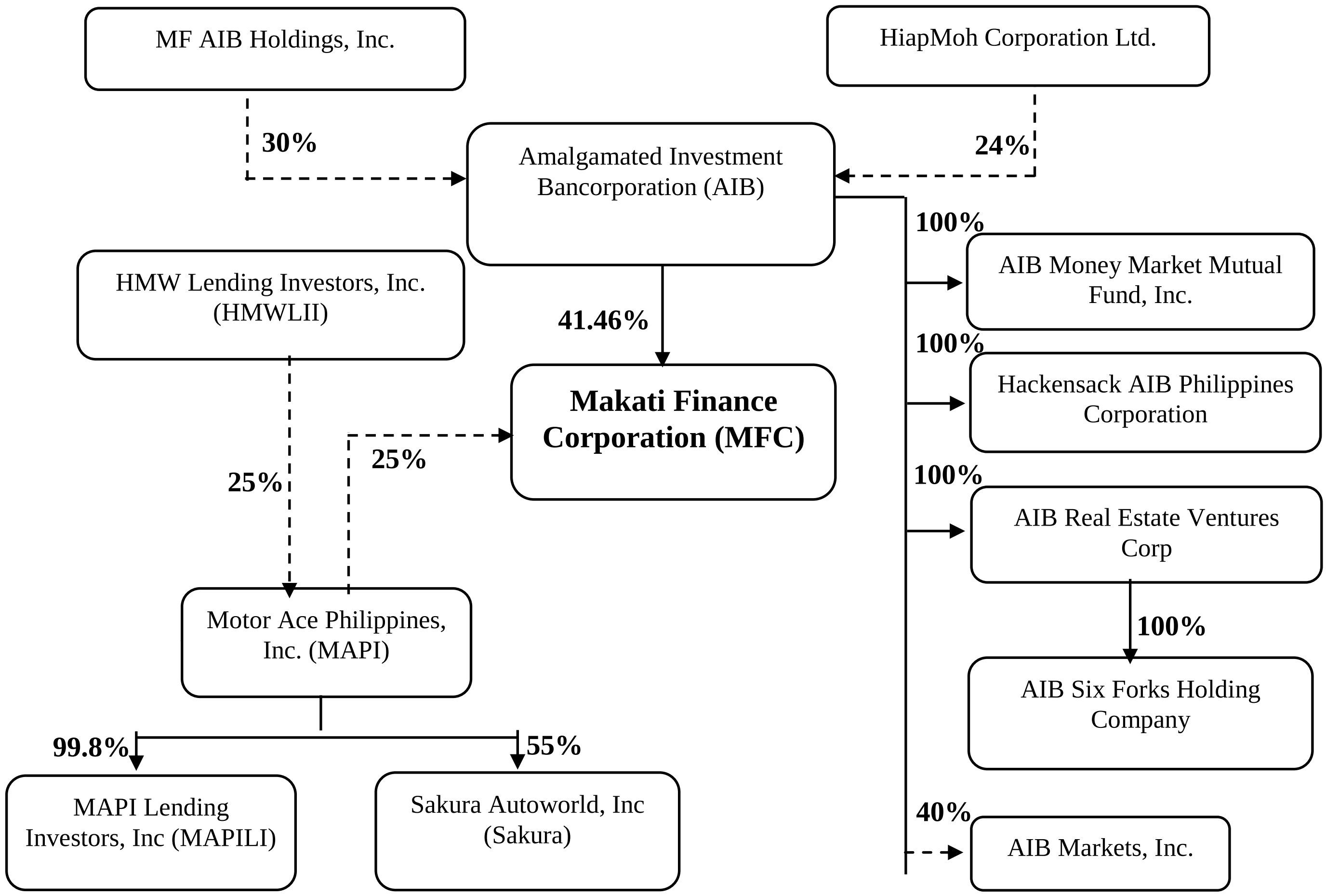
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers	Others
COMMON	96,006,828	96,006,828	—	96,006,828		
COMMON	58,580,694	58,580,694	—	58,580,694		
COMMON	15,897,983	15,897,983	—	15,897,983		
COMMON	12,388,227	12,388,227	—			12,388,227
COMMON	9,582,263	9,582,263	—			9,582,263
COMMON	8,613,647	8,613,647	—			8,613,647
COMMON	6,458,230	6,458,230	—		6,458,230	
COMMON	5,796,277	5,796,277	—			5,796,277
COMMON	5,518,668	5,518,668	—			5,518,668
COMMON	5,298,171	5,298,171	—		5,298,171	
COMMON	2,332,777	2,332,777	—		2,332,777	
COMMON	687,618	687,618	—			687,618
COMMON	468,181	468,181	—			468,181
COMMON	450,391	450,391	—		450,391	
COMMON	400,139	400,139	—			400,139
COMMON	275,903	275,903	—			275,903

COMMON	275,903	275,903	—			275,903
COMMON	275,903	275,903	—			275,903
COMMON	275,903	275,903	—			275,903
COMMON	275,903	275,903	—			275,903
COMMON	275,903	275,903	—			275,903
COMMON	275,903	275,903	—			275,903
COMMON	264,882	264,882	—			264,882
COMMON	166,594	166,594	—			166,594
COMMON	96,813	96,813	—			96,813
COMMON	77,018	77,018	—			77,018
COMMON	31,498	31,498	—			31,498
COMMON	31,303	31,303	—			31,303
COMMON	22,985	22,985	—			22,985
COMMON	22,985	22,985	—			22,985
COMMON	22,985	22,985	—			22,985
COMMON	22,985	22,985	—			22,985
COMMON	22,985	22,985	—			22,985
COMMON	22,985	22,985	—			22,985
COMMON	22,985	22,985	—			22,985
COMMON	22,985	22,985	—			22,985
COMMON	22,985	22,985	—			22,985
COMMON	22,985	22,985	—			22,985
COMMON	22,984	22,984	—			22,984
COMMON	21,767	21,767	—			21,767
COMMON	21,404	21,404	—			21,404
COMMON	18,614	18,614	—			18,614
COMMON	17,590	17,590	—			17,590
COMMON	16,432	16,432	—			16,432
COMMON	15,951	15,951	—			15,951
COMMON	14,952	14,952	—			14,952
COMMON	9,132	9,132	—			9,132
COMMON	7,807	7,807	—			7,807
COMMON	6,658	6,658	—			6,658
COMMON	6,648	6,648	—			6,648
COMMON	6,625	6,625	—			6,625
COMMON	6,552	6,552	—			6,552
COMMON	5,113	5,113	—			5,113
COMMON	2,531	2,531	—			2,531

COMMON	2,173	2,173	—			2,173
COMMON	2,173	2,173	—			2,173
COMMON	2,173	2,173	—			2,173
COMMON	2,173	2,173	—			2,173
COMMON	2,173	2,173	—		2,173	
COMMON	2,173	2,173	—			2,173
COMMON	2,173	2,173	—			2,173
COMMON	2,173	2,173	—			2,173
COMMON	2,173	2,173	—			2,173
COMMON	2,173	2,173	—			2,173
COMMON	2,173	2,173	—			2,173
COMMON	2,173	2,173	—			2,173
COMMON	2,172	2,172	—			2,172
COMMON	2,172	2,172	—		2,172	
COMMON	2,172	2,172	—			2,172
COMMON	2,172	2,172	—			2,172
COMMON	2,172	2,172	—			2,172
COMMON	2,172	2,172	—			2,172
COMMON	2,172	2,172	—			2,172
COMMON	2,172	2,172	—			2,172
COMMON	2,172	2,172	—			2,172
COMMON	2,172	2,172	—			2,172
COMMON	2,172	2,172	—			2,172
COMMON	2,172	2,172	—			2,172
COMMON	2,172	2,172	—			2,172
COMMON	1,389	1,389	—			1,389
COMMON	1,206	1,206	—			1,206
COMMON	1,036	1,036	—			1,036
COMMON	902	902	—			902
COMMON	688	688	—			688
COMMON	678	678	—			678
COMMON	468	468	—			468
COMMON	359	359	—			359
COMMON	248	248	—			248
COMMON	100	100	—			100
COMMON	100	100	—			100
COMMON	100	100	—			100
COMMON	100	100	—			100

COMMON	65	65	—			65
COMMON	30	30	—			30
COMMON	30	30	—			30
COMMON	30	30	—		30	
COMMON	30	30	—			30
COMMON	30	30	—			30
COMMON	15	15	—			15
COMMON	15	15	—		15	
COMMON	15	15	—			15
COMMON	15	15	—			15
COMMON	13	13	—			13
COMMON	1	1	—		1	
COMMON	1	1	—			1
COMMON	1	1	—		1	
COMMON	1	1	—		1	
TOTAL	**231,572,111**	**231,572,111**	—	**170,485,505**	**14,093,571**	**46,993,035**

EXHIBIT IV
A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, AND ASSOCIATES PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2018



Note

Based on certified shares

Legend:

- - - - Associate

——— Subsidiary

EXHIBIT V
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2018

	2018	2017
SOLVENCY AND LIQUIDITY RATIOS		
Current ratio	156.68%	183.67%
Debt to equity ratio	100.17%	91.56%
Quick ratio	92.25%	166.84%
PROFITABILITY RATIOS		
Return on assets	0.90%	5.6%
Return on equity	1.80%	10.73%
Net profit margin	49.20%	18.73%
ASSET TO EQUITY RATIO	200.17%	191.56%
INTEREST RATE COVERAGE RATIO	1.87	1.11
OTHER RELEVANT RATIOS		
Ratio or percentage of total real estate investments to total assets	6.05%	5.54%
Total receivables to total assets	72.45%	63.55%
Total DOSRI receivables to net worth	4.71%	0.00%
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc. (MAPI)	0.00%	0.34%
Honda Motor World, Inc.	0.00%	0.39%
Amalgamated Investment Bancorporation	0.01%	0.01%
MAPI Lending Investors, Inc.	0.20%	0.12%
Seine Garments Corporation	0.00%	0.00%

Computation for the Ratios:

- Current ratio = Current Assets/Current Liabilities
- Debt to Equity Ratio = Total Liabilities/Total Equity
- Quick Ratio = Quick Assets/Current Liabilities
- Return on Assets = Net Income After Tax/Total Assets
- Return on Equity = Net Income After Tax/Total Equity
- Net Profit Margin = Net Income After Tax/Total Income
- Asset to Equity Ratio = Total Assets/Total Equity

COVER SHEET

2 8 7 8 8

S.E.C. Registration Number

M A K A T I F I N A N C E C O R P O R A T I O N

(Company's Full Name)

3 RD FLOOR MAZDA MAKATI

BUILDING 2301 CHINO ROCES

BARANGAY MAGALLANES

AVENUE MAKATI CITY 1231

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

MARCOS E. LAROSA	**(02) 751-8132**
Contact Person	Company Telephone Number

1 2	**3 1**	**SEC Form 17-Q** **1st Qtr.2019**	**0 7**	
Month	*Day*	FORM TYPE	*Month*	*Day*

Fiscal Year

2019

Financing

Secondary License Type, If Applicable

Annual Meeting

Every last Thursday of July

C R M D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

107		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

Securities and Exchange Commission HEAD OFFICE
Electronic Records Management Division
ICTD MAY 15 2019 9
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2019**

2. Commission identification number **28788**

3. BIR Tax Identification No. **000-473-966**

MAKATI FINANCE CORPORATION

4. Exact name of issuer as specified in its charter

MAKATI CITY, PHILIPPINES

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: ______ (SEC Use Only)

3F Mazda Makati, 2301 Chino Roces Avenue, Brgy. Magallanes, Makati City 1231

7. Address of issuer's principal office Postal Code

(0632) 751-8132

8. Issuer's telephone number, including area code

7823 MAKATI AVENUE, POBLACION, MAKATI CITY 1210

9. Former name, former address and former fiscal year, if changed since last report

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
COMMON STOCK	**231,572,111***

**as reported by the stock transfer agent as of March 31, 2019*

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

Yes [X] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

PHILIPPINE STOCK EXCHANGE Common Stock

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes [/] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [/] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements. (See Annex A)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Key Variable and Other Qualitative and Quantitative Indicators

Financial Ratios (For the Quarter Ending March)

	2019	*2018*
NET INTEREST INCOME	85.17%	82.63%
EBIT MARGIN	35.39%	24.23%
RETURN ON ASSETS (ANNUALIZED)	1.26%	0.04%
DEBT TO EQUITY	97.07%	92.49%
RETURN ON EQUITY (ANNUALIZED)	2.48%	0.07%

Net interest income increased by 2.54%, which is computed by deducting the cost of borrowings from the gross interest revenues. This is mainly due to 22% growth in interest income in the first quarter of 2019 versus the same period last year. The EBIT margin, which measures profitability performance as annualized net income before interest and taxes over the total interest income, ended at 35.39% in March 2019 as against 24.23% in March 2018 mainly due to higher Interest Income this year. Return on assets was 1.26% in 2019 as against 0.04% in 2018. This ratio of annualized net income over the total assets is an indicator of management effectiveness. The return on equity or the ratio of annualized net income over the stockholder's equity was at 2.48% in Mar 2019 as against 0.07% in March 2018. The ROE measures the return on funds provided by the stockholders. The income generated steadily grows as the Company grows quality loan portfolio.

Liquidity

As for the Company's working capital requirements, the Company monitors its liquidity position on a daily basis and does not anticipate any cash flow or liquidity problem within the next twelve months. Makati Finance has available credit lines with its parent company, Amalgamated Investment Bancorporation at interest within accepted regulatory requirements to be considered as arms-length transaction and other bank lines. The Company also get other bank lines for possible cash inflow. The Company's acquired assets are being offered at good prices, which is also a good source of funds. In the meantime, fund requirements are being met by loans, collections, acceptance of private placements under the 19 lender rule and intensive efforts in disposal of real estate acquired assets.

Events that will Trigger Material Direct or Contingent Financial Obligation

There are no expected events that will trigger any material direct or contingent liabilities that the company may incur.

Material Off-Balance Sheet Transactions, Arrangements or Obligations

There are no material Off-Balance Sheet transactions, arrangements or obligations.

Material Commitments for Capital Expenditure

The Company has no expected capital expenditures in 2019.

Results of Operations/Material Changes in Financial Statement Accounts

The company posted a net income of ₱3.18 million for the first quarter of 2019. Net interest income for the quarter ending March amounted to ₱34.49 million, higher by ₱2.85 million versus ₱37.34 million in 2018 . The thrust in loan production is to produce more low risk, low interest yield loans for higher quality portfolio.

Total operating expenses incurred amounted to ₱32.04 million as of March 2019. The Company continues to provide allowance for doubtful accounts within the limits of the newly implemented Accounting Standards on valuation of assets.

Total assets amounted to ₱1,009.9 million as of March 2019, 0.9% lower from ₱1,019.5 million as of December 31, 2018. The decrease is primarily due to cash used in paying off notes payable. Loans Receivable on the other hand, grew by 2% or ₱15.2 million from ₱738.59 million in December 31, 2018 to ₱753.78 million as of March 2019 due to loans released this quarter. Total liabilities amounted to ₱497.45 million as of March 31, 2019, 2.5% lower from ₱510.17 million in December 2018 due to settlement of notes payable out of excess cash in the first quarter of 2019.

Material Events or Uncertainties

The Company had no material foreign exchange transactions; hence the peso depreciation had no direct effect on the company's financials. Management is not aware at this time of any forthcoming trends, uncertainties, demands, or events that would materially affect the Company's liquidity nor would have a material impact on its net income from continuing operations. There are also no material off-balance sheet transactions, arrangements nor obligations with unconsolidated entities.

PART II--OTHER INFORMATION

NOT APPLICABLE.

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

SIGNATURES

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

Issuer............……….....…..….**RENE B. BENITEZ**.........…...............

Signature and Title...........…………...**CHAIRMAN**...………............

Date ……May 14, 2019

Principal Financial/Accounting Officer/Controller...…... **MARCOS E. LAROSA**………………………………

Signature and Title.. Chief Finance Officer/Compliance Officer…………

Date …….May 14, 2019

ANNEX A

FINANCIAL STATEMENTS
For the Period Ending March 31, 2019
With Comparative Figures for 2018

MAKATI FINANCE CORPORATION
INTERIM BALANCE SHEET
FOR THE PERIOD ENDING MARCH 31, 2019, 2018 AND DEC. 31, 2018

	MARCH 31, 2019	**DEC. 31, 2018 (Audited)**	**MARCH 31, 2018**
Current Assets			
Cash and Cash Equivalents	₱35,280,284	₱60,727,435	₱116,930,627
Receivables *(Note 8)*	753,787,338	738,592,949	636,338,741
Total Current Assets	789,067,622	799,320,484	753,269,368
Investment Properties*(Note 10)*	61,471,497	61,640,377	60,556,871
Retirement Plan Assets *(Note 16)*	-	244,127	-
Property & Equipment - net *(Note 9)*	6,953,010	7,089,171	9,707,361
Deferred Tax Asset	68,660,546	70,430,319	78,827,981
Other Assets - net *(Note 11)*	83,776,320	80,748,175	73,336,444
Total Assets	₱1,009,928,996	₱1,019,472,553	₱975,698,026

	MARCH 31, 2019	DEC. 31, 2018 (Audited)	MARCH 31, 2018
Current Liabilities			
Notes Payable *(Note 12)*	₱432,708,568	₱464,742,883	₱424,147,093
Accounts Payable (	31,820,733	17,918,996	21,440,599
Accrued Expenses *(Note 13)*	25,526,693	25,873,348	22,327,656
Other Payables	7,398,858	1,640,053	905.628
Total	₱497,454,852	₱510,175,280	₱468,820,977
Stockholder's Equity			
Capital Stock – P1 par value			
Authorized – 300,000,000 shares			
Issued and Outstanding	231,572,111	231,572,111	223,412,301
Additional Paid in Capital	5,803,922	5,803,922	5,803,922
Retained Earnings	265,783,544	256,609,048	273,833,971
Remeasurement gains on retirement assets	6,137,696	6,137,696	3,737,996
YTD Net Income	3,176,871	9,174,496	88,859
Total	₱512,474,144	₱509,297,273	₱506,877,049
Total Liabilities and Capital	₱1,009,928,996	₱1,019,472,553	₱975,698,026

MAKATI FINANCE CORPORATION

INTERIM STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE QUARTER ENDING MARCH 31, 2019, 2018 and DEC. 31, 2018

	MAR. 2019	DEC. 2018 (AUDITED)	MAR. 2018
Interest Income – Loans	₱40,499,276	₱133,929,324	₱33,073,799
Cost of Borrowings	6,005,881	21,488,855	5,744,963
Net Interest Income	34,493,395	112,440,469	27,328,836
Less: Provisions	3,654,195	6,359,127	430,000
Net Interest Income After Provision	30,839,200	106,081,342	26,898,836
Other Income	6,805,631	23,614,372	2,793,030
Total Revenue	₱37,644,831	₱129,695,714	₱29,691,866
Operating Expenses			
Loss from sale and write-down of MC inventories	3,692,140	(8,918,503)	2,909,941
Salaries and Wages	13,116,811	55,040,738	12,254,214
Taxes & Licenses	2,720,526	12,228,553	2,803,145
Occupancy costs	4,045,426	16,349,727	3,576,737
Management & Professional Fees	2,135,249	7,833,473	2,036,857
Transportation	1,469,514	6,477,228	1,594,861
Commissions	1,185,586	6,830,370	741,051
Depreciation & Amortization	1,135,916	5,340,924	1,216,691
Entertainment, amusement and recreation	215,389	748,392	98,785
Amortization of software cost	50,561	291,708	106,783
Operating Expenses	**29,767,118**	102,222,610	27,339,063
Other Operating Expenses	2,270,472	8,824,655	2,886,206
Total	₱32,037,590	₱111,047,265	₱30,225,269
Net Income Before Income Tax	**5,607,241**	18,648,449	-533,403
Provision for Tax/Deferred Tax Adjustment	2,430,370	-9,473,953	-622,263
Net Income After Tax	₱3,176,871	₱9,174,496	₱88,859
Remeasurement gains on retirement		2,399,700	
Total Comprehensive Income	₱3,176,871	₱11,574,196	₱88,859
RETAINED EARNINGS, BEGINNING	₱265,783,544	₱273,833,971	₱273,833,971
RETAINED EARNINGS, QUARTER/YEAR-END	**₱268,960,415**	₱265,783,544	₱273,922,830
BASIC EARNINGS PER SHARE*	**₱0.01**	₱0.04	₱0.00

***As of March 31, 2019, and December 31, 2018,** there were no shares of stock that have a dilutive effect on the earnings per share of the Company.

MAKATI FINANCE CORPORATION
INTE RIM CASH FLOW STATEMENTS
FOR THE PERIOD ENDING MARCH 31, 2019 AND 2018

	2019 31-Mar	2018 31-Mar
Cash Flow From Operating Activities		
Net Income Before Tax and Extra-Ordinary Items	**₱3,176,871**	(₱533,403)
Adjustments for:		
Provisions for probable losses	**7,346,335**	3,339,941
Depreciation and amortization	1,135,916	1,216,691
Software Amortization	50,561	106,783
Retirement Benefit Expense (Income)	300,000	
Loss (gain) from sale of motorcycle units	(1,564,068)	
Change in operating Assets and Liabilities		
Decrease (increase) in the amounts of:		
Receivables	**(18,679,704)**	(26,553,689)
Other Assets	**(3,191,611)**	8,186,250
Increase (decrease) in the amounts of:		
Accounts Payable	**13,901,737**	4,977,341
Other Payable	**5,112,149**	2,655,604
Net cash provided by (used in) operating activities	**7,588,187**	(6,604,484)
Interest Expense Paid		
Income Tax Paid	**-**	-
Net Cash provided by (used in) operating activities	**7,588,187**	(6,604,484)
Cash Flow From INVESTING Activities		
Acquisition of Property and Equipment	**(1,001,022)**	(73,155)
Pre-termination of short-term money market placement	**-**	-
Cash Dividends from AIB	**-**	-
Proceeds from Sale of Property and Equipment	**-**	-
Net cash provided by (used in) investing activities	**(1,001,022)**	(73,155)
Cash Flow From FINANCING Activities		
Cash dividend paid	**-**	-
Loan Availments	**10,557,959**	-
Payment of Preterm Loan	**(42,592,274)**	-
Net cash provided by (used in) financing activities	**(32,034,315)**	(3,191,797)
Net cash provided by (used in) Cash and Cash Equivalents	**(25,447,152)**	(9,869,436)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**60,727,435**	126,800,064
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	**₱35,280,284**	₱116,930,627

MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDING MARCH 31, 2019 AND 2018 AND DECEMBER 31, 2018

	Mar 31, 2019	Dec. 31, 2018	Mar 31, 2018
Capital Stock			
Authorized 300,000,000 par value P1			
Issued and outstanding	**₱231,572,111**	₱223,412,301	₱223,412,301
Stock dividends	**-**	8,159,810	
Issuance during the year	**-**		
	₱231,572,111	₱231,572,111	₱223,412,301
Additional paid-in capital			
Balance, beginning of year	**5,803,922**	₱5,803,922	₱5,803,922
Issuance during the year			
	5,803,922	₱5,803,922	₱5,803,922
Retained earnings (deficit)			
Balance, beginning of year	**265,783,544**	₱273,833,971	₱273,833,971
Adjustment to RE		(905,181)	
Stock dividends	**-**	(8,159,790)	-
Cash dividends	**-**	(8,159,932)	-
Total Comprehensive Income	**3,176,871**	9,174,496	88,859
Balance, end of quarter/year	**268,960,415**	₱265,783,544	₱273,922,830
Remeasurement gains on retirement assets	6,137,696	6,137,696	3,737,996
Share in other comprehensive income/loss of an associate	**-**	-	-
Net unrealized loss on investments			
Total Equity	**₱512,474,144**	₱509,297,273	₱506,877,049

MAKATI FINANCE CORPORATION
(A Subsidiary of Amalgamated Investment Bancorporation)

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE FIGURES AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017)

1. Reporting entity

Makati Finance Corporation (the Company) was incorporated in the Philippines on February 17, 1966. The company operates as a domestic corporation engaged in the sale of various financial products and services, catering generally to the consumer market.

On October 21, 2015, the Philippine Securities and Exchange Commission (SEC) approved the request of the Company to amend its Articles of Incorporation for the extension of the corporate term for another 50 years.

Amalgamated Investment Bancorporation(AIB) owns 41.46% of the Company as at December 31, 2018 and 2017.

The Company has equity interest of 20% in AIB as at December 31, 2016. Such investment was sold in 2017.

On March 11, 2002, the Board of Directors (BOD) and stockholders approved the offer of up to 19,560,000 shares from the companies unissued common stock through initial common public offering (IPO). The application for the IPO of the company was approved by the SEC and the Philippine Stock Exchange(PSE), on December 9, 2002 and November 28, 2002, respectively. The company was listed in the PSE under the Small and Medium Enterprise Board on January 6, 2003, with an offer price of ₱1.38 per share.

As at March 27, 2019, the Company’s closing price at the PSE amounts to ₱2.69 per share.

The Company’s principal place of business is at 3rd Floor Mazda Makati Building, 2301 Chino Roces Avenue, Barangay Magallanes, Makati, Makati City.

2. Basis of preparation

Statement of Compliance
The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

The audited financial statements 2018 were approved and authorized for issuance by the Board of Directors (BOD) on April 2, 2019.

Basis of measurement
The financial statements of the Company have been prepared on the historical cost basis.

Functional and presentation currency
The financial statements are presented in Philippine peso, which is the functional currency of the Company. All values are rounded off to the nearest thousand (₱000), except when otherwise indicated.

3. Significant accounting policies

Adoption of New and Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting, recognition, and derecognition.

    - PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which these are held and its contractual cash flow characteristics.

    - For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss 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.

    - For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

    - For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

    - The derecognition provisions are carried over almost unchanged from PAS 39.

  Based on the Company’s analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as at December 31, 2018, the Company has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39 (or shall be classified under the new classification categories of PFRS 9).

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Company's financial assets as at January 1, 2018:

	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39	Carrying Amount under PFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	₱126,800,069	₱126,800,069
Loans and other receivables	Loans and receivables	Financial assets at amortized cost	616,946,052	616,946,052
Security deposit	Loans and receivables	Financial assets at amortized cost	3,149,779	3,149,779
Other investments	Available for sale investments	Financial assets at FVOCI	80,000	80,000

The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified approach (or general approach, as applicable), has no impact on the carrying amounts of the Company's financial assets carried at amortized cost (and/or other comprehensive income).

There is no material impact on the basic and diluted earnings per share as a result of the Company's adoption of PFRS 9.

- PFRS 15, Revenue from Contracts with Customers – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and their related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

  Based on the Company's assessment, all of the Company's contracts with customers generally undertake to provide single performance obligation at a fixed price which is mainly the delivery of goods (or rendering of services). Thus, the allocation of transaction price to the single performance obligation is not applicable. The Company recognizes revenue as the goods are transferred to the customer at the point of delivery (or as the services are rendered over time). Accordingly, the adoption of PFRS 15 has no impact in the timing of the Company's revenue recognition.

- Amendments to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard will replace PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

  For the Company's non-cancellable operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Company will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16 – which might have a significant impact on the amounts recognized in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the Company complete the review.

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

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company.

Current versus noncurrent classification

The Company presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial assets and financial liabilities

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

Initial recognition and measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

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

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). 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 at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

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

This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition. 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 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 March 31, 2019 and 2018, the Company does not have financial assets and liabilities at 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. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at March 31, 2019 and 2018, the Company's cash and cash equivalents, loans and receivables and security deposits are included under this category (Notes 7, 8 and 11).

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

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

As at March 31, 2019 and 2018, the Company's liabilities arising from its notes payable, accounts payableand accrued expenses are included under this category (Notes 12,13 and 19).

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 in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and 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 from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

Reclassification

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

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

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

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

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

Impairment of financial assets at amortized cost

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.

For debt instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the 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.

Derecognition of financial assets and liabilities
Financial assets. 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.

Classification of financial instrument between liability and equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Cash and cash equivalents
Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Loans and other receivables
Loans and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

Loans and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Depreciation, which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Furniture, fixtures and equipment	3 – 5
Leasehold rights and improvements	10 or the period of the lease, whichever is shorter
Transportation equipment	3 - 5

The remaining useful lives and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

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

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the separate statements of income in the period of retirement and disposal.

Investment properties

Investment properties primarily consist of foreclosed real estate properties. These are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. A gain or loss on exchange is recognized in profit or loss under “Gain on foreclosed assets” account.

Foreclosed real estate properties are classified under “investment properties” account upon:

(a) entry of judgment in case of judicial foreclosure;
(b) execution of the Sheriff’s Certificate of Sale in case of extra-judicial foreclosure; or
(c) notarization of the Deed of Dacion in case of payment in kind (dacionenpago).

Subsequent to initial recognition, depreciable investment properties are carried at cost less depreciation and any impairment in value. The Company estimates the useful lives of its investment properties based on the period over which the assets are expected to be available for use. Any depreciation for these assets is calculated on a straight line basis using a useful life that ranges from 15 to 20 years.

Expenditures incurred after the investment properties have been put into operations such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Investment properties are derecognized when it has either been disposed or when it is permanently withdrawn from the use and not future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognized in profit or loss in the year of derecognition.

Investment in an associate

An associate pertains to an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies. Investment in an associate is accounted under the equity method of accounting.

Under the equity method, the investment in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company’s share in the net assets of the associate since acquisition date.

Any change in other comprehensive income (OCI) of the investee is presented as part of the Company’s OCI. IN addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The Company’s share in profit or loss of an associate is shown as a separate line item in the statement of comprehensive income.

The financial statements of the associate are prepared for the same reporting period as the Company, using consistent accounting policies.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss. Gain on sale of investment in an associate is recognized upon sale of the investment as the difference between the selling price and the carrying value of the investment sold.

Motorcycle units
Motorcycle are carried at cost, which is the fair value at recognition date. The Company recognizes motorcycle units at the lower of cost and net realizable value (NRV) based on its assessment of the recoverability of the repossessed motorcycles. In determining the recoverability of the units, management considers whether those units are damaged or if the selling prices have declined. Likewise, management also considers the estimated costs to be incurred to make the sale. The cost of motorcycle units is determined using specific identification. The excess of the cost over the NRV is recognized as a loss from write-down of motorcycle units in profit or loss. Motorcycle units is presented under “Other assets” account in the statement to financial position.

Software costs
Software costs that are not an integral part of the hardware are classified as intangible assets. This is included under “Other asset” account in the statement of financial position, which includes costs incurred relative to the development of the Company’s software.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure is expensed as incurred.

Software asset is amortized on a straight line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software assets for the current and comparative periods range from three to five years.

Amortization methods, useful lives are reviewed at each reporting date and adjusted if appropriate.

Impairment of non-financial assets
The carrying amounts of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Trademarks and other intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate statements of income in those expense categories consistent with the function of the impaired asset.

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

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: 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 for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Accounts payable and accrued expenses
Accounts payable and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business whichever is longer); otherwise, they are presented as noncurrent liabilities.

Accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions.

Provisions and contingencies

Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is charged against profit or loss, net of any reimbursement.

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

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments. Share capital is measured at par value. When the shares are sold at premium, the difference between the proceeds and par value is credited as additional paid-in capital.

Retained earnings

Unappropriated retained earnings include all current and prior period results as disclosed in the statement of changes in equity, free from any restriction.

Revenue recognition

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

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

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

Interest from bank deposit accounts is recognized as the interest is earned. Interest income is presented net of tax unless final tax is deemed significant.

Service charges

Service charges are recognized as revenue as the services are rendered.

Expense recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Foreign currency denominated transactions and balances
Transactions in foreign currencies are recorded in Philippine Peso based on the exchange rates prevailing at the transaction dates. Foreign currency-denominated monetary assets and liabilities are translated into Philippine Peso using the rates of exchange provided by its Parent Company, which approximate the prevailing exchange rate at statement of financial position date. Exchange gains or losses arising from translation of foreign currency-denominated items at rates different from those at which they were previously recorded are recognized in profit or loss.

Retirement benefit costs
The liability or asset recognized in the statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of all related pension obligations.

Retirement benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Income tax
The tax expense for the period comprises current and deferred tax. Tax expense is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, or when the tax arises from a business combination. Current and deferred tax that relates to items that are recognized in other comprehensive income or directly in equity are also recognized in other comprehensive income or directly in equity, respectively.

Current tax

Current tax assets and current tax liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the applicable tax rate for the years presented.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and its carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. However, deferred income tax liabilities are not recognized if it arises from:

a) the initial recognition of goodwill; or
b) the initial recognition of an asset or liability in a transaction which:

   (i) is not a business combination;
   (ii) the initial recognition of an asset or liability in a transaction which is not a business combination at the time of the transaction affects neither accounting nor taxable profit; and
   (iii) investments in subsidiaries and jointly controlled entities where the Parent Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits from MCIT and NOLCO can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination; and at the time of transaction, affects neither accounting profit nor taxable profit (tax loss).

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same transaction authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

<u>Operating leases</u>

Com*pany as lessee*

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Related parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities. The key management personnel of the Company and post-employment benefit plans for the benefit of the Company's employees are also considered to be related parties.

Earnings per share
Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year if any. The Company does not have dilutive potential common shares.

Segment reporting
The Company's operating businesses are recognized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6 to the financial statements.

Events after the statement of financial position date
Post year-end events up to the date the financial statements are authorized for issue by the BOD that provide additional information about the Company's financial position at the financial reporting date (adjusting events) are recognized in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the separate financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the separate financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

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. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the accounting policies, the Company has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the separate financial statements:

Operating lease
Company as a lessee
The Company has entered into a contract of lease for its office space and warehouse it occupies. The Company has determined that all the significant risks and rewards of ownership on these properties are retained by the lessor (Note 21).

Capitalization of software costs
The Company has entered into a contract for the development of its loans management system. The Company used judgment to decide whether development costs are capitalizable as intangible assets and to assess that the asset will generate probable future economic

benefits. The Company recorded the cost under “Other assets” account in the statement of financial position.

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

As at March 31, 2019 and 2018, management assessed that no provisions nor contingencies are necessary to be recognized or disclosed, respectively, in the financial statements.

Estimates and assumptions
The key estimates and assumptions used in the separate financial statements are based upon the Company’s evaluation of relevant facts and circumstances as at the date of the separate financial statements. Actual results could differ from such estimates.

Determining Significant Increases in Credit Risk and Estimating Allowance for Credit Losses
The Company establishes a three stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized (as well as the amount of interest revenue).

For the purpose of determining significant increases in credit risk and recognizing a loss allowance, the Company groups its loans and other financial receivables on the basis of share credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

At initial recognition of a financial asset, the Company recognizes a loss allowance equal to 12-month expected credit losses. These are the credit losses that are expected to result from default events that are possible within 12 months from the reporting date. This means that the actual loss does not need to take place within the 12-month period; it is the occurrence of the default event that ultimately results in that loss.

After initial recognition, the three stages would be applied as follows:

- Stage 1: Credit risk has not increased significantly since initial recognition – recognize 12-month expected credit losses
- Stage 2: Credit risk has increased significantly since initial recognition – recognize lifetime expected losses with interest revenue being calculated based on the gross amount of the asset
- Stage 3: There is objective evidence of impairment as at the reporting date (using the criteria currently included in PAS 39) – recognize lifetime expected losses, with interest revenue being based on the net amount of the asset (that is, based on the impaired amount of the asset).

Determining from recognizing 12-month expected credit losses to lifetime expected credit losses requires judgment and careful estimates from management as the focus is on the change in the risk of the default, and not on the changes in the amount of expected credit losses. When determining which loans and other receivables may be subject to lifetime expected credit losses, the Company considers indicators such as request for loan modification or restructuring, changes in the health condition of borrowers, when accounts become past due or when accounts are in default, changes in industry or economic conditions that affect the ability of the borrowers to pay and other changes in the expected behavior of the borrower, and past-due information.

The measurement of expected credit losses is based on the present value of cash shortfalls, and takes into account both the amount and timing of contractual payments, including any proceeds from the repossession and sale of collaterals. These are reassessed and adjusted on any expected changes in the credit risks. Therefore, a credit loss may arise in instances where there is a delay in the payment of contractually required amount, even if all contractual cash payments are ultimately expected to be received in full.

As at March 31, 2019 and December 31, 2018, allowance for credit losses amounted to ₱ 111.83 million and ₱108.18 million, respectively (Note 8). The carrying values of loans and other receivables amounted to ₱753.79 million and ₱738.59 million as at March 31, 2019 and December 31, 2018, respectively (Note 8).

Impairment of non-financial assets
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

As at March 31, 2019 and December 31, 2018, the Company did not recognize impairment on investment in an associate, property and equipment, investment properties and software costs.

The carrying values of property and equipment, investment properties and software costs are disclosed in Notes 9, 10 and 11.

Write-down of motorcycle units to NRV
The Company recognizes loss on write-down of motorcycle units at a level considered adequate to reflect the excess of cost of motorcycle units over their NRV. NRV of units are assessed based on the estimated selling prices less the estimated cost necessary to sell. Increase in the NRV will increase the carrying amount of units but only to the extent of their original acquisition cost.

As at March 31, 2019 and December 31, 2018, the carrying value of motorcycle units amounted to ₱73.69 million and ₱70.58 million, respectively (Note 11).

Recognition of Deferred Tax Assets
The Company reviews the carrying amounts of deferred taxes at each reporting date and reduce deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income. The amount of deferred tax assets are disclosed in Note 18 to the financial statements.

Estimating Useful Lives of Property and Equipment, Investment Properties and Software Costs
The Company estimates the useful lives of its property and equipment, investment properties and software cost based on the period over which these properties are expected to be available for use. The estimated useful lives of the properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these properties. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The estimated useful lives are disclosed in Note 3 to the financial statements.

Valuation of Retirement Benefits Liability
The cost of defined benefit pension plan as well as the present value of the pension obligation was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details on the retirement liability are provided in Note 16 to the financial statements.

As at March 31, 2019 and December 31, 2018, the net retirement plan assets amounted to ₱ 0.24 million and net retirement liability amounted to ₱0.24 million, respectively (Note 16).

Fair Value Measurement
The methods and assumptions used by the Company in estimating the fair value of its financial instrument are as follows:

Cash and Cash *Equivalents*
Carrying amounts approximate fair values due to the relatively short-term maturities of these financial assets.

Loans and Other *Receivables*
The carrying amounts of loans and receivables approximate the fair values due either to the relatively short-term maturities of these assets or the fact that the interest rates reflect the prevailing market rates.

Notes Payable
The carrying amount of notes payable approximate fair values as the interest rates are repriced quarterly.

Accounts Payable and Accrued Expenses (excluding payable to government)
The carrying amounts of accounts payable and accrued expenses (excluding payable to government) approximate fair values due to their short-term maturities.

5. Financial Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. There is no change in the financial risk management objectives and policies of the Company.

Credit Risk
Credit Risk Management and Collateral and Other Credit Enhancements
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages credit risk by setting limits for individual borrowers, and groups of borrowers, and industry segments. The Company also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

In addition, the Company obtains security where appropriate and enters into collateral arrangements with counterparties to limit the duration of exposures. Finally, credit applications go through a process of screening using the Company's credit standards to minimize risk.

The Company also focuses on markets and borrowers that have a relatively better capability to repay their loans. One example of this is the medical professional market where most doctors are able to pay because of their higher disposable income. Despite the systems and checks in place for the Company, there is no guarantee that none of its existing and future clients will default on a loan. An increase in loan defaults will have a negative effect on the Company's profitability.

The Company's motorcycle financing business has the motorcycle itself as collateral in case the borrower defaults on its loan. Other receivable from customers are secured by real estate and other chattel properties.

It is the Company's policy to dispose repossessed properties in an orderly fashion and proceeds are used to repay or reduce the outstanding claim.

The Company evaluates the concentration of risk with respect to receivable from customers as low, as its customers are located in several areas around Southern Luzon.

The table below shows the maximum exposure of loans and receivables after financial effect of collateral and credit enhancements to the maximum exposure to credit risk.

	March 31, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements**	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and Other Receivables						
Cash and cash equivalents*	**₱31,719,282**	**₱ -**	**₱31,719,282**	₱96,800,856	₱ -	₱96,800,856
Receivable from customers:						
Consumer	**673,494,300**	**431,036,352**	**242,457,948**	770,797,008	746,006,867	24,790,141
Services	**178,482,588**	**25,946,313**	**152,536,275**	151,855,672	7,155,357	144,700,315
Dividend receivable	**-**	**-**	**-**	-	-	-
Other receivables	**13,564,024**	**-**	**13,564,024**	18,982,734	-	18,982,734
Security deposits**	**3,909,001**	**-**	**3,909,001**	3,384,627	-	3,384,627
	₱901,169,195	**₱456,982,665**	**₱444,186,530**	₱1,041,820,897	₱753,162,224	₱288,658,673

**Excluding cash on hand*
***Presented under 'Other assets - net'*

	March 31, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements**	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and Other Receivables						
Cash and cash equivalents*	**₱116,930,627**	**₱ -**	**₱116,930,627**	₱96,800,856	₱ -	₱96,800,856
Receivable from customers:						
Consumer	**588,656,554**	**457,548,293**	**131,108,260**	770,797,008	746,006,867	24,790,141
Services	**146,585,304**	**24,691,171**	**121,894,132**	151,855,672	7,155,357	144,700,315
Other receivables	**19,523,778**	-	**19,523,778**	18,982,734	-	18,982,734
Security deposits**	**3,381,707**	-	**3,381,707**	3,384,627	-	3,384,627
	₱875,077,969	**₱482,239,465**	**₱ 392,838,504**	₱1,041,820,897	₱753,162,224	₱288,658,673

**Excluding cash on hand*
***Presented under 'Other assets - net'*

The tables below show a comparison of the credit quality of the Company's financial assets (net of unearned interest income and client's equity).

	March 31, 2019 (Unaudited)					
	Stage 1			**Stage 2**	**Stage 3**	
	Neither Past Due nor Impaired			**Past Due but not Impaired**		
	High Grade	**Medium Grade**	**Low Grade**		**Impaired**	**Total**
Loans and Other Receivables						
Cash and cash equivalents*	**₱31,719,282**	**₱ --**	**₱ -**	**₱ -**	**₱ -**	**₱31,719,282**
Receivable from customers:						
Consumer	**272,632,672**	-	**157,070,475**	**141,447,797**	**102,343,356**	**673,494,300**
Services	**17,182,200**	-	**129,075,169**	**25,306,437**	**9,545,184**	**181,108,990**
Dividend receivable	-	-	-	-	-	-
Other receivables	-	-	**13,564,024**	-	-	**13,564,024**
Security deposits	-	-	**3,909,001**	-	-	**3,909,001**
Financial assets at FVOCI**	**-**	-	**876,710**	-	-	**876,710**
	₱321,534,154	**₱ -**	**₱304,495,379**	**₱ 166,754,234**	**₱ 111,888,540**	**₱904,672,307**

** Excluding cash on hand*
***Presented under "Other assets – net"*

	March 31, 2018 (Unaudited)					
	Neither Past Due nor Impaired			Past Due but not Impaired		
	High Grade	Medium Grade	Low Grade		Impaired	Total
Loans and Other Receivables						
Cash and cash equivalents*	₱116,930,627	₱ --	₱ -	₱ -	₱ -	₱116,930,627
Receivable from customers:						
Consumer	310,094,605	-	58,594,580	111,651,226	108,316,143	588,656,554
Services	10,823,815	-	97,424,430	19,827,047	18,510,012	146,585,304
Dividend receivable	-	-	-	-	-	-
Other receivables	-	-	19,523,778	-	-	19,523,778
Security deposits	-	-	3,381,7077	-	-	3,381,7077
Other investments**	-	-		-	-	
	₱437,849,047	₱ -	₱178,924,495	₱131,478,273	₱126,826,155	₱875,077,969

** Excluding cash on hand*
***Includes investments in golf shares which is presented under 'Other assets - net'*

	December 31, 2018 (Audited)					
	Stage 1			State 2	Stage 3	
	Neither Past Due nor Impaired					
	High Grade	Medium Grade	Low Grade	Past Due but not Impaired	Impaired	Total
Financial Assets At Amortized Cost						
Cash and cash equivalents*	58,744,735	–	–	–	–	58,744,735
Receivable from Customers:						
Consumer	253,544,871	–	157,279,464	141,437,797	102,338,356	654,600,488
Services	17,132,200	–	127,761,968	24,806,437	9,540,184	179,240,789
Other Receivables	–	–	12,931,054	–	–	12,931,054
Security deposits	–	–	3,900,651	–	–	3,900,651
Financial assets at FVOCI**	–	–	876,710	–	–	876,710
	329,421,806	–	302,749,847	166,244,234	111,878,540	910,294,427

** Excluding cash on hand*
***Includes investments in golf shares which is presented under 'Other assets - net'*

The Company's basis in grading its financial assets is as follows:

Cash in Banks
High grade pertains to cash deposited in local banks belonging to top ten (10) rank.

Cash Equivalents
High grade pertains to short term placements with AIB which have high probability of collection, as evidenced AIB's the ability to satisfy its obligations.

Loans and Other Receivables

- High grade pertains to receivables with no default in payment and fully secured with collateral.
- Medium grade pertains to receivables with no default in payment and partially secured with collateral.
- Low grade pertains to receivables with no default in payment and without security.

The analysis of receivables from customers that were past due but not impaired is as follows:

	March 31, 2019 (Unaudited)					
	1-30 Days	30-60 Days	61-90 Days	91-120 Days	More than120 Days	Total
Consumer	₱46,452,039	₱14,177,202	₱41,702,858	₱7,474,683	₱31,641,015	₱141,447,797
Services	14,974,292	2,881,405	6,566,580-	56,626	827,534	25,306,437
	₱61,426,331	₱17,058,607	₱48,269,438	₱7,531,309	₱32,468,549	₱166,754,234

	March 31, 2018 (Unaudited)					
	1-30 Days	30-60 Days	61-90 Days	91-120 Days	More than120 Days	Total
Consumer	₱52,**570,9972**	₱21,621,879	₱12,480,533	₱11,892,462	₱13,085,379	₱111,**651,226**
Services	**18,821,565**	**262,002**	**341,431**	**373,177**	**28,873**	**19,827,047**
	₱71,392,537	**₱21,883,881**	**₱12,821,964**	**₱12,265,639**	**₱13,114,252**	**₱131,478,273**

	December 31, 2018 (Audited)					
	1-30 days	30-60 days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	46,450,039	14,175,202	41,700,858	7,472,683	31,639,015	141,437,797
Services	14,874,292	2,781,405	6,466,580	6,626	677,534	24,806,437
	61,324,331	16,956,607	48,167,438	7,479,309	32,316,549	166,244,234

Impairment Assessment

The Company recognizes impairment/credit losses based on the results of specific (individual) and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the payment of obligation by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold (e.g., 90 days).

These and other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

Liquidity Risk

Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or payment for asset purchases. The Company seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Company maintains a level of cash on hand and in banks deemed sufficient to finance its operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and advances from related parties.

The table summarizes the contractual maturity profile of the Company's financial assets and liabilities based on undiscounted contractual payments and remaining contractual maturities.

		Contractual Maturities March 31, 2019 (Unaudited)					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial Assets							
Cash and cash equivalents	₱31,719,282	₱31,719,282	₱ -	₱ -	₱ -	₱ -	₱31,719,282
Loans and other receivables							
Receivable from customers:							
Consumer	673,494,300	200,862,650	126,702,881	156,755,490	346,453,297	71,932,744	902,707,062
Services	178,482,588	136,285,304	17,487,248	27,219,991	62,133,000	28,179,880	271,305,423
Other receivables	13,564,024	-	-	-	-	13,564,024	13,564,024
Dividend receivable	-	-	-	-	-	-	-
Security deposits	3,909,001	-	-	-	-	3,909,001	3,909,001
Financial assets at FVOCI*	876,710	-	-	-	-	876,710	876,710
	₱902,045,905	₱368,867,236	₱144,190,129	₱183,975,481	₱408,586,297	₱118,462,359	₱1,224,081,502
Financial Liabilities							
Notes payable	432,708,568	34,500,418	97,087,181	301,120,969	-		432,708,568
Accounts payable	31,920,733	31,920,733	-	-	-	-	31,920,733
Accrued interest	32,925,551	32,925,551	-	-	-	-	32,925,551
	497,454,852	99,246,702	97,087,181	301,120,969	-	-	497,454,852
Net liquidity gap	₱404,591,053	₱269,620,534	₱47,102,948	(₱117,145,488)	₱408,586,297	₱118,462,359	₱726,626,650

**Includes investments in golf shares which is presented under 'Other assets –net"*

	Carrying Amount	Contractual Maturities March 31, 2018 (Unaudited) Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial Assets							
Cash and cash equivalents	₱ -	₱-	₱ -	₱ -	₱ -	₱ -	₱-
Loans and other receivables							
Receivable from customers:							
Consumer	**588,656,553**	**130,017,714**	**150,063,759**	**201,701,020**	**227,325,022**	**31,984,402**	**741,091,920**
Services	**146,585,303**	**114,445,232**	**21,186,876**	**24,617,912**	**44,192,352**	**12,533,947**	**216,976,322**
Other receivables	**22,188,235**		**-**	**22,095,673**	**-**	**-**	**22,095,673**
Dividend receivable	**-**	**-**	**-**	**-**	**-**	**-**	**-**
						-	
Security deposit	**-**	**-**	**-**	**-**	**-**		
Other investments*	**19,523,777**	**64,062,498-**	**(10,491,523)-**	**(20,983,047)**	**-**		**32,587,927**
	₱776,953,870	₱308,525,445	₱160,759,112	₱227,431,559	₱271,517,375	₱44,518,350	₱1,012,751,843
Financial Liabilities							**1,012,751,843**
Notes payable	₱711,186,458	₱106,733,535	**₱130,300,000**	**₱474,403,399**	₱175,634,196	₱20,000,000	₱711,186,458
Accounts payable	**15,717,788**	**15,717,788**	**-**	**-**	**-**	**-**	**15,717,788**
Accrued interest	**22,327,653**	**22,327,653**	**-**	**-**	**-**	**-**	**22,327,653**
	₱749,231,899	₱144,778,977	**₱130,300,000**	**₱474,403,399**	₱175,634,196	**₱ 20,000,000**	₱749,231,899
Net liquidity gap	₱27,721,970	₱163,746,468	**₱21,520,519**	**(₱208,774,537)**	₱95,883,179	₱24,518,350	₱263,519,943

**Includes investments in golf shares which is presented under 'Other assets - net'*

	Carrying Amount	Contractual Maturities December 31, 2018 (Audited) Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial Assets							
Cash and cash equivalents	**₱60,727,435**	**₱60,727,435**	**₱—**	**₱—**	**₱—**	**₱—**	**₱60,727,435**
Loans and other receivables							
Receivable from customers:							
Consumer	**654,600,487**	**198,862,650**	**122,702,881**	**151,755,490**	**328,453,297**	**70,785,806**	**872,560,124**
Services	**179,240,789**	**136,485,304**	**17,887,248**	**28,219,991**	**62,533,000**	**28,591,018**	**273,716,561**
Other receivables	**12,931,053**	**1,684,901**	**1,059,586**	**4,499,756**	**5,729,543**	**—**	**12,973,786**
Security deposits	**3,900,651**	**—**	**—**	**—**	**—**	**3,900,651**	**3,900,651**
Financial assets at FVOCI*	**876,710**	**—**	**—**	**—**	**—**	**876,710**	**876,710**
	₱912,277,125	**₱397,760,290**	**₱141,649,715**	**₱184,475,237**	**₱396,715,840**	**₱104,154,185**	**₱1,224,755,267**
Financial Liabilities							
Notes payable	**464,742,883**	**44,500,418**	**107,087,181**	**313,155,284**	**—**	**—**	**464,742,883**
Accounts payable	**17,918,996**	**17,918,996**	**—**	**—**	**—**	**—**	**17,918,996**
Accrued expenses**	**20,846,276**	**20,846,276**	**—**	**—**	**—**	**—**	**20,846,276**
	503,508,155	**83,265,690**	**107,087,181**	**313,155,284**	**—**	**—**	**503,508,155**
Net liquidity gap	**₱408,768,970**	**₱314,494,600**	**₱34,562,534**	**(₱128,680,047)**	**₱396,715,840**	**₱103,357,476**	**₱721,247,112**

**Includes investments in golf shares which is presented under 'Other assets - net'*
***excluding government payable*

Market Risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates(current risk), market interest rates (interest rate risk) and equity price (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risks arise from open position in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Company has no exposure to currency and price risks.

Interest Rate Risk

The probability of the Company may be influenced by changes in the level of interest rates. In the event that interest rates go up significantly, less people will be inclined to avail of a loan. The Company funds its loans operations through a combination of the operational cash flow and borrowings from related parties. Any increase in interest rates will cause the Company to incur more expenses for every peso they earn in interest income.

The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The interest rates on notes payable are fixed with maturity ranging from one (1) to three (3) years.

Sensitivity of Net Interest Income
A principal part of the Company's management of market risk in non-trading portfolios is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Company aims, through its management of market risk in non-trading portfolios, to mitigate the effect of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such activities on the current net revenue stream.

Presented below are the interest-bearing financial instruments:

	Note	**Mar.2019**	Dec.2018
Cash in bank and cash equivalents	*7*	**31,719,282**	₱58,744,735
Loans and receivable - net	*8*	**753,787,338**	730,120,068
Notes payable	*13*	(432,708,568)	(464,742,883)
Net exposure		₱352,798,052	₱324,121,920

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Company's interest-bearing financial instruments, with all other variables held constant, on the Company's statements of total comprehensive income before income and final tax for the years ended December 31:

	Increase/Decrease in Interest Rate(in basis points)	**Effect to Total Comprehensive Income before Income and Final Tax**
2018	+100bps	₱3,368,064
	-100bps	(3,368,064
2017	+100bps	2,346,377
	-100bps	(2,346,377

6. Segment Information

Operating Segments
The Company's operating businesses are recognized andmanaged separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. The Company derives revenues from the following main operating business segments:

Rx Cashline Group
The Rx Cashline Group grants Rx cash line product- loans tailored to medical professionals.

MFC Factors Group
The MFC Factors Group is responsible for the research of businesses that seek to factor their receivables for extra liquidity.

MC Financing Group
The MC Financing Group grants loans to motorcycle buyers.

Other Segments
This segment includes business loans, car loans, and corporate salary loans.

The Company considers its Management Committee as chief operating decision maker. Management conducts weekly Management Committee meetings to monitor the performance and conversion of each of the product lines handled. Strategies and recommendations are formulated while operating parameters and guidelines are developed and implemented in these weekly meetings. Product line performance is evaluated based on how it performs versus target and versus last year's actual figures. Another major consideration is on the analysis of risk and collectability exposure contributed by each product line.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment assets and liabilities comprise all of the assets and liabilities, measured in a manner consistent with that shown in the statements of financial position.

The Company's assets producing revenues are located in the Philippines (i.e., one geographical location), therefore geographical segment information is no longer presented.

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

Financial information about operating segments follows:

	March 31, 2019 (Unaudited)				
	Rx Cash Line	**MFC Factors**	**MC Financing**	**Others**	**Total**
Loans and Other Receivables	**₱159,060,990**	**₱383,300,485**	**₱516,312,351**	**₱128,902,683**	**₱1,187,576,509**
Results of operation					
Revenues					
Interest income	**6,182,862**	**15,369,080**	**13,910,643**	**5,036,691**	**40,499,276**
Other income	**485,685**	**2,837,781**	**1,258,555**	**2,223,610**	**6,805,631**
	₱6,668,547	**₱18,206,861**	**₱15,169,198**	**₱7,260,301**	**₱47,304,907**
Expenses					
Interest expense	**662,175**	**1,843,915**	**2,375,504**	**1,124,287**	**6,005,881**
Provision for credit losses	**2,100,338**	**4,834,050**	**-999,442**	**1,411,389**	**7,346,335**
Operating expenses	**2,397,642**	**6,540,688**	**16,571,913**	**2,835,207**	**28,345,450**
	₱5,160,155	**₱13,218,653**	**₱17,947,975**	**₱5,370,883**	**₱41,697,666**
Net operating income (loss)	**₱1,508,392**	**₱4,988,208**	**-₱2,778,777**	**₱1,889,418**	**₱5,607,241**
Less: Income tax expense (benefit)	**452,518**	**1,496,462**	**-80,035**	**561,425**	**2,430,370**
Net income (loss)	**₱1,055,874**	**₱3,491,746**	**-₱2,698,742**	**₱1,309,993**	**₱3,176,871**
Statement of financial position					
Total assets	**₱107,735,402**	**₱379,895,802**	**₱420,950,685**	**₱101,347,107**	**₱1,009,928,996**
Total liabilities	**₱62,834,871**	**₱191,283,542**	**₱183,552,934**	**₱59,783,505**	**₱497,454,852**
Other segment information					
Capital expenditures	**₱-**	**₱-**	**₱-**	**₱-**	**₱-**
Depreciation and amortization	**₱151,158**	**₱450,627**	**₱440,642**	**₱144,045**	**₱118,6472**

	March 31, 2018 (Unaudited)				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	₱126,235,761	₱284,068,266	₱547,671,654	₱54,776,162	₱ 1,012,751,843
Results of operation					
Revenues					
Interest income	₱5,164,575	₱9,167,948	₱18,405,752	₱335,524	₱33,073,799
Other income	420,441	1,383,157	907,789	81,643	2,793,030
	₱5,585,016	₱10,551,105	₱19,313,541	₱417,167	₱35,866,829
Expenses					
Interest expense	251,796	854,371	4,581,244	57,551	5,744,963
Provision for credit losses	500,000	500,000	2,339,940	-	3,339,940
Operating expenses	519,388	861,528	25,934,411	-	27,315,328
	₱1,271,185	₱2,215,899	₱32,855,596	₱57,551-	₱36,400,232
Net operating income (loss)	4,313,831	8,335,206	(13,542,053)	359,612	(533,403)
Less: Income tax expense (benefit)	1,444,149	2,650,561	(4,824,857)	107,883	(622,262)
Net income (loss)	₱2,869,682	₱5,684,644	₱ (8,717,196)	₱251,728	₱88,859
Statement of financial position					
Total assets	₱121,617,140	₱273,674,985	₱527,633,847.	₱52,772,052	₱975,698,025
Total liabilities	₱58,436,795	₱131,500,289	₱253,527,020	₱ 25,356,866	₱ 468,820,972
Other segment information					
Capital expenditures	₱-	₱-	₱-	₱-	₱-
Depreciation and amortization	₱-	₱	₱	₱	₱

	December 31, 2018 (Audited)				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	₱166,535,133	₱378,586,886	₱495,635,667	₱118,492,785	₱ 1,159,250,471
Results of operation					
Revenues					
Interest Income	₱23,652,725	₱40,285,247	₱61,636,851	₱8,354,501	₱133,929,324
Other Income	3,095,559	8,804,760	4,707,280	7,006,773	23,614,372
	26,748,284	49,090,007	66,344,131	15,361,274	157,543,696
Expenses					
Interest expense	1,560,058	5,481,098	8,960,984	5,486,715	21,488,855
Provision for losses	(5,328,844)	541,821	409,088	1,818,559	(2,559,376)
Operating expenses	12,415,643	31,012,835	66,992,955	9,544,335	119,965,768
	8,646,857	37,035,754	76,363,027	16,849,609	138,895,247
Net operating income(loss)	18,101,427	12,054,253	(10,018,896)	(1,488,335)	18,648,449
Less: Income tax expense	5,430,428	3,616,276	999,800	(572,551)	9,473,953
Net Income(loss)	12,670,999	8,437,977	(11,018,696)	(915,784)	9,174,496
Statement of Financial Position					
Total Assets	₱109,735,402	₱381,895,803	₱424,107,178	₱103,734,170	₱ 1,019,472,553
Total Liabilities	₱64,834,871	₱193,283,542	₱189,000,790	₱63,056,077	₱510,175,280
Other segment information					
Capital expenditures	₱–	₱–	₱–	₱611,970	₱611,970
Depreciation and amortization	₱673,269	₱2,007,126	₱1,962,653	₱697,876	₱5,340,924

7. Cash and Cash Equivalents

This account consists of:

	Mar-19 (Unaudited)	Dec-18 (Audited)	Mar-18 (Unaudited)
Cash on hand	**₱3,561,002**	₱ 1,982,700	₱1,373,003
Cash in banks	**7,255,402**	34,978,801	26,099.069
Cash equivalents (Note21)	**24,463,880**	23,765,934	89,458,555
	₱35,280,284	₱ 60,727,435	₱116,930,627

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.64% to 0.74% per annum in 2018 and in 2017. Interest income on cash in banks amounted to ₱13 thousand, ₱47 thousand, and ₱10 thousand in March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

As of March 31, 2019, cash equivalents include short-term placements with MAPI Lending Investors, Inc. (MAPILI) and HMW Lending Investors, Inc. (HMWLI) with maturities from three (3) to 90 days at 10.5% and 6.25% interest per annum. Interest income on cash equivalents amounted to ₱0.52 million, ₱3.15 million, ₱1.31 Thousand March 31, 2019, and December 31, 2018 and March 31, 2018, respectively (see Note 21).

8. Loans and Other Receivables

This account consists of:

	Mar-19 (Unaudited)	Dec-18 (Audited)	Mar-18 (Unaudited)
Loan Receivable			
Consumer	**₱902,707,062**	₱872,560,125	₱762,757,595
Services	**271,305,423**	273,716,561	216,976,323
Other Receivables	**13,644,023**	12,973,785	31,303,410
	1,187,656,508	1,159,250,471	1,011,037,328
Unearned interest income	**(293,246,310)**	(283,034,257)	(227,584,382)
Client's equity	**(28,789,287)**	(29,443,885)	(27,222,169)
Allowance for credit losses	**(111,833,573)**	(108,179,380)	(120,322,036)
	₱753,787,338	₱ 738,592,949	₱636,338,741

The classes of receivable from customers are subdivided according to loans granted to different industries.

Loans and receivables according to product type:

	Mar-19 (Unaudited)	Dec-18 (Audited)	Mar-18 (Unaudited)
Motorcycle financing	**₱ 504,681,847**	₱485,526,651	₱ 537,132,638
Business loans	**287,336,196**	289,475,750	193,327,704
Rx cash line	**159,060,990**	165,638,961	125,339,589
Receivables purchased	**95,964,289**	98,146,282	90,740,562
Car Loans	**92,613,254**	76,484,813	18,635,793
Corporate salary loans	**5,038,940**	5,854,167	3,552,443
	1,144,695,516	1,121,126,624	968,728,729
Accrued interest receivable	**11,630,504**	11,630,504	11,005,188
Housing loans	**11,040,771**	10,174,642	-
Sales contract receivable	**1,368,200**	1,491,200	2,015,064
Pension loans	**1,393,708**	447,622	-
Advances to officers and employees	**468,636**	182,024	655,214
Due from affiliates	**101,007**	101,007	101,007
Miscellaneous receivables	**16,958,166**	14,096,848	28,532,126
	₱1,187,656,508	₱1,159,250,471	₱1,011,037,328

Miscellaneous receivables consist of receivables from employees resulting from Company loans, other related parties and other non-related parties.

Client's equity represents the amount withheld by the Company as protection against customer returns and allowances and other special adjustments, which is equivalent to 30.00% of the receivables factored.

Interest rates on loans receivable ranges from 1.2% to 2.6% add-on rate per month plus gross receipts tax. Interest income earned from receivable from customers amounted to ₱40.5 million and ₱133.9 million in March 31, 2019 and December 31, 2018, respectively.

Movements in allowance for credit losses follow:

	March 31, 2019 (Unaudited)			
	Receivable from Customers			
	Services	Consumer	Others	Total
At January 1	**P16,501,357**	**P72,945,970**	**P3,164,814**	**P92,612,141**
Provisions during the year	**441,476**	**24,528,457**	**2,309,962**	**27,279,895**
At March 31	**P16,942,833**	**P97,474,427**	**P5,474,776**	**P119,892,036**
Total Impairment	**P16,942,833**	**P97,474,427**	**P5,474,776**	**P119,892,036**

	March 31, 2018 (Unaudited)			
	Receivable from Customers			
	Services	Consumer	Others	Total
At January 1	**P16,501,357**	**P72,945,970**	**P3,164,814**	**P92,612,141**
Provisions during the year	**441,476**	**24,528,457**	**2,309,962**	**27,279,895**
At March 31	**P16,942,833**	**P97,474,427**	**P5,474,776**	**P119,892,036**
Total Impairment	**P16,942,833**	**P97,474,427**	**P5,474,776**	**P119,892,036**

	December 31, 2018 (Audited)			
	Receivable from Customers			
	Services	Consumer	Others	Total
At January 1	**₱16,942,833**	**₱97,474,427**	**₱5,474,776**	**₱119,892,036**
Provisions during the year	**(6,480,696)**	**(4,222,900)**	**(1,009,060)**	**(11,712,656)**
At December 31	**₱10,462,137**	**₱93,251,527**	**₱4,465,716**	**₱108,179,380**
Total Impairment	**₱10,462,137**	**₱93,251,527**	**₱4,465,716**	**₱108,179,380**

In determining the allowance for credit losses on loans and receivable, the Company also considered the provisioning requirements of Republic Act (R.A.) No. 8556, *The Financing Company Act*.

Under Section 9 of R.A. 8556, a 100% allowance for probable loss should be set up for the following:

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 remain uncollected after six (6) months from the maturity date of such loans to which it accrues; and

f) Accounts receivable past due for 361 days or more.

The Company's recorded provisions are in compliance with the provisioning requirements set out by R.A. No. 8556.

9. Property and Equipment

The rollforward analysis of this account follows:

	March 31, 2019 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱15,667,508	₱7,476,840	₱8,716,395	₱31,860,743
Additions	830,876	—	—	830,876
At March 31	₱16,498,384	₱7,476,840	₱8,716,395	₱32,691,619
Accumulated Depreciation				
At January 1	14,298,934	4,548,243	5,924,395	24,771,572
Depreciation	283,542	323,985	359,510	967,035
Adjustment	17,169	-	(17,169)	-
At March 31	₱14,599,645	₱4,872,228	₱6,266,736	₱25,738,609
Carrying Amount	₱1,898,740	₱2,604,612	₱2,449,658	₱6,953,010

	March 31, 2018 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱15,055,538	₱7,476,840	₱8,716,395	₱31,248,773
Additions	73,156	—	—	73,156
At D March 31	₱15,128,694	₱7,476,840	₱8,132,664	₱31,321,929
Accumulated Depreciation				
At January 1	12,756,436	3,155,087	4,486,353	20,397,876
Depreciation	509,186	365,163	342,343	1,216,691
At March 31	₱13,265,622	₱3,520,250	₱4,828,696	₱21,614,568
Carrying Amount	₱1,863,072	₱3,956,590	₱3,887,699	₱9,707,361

	December 31, 2018 (Audited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱15,055,538	₱7,476,840	₱8,716,395	₱31,248,773
Additions	611,970	—	—	611,970
At December 31	15,667,508	7,476,840	8,716,395	31,860,743
Accumulated Depreciation				
At January 1	12,756,436	3,155,087	4,486,353	20,397,876
Depreciation	1,542,498	1,393,156	1,438,042	4,373,696
At December 31	14,298,934	4,548,243	5,924,395	24,771,572
Carrying Amount	₱ 1,368,574	₱2,928,597	₱2,792,000	₱7,089,171

Motorcycle units, included under "Other assets" account in the SFP, are transferred to transportation equipment when these are used in the business operations by the employees of the Company (see Note 13). There were no similar transfers in March 31, 2019 and December 31, 2018.

As at March 31, 2019 and December 31, 2018, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱2.43

million and ₱2.43 million, respectively.

As at March 31, 2019 and December 31, 2018, there were no property and equipment pledged as collateral for liabilities.

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10. Investment Properties

The rollforward of this account in March 31, 2019 follows:

	Mar. 31, 2019 (Unaudited)		
	Land	Building	Total
Cost			
At January 1	₱47,989,954	₱ 15,285,692	₱63,275,646
Additions	—	—	—
Disposals	—	—	—
At March 31	₱47,989,954	₱15,285,692	₱63,275,646
Accumulated Depreciation			
At January 1	₱ —	₱1,128,070	₱1,128,070
Depreciation	—	168,880	168,880
At March 31	₱ —	₱1,296,950	₱1,296,950
Allowance for impairment loss	(507,199)	—	(507,199)
Net book value	₱42,641,421	₱13,988,742	₱61,471,497

	Dec. 31, 2018 (Audited)		
	Land	Building	Total
Cost			
At January 1	₱43,580,954	₱11,637,000	₱55,217,954
Additions	—	8,899,692	8,899,692
Reclassification	5,251,000	(5,251,000)	—
Disposals	(842,000)	—	(842,000)
At December 31	₱47,989,954	₱15,285,692	₱63,275,646
Accumulated Depreciation			
At January 1	₱ —	₱452,550	₱452,550
Depreciation	—	675,520	675,520
At December 31	—	₱1,128,070	₱1,128,070
Allowance for impairment loss	(507,199)	—	(507,199)
Net book value	₱47,482,755	₱14,157,622	₱61,640,377

The aggregate fair value of the investment properties of the Company amounted to 66.39 million as at December 31, 2018.

The Company foreclosed properties upon default of the borrowers and recognized gain on repossession which amounted to 4.32 million and 10.53 million in 2018 and 2017, respectively. These are presented under "Gain on foreclosed assets" account in the statement of comprehensive income. Such gain was recognized based on the appraised values made by an external expert upon the foreclosure of the assets.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to 148,628 in December 31, 2018.

The movements in the allowance for impairment losses on investment properties follow:

	2018	2017
Balance, January 1	**939,553**	939,533
Reversal	**(432,334)**	—
Balance, December 31	**507,199**	939,533

11. Other Assets - net

This account consists of:

	Note	**Mar-19 (Unaudited)**	Dec-18 (Audited)	Mar-18 (Unaudited)
Motorcycle units,net	*11*	**₱62,916,260**	₱70,577,608	₱62,916,260
Prepaid expenses		**6,922,195**	5,289,819	6,922,195
Security deposits		**3,149,779**	3,900,651	3,149,779
Software costs		**268,210**	103,387	268,210
Other investments		**80,000**	876,710	80,000
		₱73,336,444	₱80,748,175	₱73,336,444

Motorcycle units pertain to repossessed units from the Company's motorcycle financing business carried at the lower of cost or its net realizable value. These units are intended for immediate resale. Loss from sale and write-down of motorcycle units included in profit or loss amounted to ₱2.12 million, ₱6.4 million in March 31, 2019 and December 31, 2018, respectively.

The movements in software costs follow:

	Mar-17 (Unaudited)	Dec-18 (Audited)	Mar-18 (Unaudited)
Cost			
At January 1	**₱5,078,615**	₱5,078,615	₱5,078,615
Additions	**-**	20,102	-
At March 31 and December 31	**5,078,615**	5,098,717	5,078,615
Accumulated Amortization			
At January 1	**4,703,622**	4,703,622	4,703,622
Amortization for the year	**106,783**	291,708	106,783
Accumulated amortization	**4,810,405**	4,995,330	4,810,405
At March 31 and December 31	**₱268,210**	₱103,387	₱268,210

12. Notes Payable

This account consists of:

	Note	**Mar-19 (Unaudited)**	Dec-18 (Audited)	Mar-18 (Unaudited)
Related parties	*21*	**₱316,524,355**	₱70,737,160	₱259,041,645
Banks		**107,684,213**	135,376,488	155,205,448
Individuals		**8,500,000**	258,629,235	9,900,000
		₱432,708,568	₱464,742,883	₱424,147,093

Interest rates from borrowings range from 4.00% to 6% per annum in March 31, 2019, December 31, 2018 and March 31, 2018.

Interest expense on these notes payable amounted to ₱6 million, ₱32.91 million, and ₱5.74million in March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

Notes payable to banks have a maturity of up to three (3) years. As at March 31, 2019 and December 31, 2018, the notes payable to banks are secured by certain motorcycle financing receivables. Under the agreements with the bank creditors, the notes payable are subject to Deed of Assignment on summary list of loans receivable (with 50% to 85% loanable value) on a per availment basis.

The following assets were used to secure the notes payable to banks availed by the Company:

	March 31, 2019 (Unaudited)		Dec.31, 2018 (Audited)	
	Carrying Amount	**Secured Notes**	Carrying Amount	Secured Notes
Motorcycle financing	**₱194,976,496**	**₱135,376,488**	₱194,976,496	₱135,376,488

13. Accrued Expenses

This account consists of:

	Note	**Mar-19 (Unaudited)**	Dec-18 (Audited)	Mar-18(Unaudited)
Accrued interest	*21*	**₱4,793,511**	₱3,163,813	₱5,465,423
Accrued taxes		**5,520,300**	5,027,072	1,781,010
Accrued occupancy costs		**3,335,469**	3,215,311	3,747,003
Accrued management and professional fees		**1,293,709**	953,740	2,897,884
Accrued administrative expenses		**2,211,176**	783,723	3,389,053
Accrued insurance payable		**333,600**	343,452	363,644
Others		**8,038,828**	12,386,237	4,683,640
		₱25,526,593	₱25,873,348	₱22,327,657

Others include accrual on accrual on utilities, commission and premium.

14. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities of the Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the reporting date.

	March 31, 2019 (Unaudited)			March 31, 2018 (Unaudited)		
	Less than 12 Months	**Over 12 Months**	**Total**	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	₱35,280,284	₱ -	₱ 35,280,284	₱56,934,992	₱ -	₱56,934,992
Loans and other receivables - gross	679,407,692	508,248,817	1,187,656,509	708,280,395	521,143,354	1,229,423,749
Other investments	**-**	**3,989,001**	**3,989,001**	-	3,464,627	3,464,627
	₱714,687,976	**₱512,237,818**	**₱1,226,925,794**	765,215,387	524,607,981	1,289,823,368
Nonfinancial Assets						
Investment in an associate	**-**	6,953,010	6,953,010	-	99,788,789	99,788,789
Property and equipment	**-**	61,471,497	61,471,497	-	13,181,448	13,181,448
Investment properties -net	**-**	68,660,546	68,660,546	-	3,544,001	3,544,001
Deferred tax assets	**-**	244,127	244,127	-	58,347,696	58,347,696
Other assets	**5,519,191**	**74,024,001**	**79,543,192**	108,023,469	9,265,056	117,288,525
	₱5,519,191	**₱211,353,181**	**₱216,872,372**	108,023,469	184,126,990	292,150,459
Less: Allowance for credit and impairment losses	**(63,975,223)**	**(47,858350)**	**(111,833,573)**	-	(94,750,141)	(94,750,141)
Unearned interest income	**(167,753,720)**	**(125,492,590)**	**(293,246,310)**	(197,478,408)	(104,382,895)	(301,861,303)
Client's equity	**(28,789,287)**	**-**	**(28,789,287)**	(30,862,721)	-	(30,862,721)
	(₱260,518,230)	**(₱173,350,940)**	**(₱433,869,170)**	(228,341,129)	(199,133,036)	(427,474,165)
	₱459,688,937	**₱550,240,059**	**₱1,009,928,996**	₱644,897,726	₱509,601,935	₱1,154,499,661
Financial Liabilities						
Notes payable	₱432,708,568	₱ **-**	₱432,708,568	₱629,703,399	₱17,692,308	₱647,395,707
Accounts payable	31,820,733	**-**	31,820,733	6,745,396	-	6,745,396
Accrued interest	26,626,274	**-**	26,626,274	9,697,715	-	9,697,715
	₱491,155,575	**₱ -**	**₱491,155,575**	646,146,510	17,692,308	663,838,818
Nonfinancial Liabilities						
Accrued expenses	**₱5,027,071**	**₱ -**	**₱5,027,071**	25,823,397	-	25,823,397
Retirement liability	**-**	**-**	**-**	-	1,549,370	1,549,370
Income tax payable	**1,272,206**	**-**	**1,272,206**	1,589,740	-	1,589,740
	₱6,299,277	**₱ -**	**₱6,299,277**	27,413,137	1,549,370	28,962,507
	₱497,454,852	**₱ -**	**₱497,454,852**	₱673,559,647	₱19,241,678	₱692,801,325

	December 31, 2018 (Audited)			December 31, 2017 (Audited)		
	Less than 12 Months	Over 12 Months	Total	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	**₱60,727,435**	**₱–**	**₱60,727,435**	₱126,800,064	₱–	₱126,800,064
Loans and other receivables gross	**663,157,807**	**496,092,664**	**1,159,250,471**	605,414,615	381,769,897	987,184,512
Security deposits, and other investments	**–**	**4,777,361**	**4,777,361**	–	3,229,779	3,229,779
	723,885,242	**500,870,025**	**1,224,755,267**	732,214,679	384,999,676	1,117,214,355
Nonfinancial Assets						
Property and equipment-net	**–**	**7,089,171**	**7,089,171**	–	10,850,897	10,850,897
Investment properties-net	**–**	**61,640,377**	**61,640,377**	–	53,825,871	53,825,871
Deferred tax assets	**–**	**70,430,319**	**70,430,319**	–	77,825,999	77,825,999
Retirement plan assets - net	**–**	**244,127**	**244,127**	–	–	–
Other assets*	**5,271,318**	**70,699,496**	**75,970,814**	6,122,724	75,186,914	81,309,638
	5,271,318	**210,103,490**	**215,374,808**	6,122,724	217,689,681	223,812,405
Less: Allowance for credit losses	**(61,884,815)**	**(46,294,565)**	**(108,179,380)**	(27,279,895)	(92,612,141)	(119,892,036)
Unearned interest income	**(161,911,840)**	**(121,122,417)**	**(283,034,257)**	(136,785,759)	(86,597,490)	(223,383,249)
Client's equity	**(29,443,885)**	**–**	**(29,443,885)**	(26,963,175)	–	(26,963,175)
	(253,240,540)	**(167,416,982)**	**(420,657,522)**	(191,028,829)	(179,209,631)	(370,238,460)
	₱475,916,020	**₱543,556,533**	**₱1,019,472,553**	₱547,308,574	₱423,479,726	₱970,788,300
Financial Liabilities						
Notes payable	**464,742,883**	**–**	**464,742,883**	406,541,788	20,797,102	427,338,890
Accounts payable	**17,918,996**	**–**	**17,918,996**	16,463,258	–	16,463,258
Accrued expenses**	**20,846,276**	**–**	**20,846,276**	17,224,745	–	17,224,745
	503,508,155	**–**	**503,508,155**	440,229,791	20,797,102	461,026,893
Nonfinancial Liabilities						
Accrued expenses	**5,027,072**	**–**	**5,027,072**	2,447,308	–	2,447,308
Retirement Liability	**–**	**–**	–	–	436,790	436,790
Deferred tax liability	**–**	**1,028,443**	**1,028,443**			
Income tax payable	**611,610**	**–**	**611,610**	89,119	–	89,119
	5,638,682	**1,028,443**	**6,667,125**	2,536,427	436,790	2,973,217
	₱509,146,837	**₱1,028,443**	**₱510,175,280**	₱442,766,218	₱21,233,892	₱464,000,110

**excluding security deposit, other investments which are presented under financial assets*
***excluding payable to government which is presented under nonfinancial liabilities*

15. Equity

On July 26, 2018, the BOD and stockholders approved the declaration of 3.65% stock dividends in the amount of ₱8,159,810 to stockholders of record as of August 23, 2018 with distribution date not later than September 18, 2018. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱ 8,159,871. Fractional shares related to this declaration were settled in cash with a total amount of ₱61.45.

On July 27, 2017, the BOD and stockholders approved the declaration of 3.21% stock dividends in the amount of ₱6,949,745 to stockholders of record as of August 24, 2017 with distribution date not later than September 19, 2017. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱ 6,949,839. Fractional shares related to this declaration were settled in cash with a total amount of ₱47.00.

On July 28, 2016, the BOD and stockholders approved the declaration of 3.29% stock dividends in the amount of ₱6,897,073 to stockholders of record as of August 26, 2016 with distribution date not later than September 21, 2016. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱6,897,133. Fractional shares related to this declaration were settled in cash with a total amount of ₱ 61.00.

As at March 31, 2019, the Company has 231,572,111 common shares issued and outstanding which were owned by 107 shareholders.

The movements in the number of issued shares and capital stock follow:

	March 31, 2019 (Unaudited)		December 31, 2018 (Audited)		March 31, 2018 (Unaudited)	
	Number of Shares	**Amount**	Number of Shares	Amount	Number Of Shares	Amount
Authorized - 300,000,000 shares; P1 par value						
At January 1	**231,572,111**	**₱231,572,111**	223,412,301	₱223,412,301	223,412,301	₱223,412,301
Stock dividends	**0**	**0**	8,159,810	8,159,810	0	0
At December 31	**231,572,111**	**₱231,572,111**	231,572,111	₱231,572,111	223,412,301	₱223,412,301

On January 21, 2016, the BOD of AIB resolved to approve the block sale of 25% (52,391,311) common shares of MFC at P1.40 per share to Motor Ace Philippines, Inc. This was approved by the PSE and executed on May 13, 2016.

The block sale effectively reduced AIB's ownership of the company from 69.42% to 42.46% as at December 31, 2016.

Adjustment on retained earnings
In 2018, the Company adjusted its January 1, 2018 retained earnings amounting to ₱905,181 to reflect the appropriate remeasurement gain.

Capital Management
The primary objective of the Company's capital management policies and procedures are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and to maximize shareholder value.

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 shareholders or issue new shares. The Company considers its total equity as capital. No changes were made in the objectives, policies or processes in 2018.

Under R.A. No. 8556, the Company is required to maintain the following capital requirements:

(a) minimum paid-up capital of P10.00 million; and

(b) additional capital requirements for each branch of ₱1.00 million for branches established in Metro Manila, ₱0.50 million for branches established in other classes of cities and ₱0.25 million for branches established in municipalities.

For the quarter ended March 31, 2019 and for the year ended December 31, 2018, the Company was in compliance with the minimum paid-up capital.

The Company is compliant with the minimum public float of 10% that is required by the PSE where the Company’s shares are traded.

16. Retirement Plan

The Company has a funded, tax-qualified defined benefit plan covering all of its officers and regular employees. The benefits are based on years of service and compensation on the last year of service.

The plan is non-contributory and of the defined benefit type which provides a retirement benefit equal to one hundred percent (100%) of the latest monthly salary for every year of credited service. Benefits are paid in lump sum upon retirement or separation in accordance with the terms of the plan. Normal retirement age is at age 60.

Net benefit cost (income) is included in the Company's profit or loss under 'Salaries and employee benefits. The amounts of retirement benefit reserve recognized in the statements of comprehensive income follow:

	2018	2017
Components of retirement benefit liability recorded in profit or loss as retirement benefit (income) expense		
Current service cost	**₱1,817,148**	₱1,713,951
Past service costs – curtailments	**—**	(3,986,449)
Net interest expense:		
Interest expense	**378,651**	419,877
Interest income on plan assets	**(353,754)**	(336,521)
	1,842,045	(2,189,142)
Components of retirement benefit liability recorded in OCI		
Remeasurement loss (gain) on defined benefits obligation	**(3,130,409)**	691,224
Adjustment remeasurement gain on defined benefits obligation	**(905,181)**	—
Remeasurement loss on plan assets	**589,064**	385,338
Remeasurement loss on effect of asset ceiling	**18,383**	—
	(3,428,143)	1,076,562
Total components of retirement liability	**(₱1,586,098)**	(₱1,112,580)

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

	2018	2017
Present value of retirement benefits obligation	**₱5,708,396**	₱6,643,006
Fair value of plan assets	**(5,970,906)**	(6,206,216)
Funded status – deficit (surplus)	**(262,510)**	436,790
Effect of asset ceiling	**18,383**	—
Net defined benefit liability (asset)	**(₱244,127)**	₱436,790

The movements of the present value of retirement benefits obligation of the Company follow:

	2018	2017
Balance at beginning of year	**₱6,643,006**	₱7,804,403
Current service cost	**1,817,148**	1,713,951
Past service costs – curtailments	**—**	(3,986,449)
Interest expense	**378,651**	419,877
Remeasurement (gains) losses on obligation arising from:		
Changes in financial assumptions	**(2,094,951)**	(416,267)
Experience adjustment	**(1,035,458)**	1,107,491
Balance at end of year	**₱5,708,396**	₱6,643,006

A curtailment significantly reduced the number of employees covered by the plan which resulted in the recognition of past service cost in 2017.

The movements of the fair value of plan assets of the Company follow:

	2018	2017
Balance at beginning of year	**₱6,206,216**	₱6,255,033
Interest income	**353,754**	336,521
Remeasurement loss on plan assets	**(589,064)**	(385,338)
Effect of asset ceiling	**(18,383)**	—

Balance at end of year	**₱5,952,523**	₱6,206,216

Changes in the retirement benefit liability (asset) follow:

	2018	2017
Balance at beginning of year	**₱436,790**	₱1,549,370
Current service cost	**1,817,148**	1,713,951
Past service costs - curtailments	**—**	(3,986,449)
Net interest cost on the retirement liability	**24,897**	83,356
Remeasurementloss on plan assets	**589,064**	385,338
Effect of asset ceiling	**18,383**	—
Actuarial losses (gains) on retirement liability arising from:		
Experience adjustment	**(1,035,458)**	1,107,491
Changes in financial assumptions	**(2,094,951)**	(416,267)
Balance at end of year	**(₱244,127)**	₱436,790

The fair values of plan assets by each class as at the end of the reporting period follow:

	2018	2017
Cash and cash equivalents	**₱1,240,949**	₱1,184,578
Financial assets at FVPL	**4,685,499**	4,985,936
Accrued and other receivables	**44,458**	35,702
	₱5,970,906	₱6,206,216

All debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The cost of defined benefit plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	January 1	
	2018	2017
Discount rate	**7.53%**	5.70%
Future salary increases	**5.00%**	5.00%
Average remaining working life (in years)	**26.9**	27.7

Assumptions for mortality and disability rate are based on the 2001 CSO Table- Generational and The Disability Study both published by the Society of Actuaries adjusted to suit local experience.

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis. The sensitivity analysis below has been determined based on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Change in Basis Points	Increase (decrease) in defined benefit obligation
Discount rate	**+100 basis point**	**(₱845,530)**
	-100 basis point	**1,042,051**
Future salary increases	**+100 basis point**	**1,058,788**
	-100 basis point	**(871,306)**

Deferred tax liability recognized for the actuarial gains amounted to ₱1,028,443.

The Company has no contributions to the defined benefit plan in 2018.

The average duration of the defined benefit plan as at the reporting date is 16.5 years and 19.1 years for year 2018 and 2017, respectively.

The Plan's Board of Trustees has no specific matching strategy between plan assets and plan liabilities.

17. Miscellaneous

Miscellaneous income consists of the following items:

	Mar-19 (Unaudited)	Dec-18 (Audited)	Mar-18 (Unaudited)
Penalties	**₱3,212,030**	₱8,988,019	₱1,970,948
Recoveries	**334,846**	3,413,331	489,776
Others	**1,970,222**	110,238	33,823
	₱5,517,098	₱12,511,588	₱2,494,547

Miscellaneous expenses consist of the following items:

	Mar-19 (Unaudited)	Dec-18 (Audited)	Mar-18 (Unaudited)
Communication	**₱555,008**	₱2,049,463	₱488,559
Insurance	**471,258**	1,655,406	471,258
Stationeries and supplies	**492,408**	1,443,904	469,058
Repairs and maintenance	**369,063**	1,921,282	376,811
Meetings and conferences	**43,977**	220,200	56,403
Training and development	**65,610**	166,133	40,787
Others	**291,148**	1,368,267	983,330
	₱2,288,472	₱8,824,655	₱2,886,206

Other expenses include advertising costs, donations, membership dues and other miscellaneous expenses.

18. Income Taxes

Current tax regulations provide that the RCIT rate is 30%. The regulations also provide for MCIT of 2% on modified gross income and allow NOLCO. The MCIT and NOLCO may be applied against the Company's income tax liability and taxable income, respectively, over a three-year period from the year of incurrence.

The components of the Company's income tax expense (benefit) for the years ended March 31, 2019, December 31, 2018 and March 31, 2018 follow:

	Mar-19 (Unaudited)	Dec-18 (Audited)	Mar-18 (Unaudited)
Current:			
MCIT	**₱ 660,596**	₱ 2,078,273	₱379,719
RCIT	**-**	-	-
Deferred	**1,769,774**	7,395,680	(1,001,982)
	₱2,430,370	₱9,473,953	(₱622,263)

The components of deferred tax assets follow:

	Mar-19 (Unaudited)	Dec-18 (Audited)	Mar-18 (Unaudited)
Deferred tax assets on:			
Allowance for impairment and credit losses	**₱ 33550072**	₱32,453,814	₱36,096,611
Inventory write-down of motorcycle	**15,146,523**	14,132,609	23,245,846
NOLCO	19,147,109	23,027,054	18,668,682
Accrued expenses	**2,022,466**	2,022,466	2,022,466
Past service cost	**48,352**	48,352	48,352
	69,914,522	71,684,295	80,081,957
Deferred tax liabilities on:			
Remeasurement gain on defined benefit obligation	**(1,253,976)**	(1,253,976)	1,253,976
	₱ 68,660,546	₱70,430,319	₱78,827,981

Details of the Company's NOLCO and MCIT which could be carried over as a deduction from the Company's future taxable income for the next three (3) succeeding taxable years follow:

NOLCO

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2018	**₱14,527,909**	**₱–**	**₱14,527,909**	2021
2017	25,110,093	–	25,110,093	2020
2016	37,118,846	12,933,153	23,185,693	2019
	₱76,756,848	₱12,933,153	**₱63,823,695**	

MCIT

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2018	**₱2,078,273**	**₱**–	**₱2,078,273**	2021
2017	1,897,303	–	1,897,303	2020
2016	2,833,371	–	2,833,371	2019
	₱6,808,947	**₱–**	**₱6,808,947**	

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The reconciliation of the statutory income tax to the effective income tax follows:

	Mar-19 (Unaudited)	Dec-18 (Audited)	Mar-18 (Unaudited)
Income before income tax	**₱5,589,241**	₱18,648,449	(₱533,403)
Income tax computed at statutory rate (30%)	**₱1,676,772**	5,594,535	(₱160,021)
Additions to (reduction in) income tax resulting from the tax effects of:			
Non deductible expense	**90,000**	552,973	(462,239)
Non-deductible interest expense	**1,685**	395,940	-
Interest income subjected to final tax and dividend income	**(4,083)**	(959,855	-
Gain on repossessed assets	**-**	(1,296,184)	**-**
DTA on temporary difference	2,776,168	2,077,913	
Adjustment on the beginning DTA	(3,879,946)	3,108,631	
Effective Income tax benefit	**₱660,596**	₱9,473,953	(₱622,263)

Interest allowed as deductible expense is reduced by an amount equivalent to 33.00% of interest income subjected to final tax.

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of a company engaged in the sale of services. EAR expenses amounted to ₱0.00, ₱0.75 million and ₱0.61million in March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

19. Related Party Transactions

In the ordinary course of business, the Company enters into transactions with its stockholders and affiliates. Under the Company's policy, these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. Related party transactions are settled in cash.

Affiliates are other companies linked indirectly to the Company through interlocking directorship or officership and those under common significant influence and common control.

The following transactions have been entered into with related parties:

		2018			2017			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	*Ref*	**Amount of Transactions**	**Due from Related Parties**	**Due to Related Parties**	Amount of Transactions	Due from Related Parties	Due to Related Parties	**Nature, Terms and Condition**
Parent Company								
Amalgamated Investment Bancorporation								
Miscellaneous receivables	*a*	**₱ —**	**₱80,514**	**₱ —**	₱ —	₱80,514	₱ —	Non-interest bearing, unsecured; no impairment
Notes payable	*b*			**245,100,000**		—	161,900,000	Unsecured, 1-year interest bearing placement at 5.75% annual interest rate
Availments		**177,000,000**	—	—	9,000,000	—	—	
Settlements		**93,800,000**	—	—	212,000,000	—	—	
Interest expense		**9,250,114**	—	**2,599,083**	18,867,920	—	3,483,367	
Share in net income of an associate	*c*	–	–	–	2,252,071	—	—	Share in income from investee's profit
Short-term placements	*d*	—	—	—	486,700,000	—	—	Short-term interest bearing placements at 3.4% annual interest rate
Interest income		—	—	—	528,391	—	—	
Entities under related common control								
Motor Ace Philippines, Inc.								
Miscellaneous Receivables	*a*		—	—	—	2,110,298	—	Non-interest bearing, unsecured; no impairment
Availments		**320,477**	—	—	492,554	—	—	
Settlements		**2,430,775**	—	—	285,553	—	—	

Forward

Category/Transaction	Ref	2018 Amount of Transactions	2018 Outstanding Balances Due from Related Parties	2018 Outstanding Balances Due to Related Parties	2017 Amount of Transactions	2017 Outstanding Balances Due from Related Parties	2017 Outstanding Balances Due to Related Parties	Nature, Terms and Condition
Accounts payable	*e*		**₱ —**	**₱12,451,141**		₱ —	₱4,363,429	30-day unsecured, non-interest bearing
Availments		**87,171,559**	**—**	**—**	₱57,558,482	—	—	
Settlements		**79,083,847**	**—**	**—**	51,705,530	—	—	
MAPI Lending Investors, Inc.								
Accounts payable	*a*		**1,494,807**	**—**		752,160	—	30-day unsecured, non-interest bearing
Availments		**1,077,320**	**—**	**—**	2,347,868	—	—	
Settlements		**334,,673**	**—**	**—**	1,649,658	—	—	
Accounts payable	*e*			**—**			4,868,402	Non-interest bearing, unsecured
Availments		**108,240**	**—**	**—**	7,484,447	—	—	
Settlements		**4,976,642**	**—**	**—**	5,004,041	—	—	
Short-term placements	*d*	**32,648,250**	**22,731,983**	**—**	17,497,050	12,663,844	—	Short-term interest bearing placements at
Interest income		**1,828,156**	**950,840**	**—**	1,352,873	565,800	—	10.5% annual interest rate
MHW Lending Investors, Inc.								
Short-term placements	*d*	**40,000,000**	**—**	**—**	94,000,000	84,103,562	—	Short-term interest bearing placements at
Interest income		**3,418,489**	**83,111**	**—**	3,515,873	2,463,819	—	8.5% annual interest rate
Honda Motor World, Inc.								
Miscellaneous Receivables	*a*		**—**	**—**	—	2,399,331	—	Non-interest bearing, unsecured;
Availments		**86,406**	**—**	**—**	25,120	—	—	no impairment
Settlements		**2,485,737**	**—**	**—**	71,883	—	—	
Accounts payable	*b*	**-**	**—**	**1,266,646**	-	—	1,489,503	Unsecured, interest-bearing
Availments		**30,839,616**	**—**	**—**	23,035,167	—	—	placement at
Settlements		**31,062,473**	**—**	**—**	27,540,888	—	—-	10.0% annual interest rate
Pikevill Bancshares								
Professional fees		**1,193,920**	**—**	**390,320**	1,193,920	—	326,032	Payment of consultancy fees
MERG Realty Development Corp.								
Miscellaneous Receivables	*a*		**18,057**	**—**		18,057	—	Non-interest bearing; No impairment
Availments		**—**	**—**	**—**	—	—	—	
Settlements		**—**	**—**	**—**	—	—	—	

Forward

		2018			2017			
			Outstanding Balances		Outstanding Balances			
Category/Transaction	*Ref*	**Amount of Transactions**	**Due from Related Parties**	**Due to Related Parties**	Amount of Transactions	Due from Related Parties	Due to Related Parties	**Nature, Terms and Condition**
Notes payable	*b*			**47,358,487**		—	44,406,271	Unsecured, interest bearing
Availments		**10,007,418**	—	—	31,406,271	—	—	placement at 5.5% annual interest rate;
Settlements		**7,055,202**	—	—	—	—	—	No impairment
Interest expense		**2,522,469**	—	—	1,439,709	—	—	
Directors and other stockholders								
Notes payable	*b*		—	**23,378,673**		—	24,276,776	Unsecured, interest bearing
Availments		**9,097,897**	—	—	8,790,369	—	—	placement at
Settlements		**9,996,000**	—	—	19,720,488	—	—	5.5% annual interest rate; no impairment
Interest expense		**1,564,472**	—	**16,780**	1,420,225	—	**16,780**	
Professional fees and other management fees		**4,158,291**	—	—	2,683,498	—	—	Payment of professional fees
TOTAL			**₱25,359,312**	**₱332,561,130**		₱105,091,124	₱245,125,365	

a. This includes various receivables from the Parent Company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement.

b. As at December 31, 2018 and 2017, notes payable and accrued interest payable arisingfrom borrowings from stockholders amounted to ₱315.84 million and ₱230.58 million, respectively and ₱2.62 million and ₱3.48 million, respectively. Interest expense from these borrowings amountedto ₱13.34 million and ₱21.90 million in 2018 and 2017, respectively.

Borrowings availed from related parties amounted to₱196.11and ₱49.20 million in 2018 and 2017, respectively. Settlement from borrowings amounted to ₱110.85 and ₱231.72 million in 2018 and 2017, respectively. Interest rates from borrowings range from5.0% to 5.75% and 5.5% to 5.75% in 2018 and 2017 respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. Gain on sale of AIB shares resulted from the buy-back transaction of Ala of its own 6.0 million shares with a cost of ₱33.33 million and accumulated equity in net earnings of ₱42.02 million.

d. The Company had short-term placements with related parties amounting to ₱72.65 million and ₱ 598.21 million in 2018 and 2017, respectively. As at December 31, 2017 and 2016, ₱5.25 million and ₱99.79 million of these placements remain outstanding. Interest income from these placements amounted to ₱3.75 million ₱0.26 million in 2017 and 2016, respectively (Note 7).

e. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company.

f. This pertains to the commission payable to other related parties as referral fees for successful loan bookings.

The remuneration of directors and other members of key management personnel consist of short-term benefits amounting to ₱18.69 million, ₱17.80 million and₱17.07 million in 2018 ,2017 and 2016, respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statements of comprehensive income.

20. Earnings Per Share (EPS)

EPS amounts were calculated as follows:

		Mar-19 (Unaudited)	Dec-18 (Audited)	Mar-18 (Unaudited)
a.	Net income	**₱3,176,871**	₱9,174,496	₱88,859
b.	Weighted average number of outstanding common shares	**231,572,111**	226,132,258	223,412,301
c.	Basic/diluted earnings per share (a/b)	**₱0.01**	₱0.04	₱0.00

The weighted average number of outstanding common shares in 2019 and 2018 was recomputed after giving retroactive effect to stock dividends declared on July 26, 2018, July 27, 2017, however, the impact to the EPS was immaterial (see Note 17).

21. Lease Commitment

The Company entered into a new lease contract for a period of five (5) years starting from February 1, 2016 to January 31, 2021. Total rent expense included under ‘Occupancy cost’ account in the statements of comprehensive income, incurred in 2017, 2016 and 2015 amounted to ₱16.44 million, ₱14.89 million, and ₱7.14 million, respectively.

The aggregate future minimum lease payments for the lease commitments are as follows:

	Mar-19 (Unaudited)	Dec-18 (Audited)	Mar-18 (Unaudited)
Less than one year	₱13,102,722	₱13,102,722	₱9,853,666
Between one and five years	18,647,091	18,647,091	18,543,031
	₱31,751,831	₱31,751,831	₱28,396,697

22. Notes to Statements of Cash Flows

The following table shows the reconciliation analysis of liabilities arising from financing liabilities for the quarter ended March 31, 2019:

Beginning balance		**₱464,742.883**
Cash flows during the year		
Proceeds from loans payable	**10,557,959**	
Payment of loans payable	**(42,592,274)**	**(32,034,315)**
Ending balance		**₱432,708,568**

23. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs.

The following are the tax information required for the Quarter ended March 31, 2019 based on Revenue Regulation No. 15-2010:

A. Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses, and permit fees lodged under ‘Taxes and licenses’ account in the Company’s statement of comprehensive income. Details for March 31, 2019 consist of the following:

Gross receipts tax (GRT)	**2,281,461**
Documentary stamp tax (DST) on loan instruments	**758,376**
License and permit fees	**264,706**
	₱3,304,543

B. Withholding taxes

Details of the withholding taxes as at March 31, 2019 follow:

Expanded withholding taxes	**₱944,449**
Withholding taxes on compensation and benefits	**677,316**
	₱1,621,765

C. Tax Cases

As at March 31, 2019 , the Company has no pending tax court cases.

D. Tax Assessment

As at March 31, 2019, the Company has no pending tax assessment.

MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
MARCH 31, 2019

	March 2019 (Unaudited)	Dec. 2018 (Audited)	March 2018 (Unaudited)
SOLVENCY AND LIQUIDITY RATIOS			
Current ratio	**158.62%**	156.68%	275.58%
Debt to equity ratio	**97.07%**	100.17%	92.49%
Quick ratio	**91.30%**	92.25%	159.89%
PROFITABILITY RATIOS			
Return on assets (annualized)	**1.26%**	0.90%	0.04%
Return on equity (annualized)	**2.48%**	1.80%	0.07%
Net profit margin	**35.39%**	49.20%	24.23%
ASSET TO EQUITY RATIO	**197.07%**	200.17%	246.65%
INTEREST RATE COVERAGE RATIO	**2.39**	1.97	1.56
OTHER RELEVANT RATIOS			
Ratio or percentage of total real estate investments to total assets	**6.09%**	6.05%	6.21%
Total receivables to total assets	**74.64%**	72.45%	65.20%
Total DOSRI receivables to networth	**2.26%**	4.71%	5.78%
Amount of receivables from a single corporation to total receivables:			
Motor Ace Philippines, Inc. (MAPI)	**0.01%**	0.00%	0.34%
Honda Motor World, Inc. (HMWI)	**0.00%**	0.00%	0.38%
Amalgamated Investment Bancorporation (AIB)	**0.01%**	0.01%	0.01%
MAPI Lending Investors, Inc (MAPILI)	**0.25%**	0.20%	0.14%

LIQUIDITY RATIOS measure the business ability to pay short-term debt.

- Current ratio – computed as current assets divided by current liabilities
- Quick ratio – computed as cash and cash equivalents divided by current liabilities

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.

- Debt to equity ratio – computed as interest bearing loans and borrowings divided by total stockholders' equity

- Interest-bearing debt to total capitalization ratio – computed as interest-bearing debt divided by interest-bearing debt plus stockholders' equity attributable to the company's shareholders.

PROFITABILITY RATIOS

- Net Profit Margin – computed as net profit divided by revenues
- Return on Assets – computed as net profit divided by average total assets
- Return on Equity – computed as net profit attributable to the company's shareholders divided by average stockholders' equity attributable to the company's shareholders.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders' equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments. It is computed as earnings before income tax and interest expense (EBIT) divided by interest payments.