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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

**ANNEX A**





**MAKATI FINANCE CORPORATION**  
**(A Majority-owned Subsidiary of Amalgamated Investment Bancorporation)**

**FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**



**R.G. Manabat & Co.**  
The KPMG Center, 9/F  
6787 Ayala Avenue  
Makati City 1226, Metro Manila, Philippines

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Branches: Subic · Cebu · Bacolod · Iloilo

## REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors  
Makati Finance Corporation  
2<sup>nd</sup> Floor, Makati Finance Bldg.  
7823 Makati Avenue, Makati City

### Report on the Financial Statements

We have audited the accompanying financial statements of Makati Finance Corporation, which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

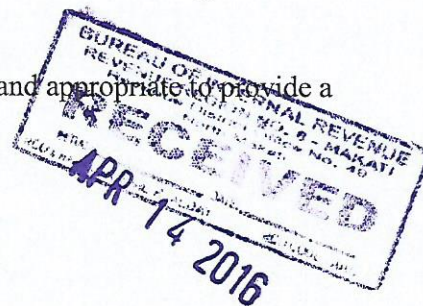
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.







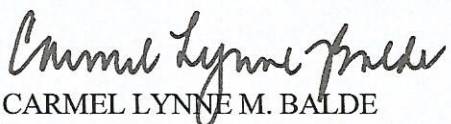
*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Makati Finance Corporation as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

**Report on the Supplementary Information Required Under Revenue Regulations  
No. 15-2010 of the Bureau of Internal Revenue**

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

**R.G. MANABAT & CO.**



CARMEL LYNNE M. BALDE

Partner

CPA License No. 0099677

SEC Accreditation No. 1055-AR, Group A, valid until May 20, 2018

Tax Identification No. 205-133-498

BIR Accreditation No. 08-001987-24-2014

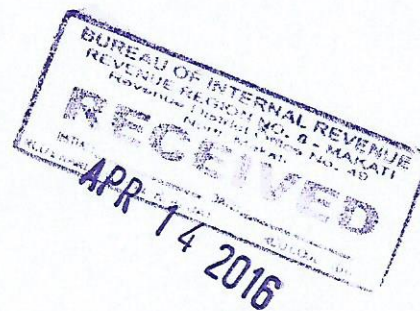
Issued January 22, 2014; valid until January 21, 2017

PTR No. 5320738MD

Issued January 4, 2016 at Makati City

April 11, 2016

Makati City, Metro Manila







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

The Stockholders and Board of Directors  
Makati Finance Corporation  
2<sup>nd</sup> Floor, Makati Finance Bldg.  
7823 Makati Avenue, Makati City

We have audited the accompanying financial statements of Makati Finance Corporation (the "Company") as at and for the year ended December 31, 2015, on which we have rendered our report dated April 11, 2016.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has eighty six (86) stockholders owning one hundred (100) or more shares each.

**R.G. MANABAT & CO.**

CARMEL LYNNE M. BALDE

Partner

CPA License No. 0099677

SEC Accreditation No. 1055-AR, Group A, valid until May 20, 2018

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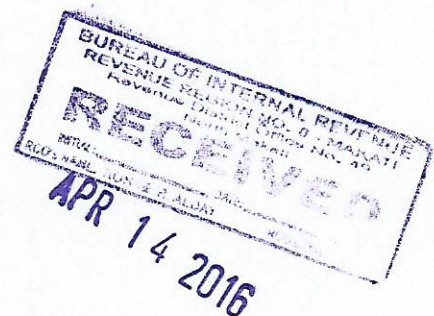
BIR Accreditation No. 08-001987-24-2014

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PTR No. 5320738MD

Issued January 4, 2016 at Makati City

April 11, 2016  
Makati City, Metro Manila





**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 as at and for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditors 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.

*Teresita B. Benitez*  
**TERESITA B. BENITEZ**  
 Chairperson

*Max O. Borrromeo*  
**MAX O. BORROMEEO**  
 President

*Joel S. Ferrer*  
**JOEL S. FERRER**  
 Treasurer

Signed this 11<sup>th</sup> day of April 2016

**APR 14 2016**

Subscribed and Sworn to before me this \_\_\_\_\_  
 Affiant exhibit to me his/her CTC No. \_\_\_\_\_  
 Issued on / at \_\_\_\_\_

**JOEL G. GORDOLA**  
 Notary Public

2/F Makati Finance Building, 7823 Makati Avenue, Makati City 11200 Philippines  
 Telephone Nos. (632) 899-4145 / (899) 0526 Fax No. (632) 899-4121  
 Website: [www.makatifinance.ph](http://www.makatifinance.ph)  
 TIN 126-768-309, MCLE No. V-0001531  
 Until 1 # 878 Quirino Highway, Gulod, Novaliches, Q.C.

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 Series of 2016




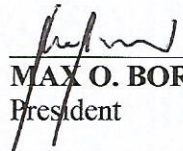
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**


The management of Makati Finance Corporation is responsible for all information and representations contained in the annual income tax return for the year ended December 31, 2015. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2015 and the accompanying Annual Income Tax Return are in accordance with the books and records of *Makati Finance Corporation*, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards (i.e. Philippine Financial Reporting Standards, or those applicable to Non-Publicly Accountable Entities) and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) *Makati Finance Corporation* has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

  
**TERESITA B. BENITEZ**  
Chairperson

  
**MAX O. BORRROMEO**  
President

  
**JOEL S. FERRER**  
Treasurer

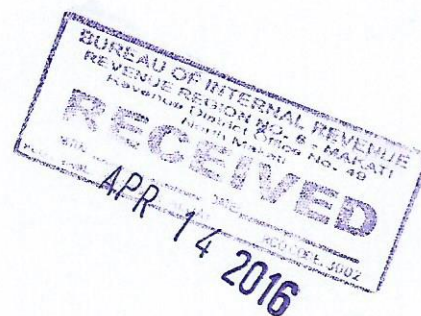
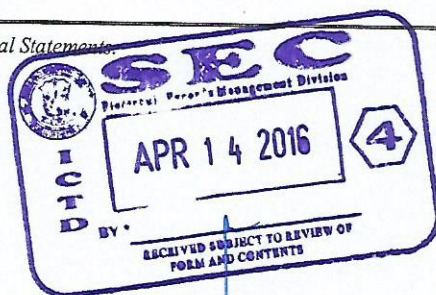
Signed this 11<sup>th</sup> day of April 2016



**MAKATI FINANCE CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**

		December 31	
	<i>Note</i>	2015	2014
<b>ASSETS</b>			
Cash on Hand and in Banks	8	P18,406,119	P46,375,048
Loans and Other Receivables - net	9	947,784,722	844,882,348
Investment in an Associate	10	123,089,357	154,302,222
Property and Equipment - net	11	3,853,741	5,551,098
Investment Properties	12	2,604,468	2,604,468
Deferred Tax Assets - net	20	29,290,203	21,312,700
Other Assets - net	13	195,936,875	185,140,435
		<b>P1,320,965,485</b>	<b>P1,260,168,319</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Notes payable	14, 21	P843,249,466	P828,082,702
Accounts payable	21	27,970,499	21,860,364
Accrued expenses and other liabilities	15, 18	29,533,989	30,676,173
		<b>900,753,954</b>	<b>880,619,239</b>
<b>Equity</b>			
Capital stock	17	209,565,483	203,312,773
Additional paid-in capital		5,803,922	5,803,922
Retained earnings		200,796,673	167,321,336
Remeasurement gains on retirement asset	18	4,045,396	3,110,992
Share in other comprehensive income of an associate		57	57
		<b>420,211,531</b>	<b>379,549,080</b>
		<b>P1,320,965,485</b>	<b>P1,260,168,319</b>

See Notes to the Financial Statements.

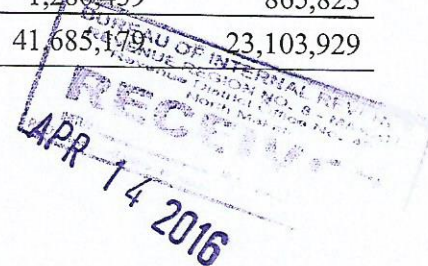




**MAKATI FINANCE CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**

		<b>Years Ended December 31</b>		
	<i>Note</i>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>INTEREST INCOME</b>	<i>7, 9</i>	<b>P211,417,274</b>	P220,193,623	P198,607,360
<b>INTEREST EXPENSE</b>	<i>14, 21</i>	<b>44,966,237</b>	50,571,236	48,540,423
<b>NET INTEREST INCOME</b>		<b>166,451,037</b>	169,622,387	150,066,937
<b>OTHER INCOME</b>				
Gain on sale of available-for-sale financial assets		-	-	12,229,350
Service charges		<b>4,575,355</b>	1,928,561	338,926
Miscellaneous	<i>19</i>	<b>15,297,738</b>	13,664,680	17,020,480
<b>TOTAL OTHER INCOME</b>		<b>19,873,093</b>	15,593,241	29,588,756
<b>TOTAL OPERATING INCOME</b>		<b>186,324,130</b>	185,215,628	179,655,693
<b>OPERATING EXPENSES</b>				
Provision for credit losses	<i>9</i>	<b>19,227,999</b>	17,443,569	68,337,508
Salaries and employee benefits	<i>18, 21</i>	<b>66,891,192</b>	57,565,340	52,219,304
Loss from sale and inventory write-down of motorcycles	<i>13</i>	<b>44,002,083</b>	48,726,019	16,488,182
Taxes and licenses		<b>16,496,293</b>	16,088,488	15,644,222
Occupancy costs	<i>23</i>	<b>9,434,067</b>	6,753,016	4,978,073
Management and professional fees	<i>21</i>	<b>9,338,660</b>	8,754,751	8,066,106
Travel and transportation		<b>6,400,814</b>	11,875,483	10,362,120
Commissions		<b>2,814,857</b>	2,855,901	4,291,051
Depreciation and amortization	<i>11</i>	<b>2,415,193</b>	2,517,144	3,447,414
Amortization of software costs	<i>13</i>	<b>394,958</b>	367,646	709,101
Entertainment, amusement and recreation	<i>20</i>	<b>235,719</b>	1,744,266	1,972,346
Miscellaneous	<i>19</i>	<b>7,374,395</b>	9,664,667	12,022,268
<b>TOTAL OPERATING EXPENSES</b>		<b>185,026,230</b>	184,356,290	198,537,695
<b>INCOME (LOSS) BEFORE SHARE IN NET INCOME OF AN ASSOCIATE AND INCOME TAX</b>		<b>1,297,900</b>	859,338	(18,882,002)
<b>SHARE IN NET INCOME OF AN ASSOCIATE</b>	<i>10</i>	<b>40,787,135</b>	39,545,382	41,120,108
<b>INCOME BEFORE INCOME TAX</b>		<b>42,085,035</b>	40,404,720	22,238,106
<b>INCOME TAX BENEFIT</b>	<i>20</i>	<b>3,895,856</b>	1,280,459	865,823
<b>NET INCOME</b>		<b>45,980,891</b>	41,685,179	23,103,929

Forward





		Years Ended December 31		
	Note	2015	2014	2013
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that may be reclassified to profit or loss</b>				
Net unrealized loss on available-for-sale investments		P -	P -	P160,000
<b>Items that may not be reclassified to profit or loss</b>				
Remeasurement gains on defined benefit obligation, net of deferred tax of P0.27 million, P0.50 million, and P0.52 million in 2015, 2014, and 2013, respectively	18	934,404	1,904,861	829,641
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P46,915,295</b>	<b>P43,590,040</b>	<b>P24,093,570</b>
Basic/Diluted Earnings Per Share	22	<b>P0.22</b>	P0.21	P0.11

See Notes to the Financial Statements.





**MAKATI FINANCE CORPORATION**  
**STATEMENTS OF CASH FLOWS**

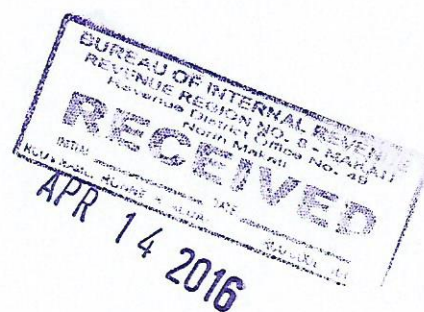
		Years Ended December 31		
	Note	2015	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		P42,085,035	P40,404,720	P22,238,106
Adjustments for:				
Provision for credit losses	9	19,227,999	17,443,569	68,337,508
Share in the net income of an associate	10	(40,787,135)	(39,545,382)	(41,120,108)
Gain on sale of available-for-sale investments		-	-	(12,229,350)
Pension expense	18	1,939,618	1,884,903	-
Depreciation and amortization	11	2,415,193	2,517,144	3,447,414
Amortization of software costs	13	394,958	367,646	709,101
Operating income before changes in working capital		25,275,668	23,072,600	41,382,671
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Loans and other receivables		(86,130,373)	121,850,256	(236,157,983)
Pension asset		-	-	796,036
Other assets		(11,853,124)	(97,155,446)	41,915,319
Decrease (increase) in:				
Accounts payable		6,110,135	(26,235,757)	9,150,899
Accrued expenses		1,332,025	12,610,554	1,064,543
Net cash (used in) provided by operations		(65,265,669)	34,142,207	(141,848,515)
Income taxes paid		(6,898,473)	(6,356,354)	(4,498,701)
Net cash (used in) provided by operating activities		(72,164,142)	27,785,853	(146,347,216)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of:				
Property and equipment	11	(557,664)	(2,365,230)	(3,811,829)
Software costs	13	(161,043)	(398,990)	(337,300)
Available-for-sale investments		-	-	(54,613,643)
Cash dividends received	10	36,000,000	36,000,000	32,400,000
Proceeds from sale of:				
Available-for-sale investments		-	-	66,842,993
Net cash provided by investing activities		35,281,293	33,235,780	40,480,221

Forward



		Years Ended December 31		
	Note	2015	2014	2013
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Availments of notes payable		P289,046,219	P79,400,000	P245,010,858
Payments of notes payable		(273,879,455)	(138,563,485)	(116,975,892)
Cash dividends paid	17	(6,252,844)	(3,465,624)	(2,445,298)
Net cash provided by (used in) financing activities		8,913,920	(62,629,109)	125,589,668
<b>NET (DECREASE) INCREASE IN CASH ON HAND AND IN BANKS</b>				
		(27,968,929)	(1,607,476)	19,722,673
<b>CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR</b>				
		46,375,048	47,982,524	28,259,851
<b>CASH ON HAND AND IN BANKS AT END OF YEAR</b>				
	8	P18,406,119	P46,375,048	P47,982,524
<b>OPERATIONAL CASH FLOWS FROM INTEREST</b>				
Interest received		P227,133,408	P228,958,581	P204,855,032
Interest paid		32,575,849	37,726,971	48,911,167

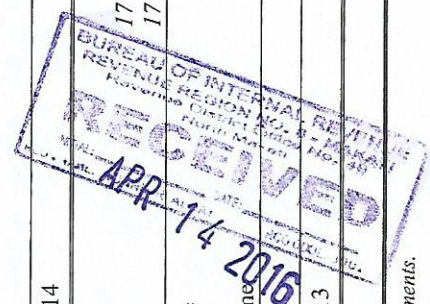
See Notes to the Financial Statements.





**MAKATI FINANCE CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**

	Note	Capital Stock (Note 17)	Additional Paid-in Capital	Retained Earnings (Note 17)	Net Unrealized Loss on Available-for-Sale Investments	Remeasurement Gains on Retirement Asset (Note 18)	Share in Other Comprehensive Income of an Associate	Total Equity
Balance at January 1, 2015		P203,312,773	P5,803,922	P167,321,336	P -	P3,110,992	P57	P379,549,080
Stock dividends	17	6,252,710	-	(6,252,710)	-	-	-	-
Cash dividends including fractional shares	17	-	-	(6,252,844)	-	-	-	(6,252,844)
<b>Total comprehensive income</b>								
Net income		-	-	45,980,891	-	-	-	45,980,891
Other comprehensive income		-	-	-	-	934,404	-	934,404
<b>Balance at December 31, 2015</b>		<b>P209,565,483</b>	<b>P5,803,922</b>	<b>P200,796,673</b>	<b>P -</b>	<b>P4,045,396</b>	<b>P57</b>	<b>P420,211,531</b>
Balance at January 1, 2014		P199,847,220	P5,803,922	P132,567,334	P -	P1,206,131	P57	P339,424,664
Stock dividends	17	3,465,553	-	(3,465,553)	-	-	-	-
Cash dividends including fractional shares	17	-	-	(3,465,624)	-	-	-	(3,465,624)
<b>Total comprehensive income</b>								
Net income		-	-	41,685,179	-	-	-	41,685,179
Other comprehensive income		-	-	-	-	1,904,861	-	1,904,861
<b>Balance at December 31, 2014</b>		<b>P203,312,773</b>	<b>P5,803,922</b>	<b>P167,321,336</b>	<b>P -</b>	<b>P3,110,992</b>	<b>P57</b>	<b>P379,549,080</b>
Balance at January 1, 2013		P197,402,011	P5,803,922	P114,353,912	(P160,000)	P376,490	P57	P317,776,392
Stock dividends	17	2,445,209	-	(2,445,209)	-	-	-	-
Cash dividends	17	-	-	(2,445,298)	-	-	-	(2,445,298)
<b>Total comprehensive income</b>								
Net income		-	-	23,103,929	-	-	-	23,103,929
Other comprehensive income		-	-	-	160,000	829,641	-	989,641
<b>Balance at December 31, 2013</b>		<b>P199,847,220</b>	<b>P5,803,922</b>	<b>P132,567,334</b>	<b>P -</b>	<b>P1,206,131</b>	<b>P57</b>	<b>P339,424,664</b>



See Notes to the Financial Statements.



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**MAKATI FINANCE CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**1. General Information**

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.

The Company’s principal place of business is at 2nd Floor, Makati Finance Bldg., 7823 Makati Avenue, Makati City. The Company was listed in the Philippine Stock Exchange (PSE) on January 6, 2003 and is majority-owned (69.42%) by Amalgamated Investment Bancorporation (AIB).

On March 11, 2002, the BOD and stockholders approved the offer of up to 19,560,000 shares from the Company’s unissued common stock through initial common public offering (IPO). The application for the IPO of the Company was approved by the Securities and Exchange Commission and the 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 P1.38 per share.

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**2. Basis of Preparation**

Statement of Compliance

The financial statements of the Company have been prepared in compliance with the Philippine Financial Reporting Standards (PFRSs), PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

Basis of Measurement

These financial statements have been prepared under the historical cost convention, except for net defined liability which is measured at fair values.

Functional and Presentation Currency

These financial statements are presented in Philippine peso, which is the functional and presentation currency of the Company. All financial information has been rounded off to the nearest peso unless otherwise indicated.

Approval of Issuance of Financial Statements

The financial statements of the Company were approved by the Audit Committee, as authorized for issue by the Board of Directors (BOD), on April 11, 2016.

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**3. Summary of Significant Accounting Policies**

The accounting policies set out below have been applied consistently to the comparative years presented in these financial statements, and have been applied consistently by the Company, except for the changes in accounting policies as explained below.



#### Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Company has adopted the following amendments to standards and interpretations starting January 1, 2015 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Company's financial statements.

- *Defined Benefit Plans: Employee Contributions (Amendments to PAS 19)*. The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles* - Amendments were made to a total of nine (9) standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the financial statements of the Company:
  - *Disclosures on the aggregation of operating segments (Amendment to PFRS 8)*. PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: a brief description of the operating segments that have been aggregated; and the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, this amendment clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
  - *Scope of portfolio exception (Amendment to PFRS 13)*. The scope of the PFRS 13 portfolio exception - whereby entities are exempted from measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis if certain conditions are met - has been aligned with the scope of PAS 39 and PFRS 9.

PFRS 13 has been amended to clarify that the portfolio exception potentially applies to contracts in the scope of PAS 39 and PFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under PAS 32 – e.g. certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument.



- *Definition of 'related party' (Amendment to PAS 24).* The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g., loans.
- *Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40).* PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company assesses its revenue arrangements to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal on all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

#### *Interest*

Interest income and expense are accrued using the effective interest method. The effective interest rate (EIR) is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the EIR, the Company estimates the future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the EIR includes all fees, transaction costs, and all other discounts or premiums that are an integral part of the EIR. Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of a financial asset or financial liability.

Unearned discount is recognized as income over the terms of the receivables using the effective interest method.

Interest from bank deposit accounts is recognized as the interest is earned.

#### *Service Charges*

Service charges are recognized only upon collection or accrued when there is reasonable certainty as to its collectability.

#### *Dividend Income*

Dividend income is recognized when the right to receive payment has been established. Usually, this is the ex-dividend date for quoted equity securities.



### *Miscellaneous Income*

Income from other sources is recognized when earned.

### Expenses

Expenses are recognized when it is probable that decrease in future economic benefits related to decrease in an asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably.

### Financial Instruments

Financial assets and financial liabilities are accounted for as follows:

#### *Recognition*

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

All financial instruments are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs that are attributable to its acquisition or issue.

#### *Classification and Measurement*

Subsequent to initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVPL, available-for-sale (AFS) investments, held-to-maturity (HTM) investments and loans and receivables. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2015 and 2014, the Company has no HTM and AFS investments and financial assets and liabilities at FVPL.

The measurement of financial instruments subsequent to initial recognition is described below:

#### *a. Securities at FVPL*

Securities at FVPL consist of debt and private equity securities purchased and held principally with the intention of selling them in the near term. These securities are carried at fair market value; realized and unrealized gains and losses on these instruments are recognized in profit or loss of the Company. Quoted market prices, when available, are used to determine the fair value of these financial instruments. Interest earned is recorded in interest income while dividend income is recorded in other income according to the terms of the contract, or when the right of payment has been established.

#### *b. AFS Financial Assets*

AFS financial assets are those non-derivative financial assets that are designated as such or are not classified as securities at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.



After initial measurement, any AFS financial assets are subsequently measured at fair value. Any unrealized gains or losses arising from the fair valuation of AFS financial assets are excluded from reported income and are reported 'Net unrealized loss on Available-for-sale investments' in other comprehensive income (OCI).

When the AFS financial asset is disposed of, the cumulative gain or loss previously recognized in OCI is recognized in profit or loss.

c. *HTM Investments*

HTM investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as AFS.

After initial measurement, HTM investments are carried at amortized cost using the effective interest method less any impairment losses. A sale or reclassification of a more than insignificant amount of HTM investments would result in the reclassification of all HTM investments as AFS, and would prevent the Company from classifying investment securities as HTM for the current and the following two financial years.

d. *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market and are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL.

After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less allowance for impairment losses, 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 EIR. The amortization is included in profit or loss. The losses arising from impairment of such loans and receivables are recognized in profit or loss.

Loans and receivables are classified as non-performing or considered impaired when the principal is past due, or when in the opinion of management, collection of interest and principal is doubtful. These receivables will not be reclassified as performing until interest and principal payments are brought current or the receivables are restructured and future payments appear assured.

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% of the receivables factored. This is diminished proportionately as the receivables from factoring are collected.

Unearned interest income is shown as a deduction from 'Loans and receivables.'

Included in this category are 'Cash and cash equivalent' and 'Loans and other receivables.' Cash includes cash on hand and in banks and are stated at face value.



e. *Other Financial Liabilities*

This category pertains to financial liabilities not designated at FVPL where the substance of the contractual arrangements results in the Company having an obligation either to deliver cash or another financial asset to the holder or to 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. After initial measurement, other 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 EIR.

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Included in this category are notes payable, accounts payable and accrued expenses and other liabilities (excluding payable to government).

*Amortized Cost Measurement*

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

*Impairment of Financial Assets*

At each reporting date, the Company assesses whether there is objective evidence that financial assets not carried at FVPL are impaired. A financial asset is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Company considers evidence of impairment at both specific asset and collective levels. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar credit risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that it would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in equity securities classified as AFS financial assets, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In assessing collective impairment, the Company uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical modeling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that these remain appropriate.



Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the assets' original EIR. Impairment losses are recognized in profit and loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in the impairment loss is reversed through profit or loss but only to the extent that the resulting carrying amount of the asset after the reversal of impairment loss does not exceed its amortized cost at the reversal date had no impairment loss been recognized.

Impairment losses on AFS financial assets are recognized by transferring the cumulative loss that has been recognized in OCI to profit and loss. The amount transferred is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit and loss. Changes in impairment provisions attributable to time value of money are reflected as a component of interest income.

If in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statements of comprehensive income, the impairment loss is reversed to the extent of the carrying amount of the debt instrument had no impairment loss been recognized, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired AFS equity security is recognized in OCI.

The Company writes off certain loans and advances and securities when these are determined to be uncollectible.

#### *Derecognition of Financial Assets and Liabilities*

##### Financial Asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- (a) the rights to receive cash flows from the assets have expired;
- (b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a "pass-through" arrangement; or
- (c) the Company has transferred its right to receive cash flows from the asset and either:
  - (i) has transferred substantially all the risks and rewards of the asset, or
  - (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.



### Financial Liability

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where 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, with the difference in the respective carrying amounts recognized in profit or loss.

### Fair Value Measurement

'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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Fair value measured using unadjusted quoted prices in active market for identical assets or liabilities.
- Level 2: Fair value measured using inputs other than quoted prices included in Level 1 that are observable for the asset and liability, either directly of (i.e., prices) or indirectly (i.e., derived from prices).
- Level 3: Fair value measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels of the fair value hierarchy, when applicable, is recognized at the end of the reporting period which the change has occurred.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e., the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.



Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustments of each of the individual instruments in the portfolio.

#### *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to set off the amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

#### 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 for 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.

The statements of comprehensive income reports the Company's share of the results of operations of the associate. Any change in 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 statements 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 aggregate of the Company's share of profit or loss of an associate is shown on the face of OCI outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment in associate and its carrying value, then recognizes the loss as 'share in net income of an associate' in profit or loss.



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 or upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Property and Equipment

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

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which these are incurred.

Depreciation and amortization is calculated using the straight-line basis over the estimated useful lives of the property and equipment, as follows:

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

The useful lives and depreciation and amortization methods are reviewed at each reporting date to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from those assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in profit or loss (see accounting policy on Impairment of Non-financial Assets).

When an item of property and equipment is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is reflected in profit or loss.

Investment Properties

Investment properties are land held for capital appreciation or land held for currently undetermined future use. Investment properties are measured at cost, including transactions 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. Subsequent to initial recognition, depreciable investment properties are carried at cost less any impairment in value.



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.

Foreclosed real estate properties are classified under investment properties on foreclosure date.

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.

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 of 15 years.

Investment properties are derecognized when it has either been disposed of or when it is permanently withdrawn from use and no 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.

#### Motorcycle Inventories

The Company recognizes motorcycle inventories at the lower of cost and net realizable value (NRV) based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged or if the selling prices have declined. Likewise, management also considers whether estimated costs to be incurred to make the sale have increased. The cost of motorcycle inventories is determined using specific identification. The excess of the cost over the NRV is recognized as a loss from writedown of motorcycle inventories in profit or loss.

#### Software Costs

Software costs that are not an integral part of the hardware are classified as intangible asset. This is included under "Other assets - net" account in the statements 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 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 for the current and comparative periods is three to five years.

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



### Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that its property and equipment, investment properties and other assets may be impaired. When an indicator exists or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Recoverable amount is the higher of an asset or cash generating unit's (CGU's) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

An impairment loss is charged against operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged against the revaluation increment of the said 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 profit or loss. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

### Equity

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account.

### Retained Earnings

Retained earnings represent accumulated profits or losses of the Company, net of dividend distributions if any, to stockholders and other capital adjustments.

### Dividends on Common Shares

Cash dividends on common shares are recognized as a liability and deducted from equity once approved by the BOD. Stock dividends are recognized as addition to capital stock once approved by the BOD and stockholders. Dividends approved after the reporting date are treated as an event after the reporting date.

### Foreign Currency Transactions and Translation

Foreign currency-denominated assets and liabilities are translated to Philippine peso at the prevailing Philippine Dealing & Exchange Corp closing rate at the reporting date while foreign-currency denominated income and expenses are translated into Philippine peso based on the weighted average rate at transaction dates. Foreign exchange gains or losses arising from such transactions, including restatements of foreign-currency denominated assets and liabilities are charged against current operations.



Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI . The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in compensation and fringe benefits in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss at the earlier of the following:

- when the related restructuring costs are recognized;
- when the related termination benefits are recognized; and
- when the plan amendment or curtailment occurs.

The Company recognized gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### *Short-term Employee Benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

#### *Employee Leave Entitlement*

Employee entitlements to annual leave are recognized as a liability when the same accrues to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting date is recognized for services rendered by employees up to the end of the reporting date.

#### Borrowing Costs

Borrowing costs consist of interest which the Company incurs in connection to borrowing of funds. These are recognized in profit or loss in the year in which the costs are incurred.

#### Income Taxes

Income tax expense comprises current and deferred taxes. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in OCI.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.



Deferred tax assets and deferred tax liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes, the carry-forward tax benefits of the net operating loss carryover (NOLCO) and the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). The amount of deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when these reverse, based on the tax rates enacted at or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and 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 interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

When the Company expects some or all of a provision to be reimbursed, the reimbursement is recorded as a separate asset only when the reimbursement is virtually certain.

#### Contingent Assets and Contingent Liabilities

Contingent assets are not recognized in the statements of financial position but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

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

#### Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year of the Company 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 organized 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 7.

### Events After the Reporting Date

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

### New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015 and have not been applied in preparing these financial statements. Based on management's assessment, none of these is expected to have a significant impact on the Company's financial statements.

#### *To be Adopted on January 1, 2016*

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38)*. The amendments to *PAS 38 Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated,' or when the intangible asset is expressed as a measure of revenue.

The amendments to *PAS 16 Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

The amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. Early application is permitted.

- *Equity Method in Separate Financial Statements (Amendments to PAS 27)*. The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.



- *Annual Improvements to PFRSs 2012 - 2014 Cycle.* This cycle of improvements contains amendments to four standards, none of which are expected to have significant impact on the Company's financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.
- *Changes in method for disposal (Amendment to PFRS 5).* PFRS 5 is amended to clarify that:
  - if an entity changes the method of disposal of an asset (or disposal group) - i.e. reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag - then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and
  - if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed.

The amendment to PFRS 5 is applied prospectively in accordance with *PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* to changes in methods of disposal that occur on or after January 1, 2016.

- *'Continuing involvement' for servicing contracts (Amendment to PFRS 7).* PFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset - e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement.'

The amendment to PFRS 7 is applied retrospectively, in accordance with PAS 8, except that the PFRS 7 amendment relating to servicing contracts need not be applied for any period presented that begins before the annual period for which the entity first applies this amendment.



- *Offsetting disclosures in condensed interim financial statements (Amendment to PFRS 7)*. PFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of *PAS 34 Interim Financial Reporting* require their inclusion.

The amendment to PFRS 7 is applied retrospectively, in accordance with PAS 8.

- *Disclosure of information 'elsewhere in the interim financial report' (Amendment to PAS 34)*. PAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" - i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross reference are not made available to users of the interim financial statements on the same terms and at the same time.

The amendment to PAS 34 is applied retrospectively, in accordance with PAS 8.

- *Investment Entities: Applying the Consolidation Exception (Amendments to PFRS 10, PFRS 12 and PAS 28)* clarifies that:

- A subsidiary that provides investment-related services should not be consolidated if the subsidiary itself is an investment entity.
- The exemption from preparing consolidated financial statements for an intermediate held by an investment entity, even though the investment entity does not consolidate the intermediate.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

- Information should not be obscured by aggregating or by providing immaterial information.
- Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
- The list of line items to be presented in the statement of financial position and statement of comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.



- An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

*To be Adopted January 1, 2018*

- *PFRS 9 Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39 *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company will assess the potential impact on its financial statements resulting from the application of PFRS 9.

*To be Adopted January 1, 2019*

- *PFRS 16 Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted PFRS 15. The Company will assess the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date once adopted locally.



*Deferral of the local implementation of Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28)*. The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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#### **4. Significant Accounting Judgments and Estimates**

The preparation of the financial statements in conformity with PFRSs requires the Company to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the periods of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements follows:

##### Judgments

###### *(a) Classification of Financial Instruments*

The Company classifies financial instruments, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of the instruments. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statement of financial position. The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

###### *(b) Operating Leases*

###### *Company as a Lessee*

The Company has entered into a contract of lease for the office space it occupies. The Company has determined that all significant risks and rewards of ownership on these properties are retained by the lessor (see Note 23).



## Estimates

### *(a) Impairment of Loans and Other Receivables*

The Company reviews its loans and other receivables at each reporting date to assess whether an allowance for impairment should be recognized in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and receivables, the Company also makes a collective impairment allowance against exposure which, although not specifically identified as requiring a specific allowance, has a greater risk of default than when originally granted. This takes into consideration the length of relationship with the counterparty, credit status of counterparty based on third party reports, and historical experience.

The Company assessed that allowance for impairment loss necessary for its loans and receivables as of December 31, 2015 and 2014 amounts to P55.91 million and P36.68 million, respectively (see Note 9).

The carrying value of loans and receivables amounted to P947.78 million and P844.88 million as of December 31, 2015 and 2014, respectively, net of allowance for credit losses (see Note 9).

### *(b) Impairment of AFS Equity Investment*

The Company treats any AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20.0% or more and 'prolonged' greater than 12 months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

As of December 31, 2015 and 2014, the Company has no AFS financial assets.

### *(c) Impairment of Investment in an Associate, Property and Equipment, Investment Properties and Software Cost*

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.



The carrying values of investment in an associate, property and equipment, investment properties and software costs are disclosed in Notes 10, 11, 12 and 13.

(d) *Writedown of Motorcycle Inventories to net realizable value (NRV)*

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

As of December 31, 2015 and 2014, the carrying value of motorcycle inventories amounted to P192.27 million and P182.72 million, net of loss on writedown on motorcycle inventory of P44.00 million and P37.49 million, respectively (see Note 13).

(e) *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 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 20.

(f) *Estimating Useful Lives of Property and Equipment, Investment Properties and Software Cost*

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.

(g) *Valuation of Retirement Asset*

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 asset are provided in Note 18.

In determining the appropriate discount rate, management considers the interest rates of Philippine government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rate.



As of December 31, 2015, the net retirement liability amounted to P0.61 million. As of December 31, 2014, the net retirement asset amounted to P0.66 million (see Note 18).

(h) *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 risk and uncertainties into account.

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## 5. Fair Value Measurement

The methods and assumptions used by the Company in estimating the fair value of its financial instruments are as follows:

*Cash on Hand and in Banks*

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

*Loans and Other Receivables*

The carrying value of loans and receivables approximates 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 amounts of notes payable approximate fair values as the interest rates are repriced quarterly.

*Accounts Payable and Accrued Interest Payable*

The carrying amounts of accounts payable and accrued interest payable approximate fair values due to their short-term maturities.

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## 6. 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.

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, enters into collateral arrangements with counterparties, and limits 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 for 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 of 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.

	2015			2014		
	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
<b>Loans and Other Receivables</b>						
Receivable from customers:						
Consumer	P823,839,289	P737,555,733	P86,283,556	P774,253,651	P712,873,125	P61,380,526
Services	143,857,957	5,853,009	138,004,948	105,271,632	2,041,589	103,230,043
Construction	-	-	-	2,041,590	-	2,041,590
Dividend Receivable	P36,000,000	-	36,000,000	-	-	-
	P1,003,697,246	P743,408,742	P260,288,504	P881,566,873	P714,914,714	P166,652,159

The carrying values of cash on hand and in banks and prepaid expenses represent the maximum exposure to credit risk since these are unsecured.

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).

	Neither Past Due nor Impaired			2015		Total
	High Grade	Medium Grade	Low Grade	Past Due but not Impaired	Impaired	
<b>Loans and other receivables</b>						
Cash in banks	P17,282,619	P -	P -	P -	P -	P17,282,619
Receivable from customers:						
Consumer	456,992,205	-	17,671,417	212,939,832	119,224,319	806,827,773
Services	6,628,125	-	116,486,793	13,570,793	7,172,246	143,857,957
Construction	-	-	-	-	-	-
Other receivables	-	-	17,011,516	-	-	17,011,516
Dividend Receivable	36,000,000	-	-	-	-	36,000,000
Other assets*	-	-	80,000	-	-	80,000
	P516,902,949	P -	P151,249,726	P226,510,625	P126,396,565	P1,021,059,865

\*Includes investments in Golf shares



	Neither Past Due nor Impaired			2014		Total
	High Grade	Medium Grade		Past Due but not Impaired	Impaired	
		Low Grade				
Loans and other receivables						
Cash in banks	P45,147,929	P -	P -	P -	P -	P45,147,929
Receivable from customers:						
Consumer	386,402,759	-	11,648,195	262,342,554	100,768,492	761,162,000
Services	-	-	95,892,170	6,010,765	3,981,173	105,884,108
Construction	-	-	1,429,112	-	-	1,429,112
Other receivables	-	-	13,091,653	-	-	13,091,653
Other assets*	-	-	80,000	-	-	80,000
	P431,550,688	-	P122,141,130	P268,353,319	P104,749,665	P926,794,802

\*Includes investments in Golf shares

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 10 rank.

#### *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 follows:

	2015					
	<30 Days	30-60 Days	61-90 Days	91-120 Days	>120 Days	Total
Consumer	P96,894,524	P68,971,320	P23,533,457	P13,004,335	P10,536,196	P212,939,832
Services	7,965,317	3,579,304	200,770	1,136,555	688,847	13,570,793
	P104,859,841	P72,550,624	P23,734,227	P14,140,890	P11,225,043	P226,510,625

	2014					
	<30 Days	30-60 Days	61-90 Days	91-120 Days	>120 Days	Total
Consumer	P93,953,788	P52,734,393	P39,207,058	P5,188	P76,442,127	P262,342,554
Services	4,063,925	514,137	627,455	166,640	638,608	6,010,765
	P98,017,713	P53,248,530	P39,834,513	P171,828	P77,080,735	P268,353,319

#### *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.

	Carrying Amount	Contractual Maturities					Total
		2015					
		Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	
<b>Financial Assets</b>							
Cash in banks	P17,282,619	P17,282,619	P -	P -	P -	P -	P17,282,619
Loans and other receivables							
Receivable from customers:							
Consumer Services	797,362,673	178,295,166	158,329,828	255,720,308	535,961,046	15,613,419	1,143,919,767
Construction	143,082,841	125,828,747	16,261,025	24,623,569	31,727,328	8,447,201	206,887,870
Other receivables	17,011,517	4,326,514	4,326,514	4,326,514	4,326,515	-	17,306,057
Dividend Receivable	36,000,000		36,000,000				36,000,000
	P1,010,739,650	P325,733,046	P214,917,367	P284,670,391	P572,014,889	P24,060,620	P1,421,396,313
<b>Financial Liabilities</b>							
Notes payable	P843,249,466	P205,199,920	P231,318,103	P319,636,205	P87,095,238	P -	P843,249,466
Accounts payable	27,970,499	27,970,499	-	-	-	-	27,970,499
Accrued interest	16,001,297	16,001,297	-	-	-	-	16,001,297
	P887,221,262	P249,171,716	P231,318,103	P319,636,205	P87,095,238	P -	P887,221,262
Net liquidity gap	P123,518,388	P76,561,330	(P16,400,736)	(P34,965,814)	P484,919,651	P24,060,620	P534,175,051

	Carrying Amount	Contractual Maturities					Total
		2014					
		Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	
<b>Financial Assets</b>							
Cash in banks	P46,375,048	P46,375,048	P -	P -	P -	P -	P46,375,048
Loans and other receivables							
Receivable from customers:							
Consumer Services	729,245,200	267,687,700	137,172,276	240,853,728	427,155,200	-	1,072,868,904
Construction	102,295,193	94,466,182	12,894,867	20,181,276	22,625,441	2,540,290	152,708,056
Other receivables	1,199,301	2,041,589	-	-	-	-	2,041,589
Other receivables	12,142,653	4,838,388	6,739,561	700,960	537,610	282,529	13,099,048
	P891,257,395	P415,408,907	P156,806,704	P261,735,964	P450,318,251	P2,822,819	P1,287,092,645
<b>Financial Liabilities</b>							
Notes payable	P828,082,702	P152,266,905	P174,068,726	P496,956,162	P4,790,909	P -	P828,082,702
Accounts payable	21,860,364	21,860,364	-	-	-	-	21,860,364
Accrued interest	13,239,361	13,239,361	-	-	-	-	13,239,361
	P863,182,427	P187,366,630	P174,068,726	P496,956,162	P4,790,909	P -	P863,182,427
Net liquidity gap	P28,074,968	P228,042,277	(P17,262,022)	(P235,220,198)	P445,527,342	P2,822,819	P423,910,218



#### *Interest Rate Risk*

The profitability 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 loan 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 6 months to 1 year.

#### *Foreign Exchange Rate Risk*

The Company's exposure to foreign exchange rate risk is deemed minimal for the years ended December 31, 2015 and 2014.

#### *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.

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## **7. Segment Information**

### *Operating Segments*

The Company's operating businesses are recognized and managed 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 is tasked with the sales and promotion of the Rx cash line product - loans tailored to medical professionals, and assist in the credit application, investigation, evaluation and approval and loan collection processes.

#### *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 is tasked with the sales and promotion of the MC Financing product - loans to motorcycle buyers, and assist in the credit application, investigation, evaluation and approval and loan collection processes.

#### *Other Segments*

This segment includes other segments that provide support to its core activities.



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.

The Group'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:

	2015				Total
	Rx Cash Line	MC Factors	MC Financing	Others	
<b>Loans</b>	P100,052,367	P106,060,386	P1,065,245,505	P69,227,883	P1,340,586,141
<b>Results of operation</b>					
Revenues					
Interest income	P21,166,205	P9,148,621	P174,244,436	P6,858,012	P211,417,274
Other income	1,607,058	2,578,232	15,687,803	40,787,135	60,660,228
	22,773,263	11,726,853	189,932,239	47,645,147	272,077,502
Expenses					
Interest expense	4,164,611	2,614,794	36,480,099	1,706,733	44,966,237
Provision for credit losses	2,506,270	1,950,760	14,770,969	-	19,227,999
Operating expenses	4,380,847	1,716,527	159,700,857	-	165,798,231
	11,051,728	6,282,081	210,951,925	1,706,733	229,992,467
Net operating income	11,721,535	5,444,772	(21,019,686)	45,938,414	42,085,035
Less: Provision for income tax	4,268,341	2,218,660	(11,928,241)	1,545,384	(3,895,856)
<b>Net income (loss)</b>	P7,453,194	P3,226,112	(9,091,445)	P44,393,030	P45,980,891
<b>Statement of financial position</b>					
Total assets	P64,132,978	P71,449,222	P930,113,391	P255,269,894	P1,320,965,485
Total liabilities	P64,681,910	P68,038,872	P689,426,339	78,606,833	900,753,954
<b>Other segment information</b>					
Capital expenditures	P -	P -	P673,561	P44,275	P717,836
Depreciation and amortization	P -	P -	P1,021,301	P1,393,892	P2,415,193





Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.02% to 0.56% in 2015 and 2014, respectively. Interest income on cash in banks amounted to P0.04 million and P0.03 million in 2015 and 2014, respectively.

## 9. Loans and Other Receivables

This account consists of:

	<i>Note</i>	2015	2014
Receivable from customers:			
Consumer		P1,143,919,767	P1,072,868,904
Services		206,887,870	152,708,056
Construction		-	2,041,589
Other receivables	21	17,306,057	13,099,048
Dividend receivable	21	36,000,000	-
		1,404,113,694	1,240,717,597
Unearned interest income		(368,598,332)	(336,429,699)
Client's equity		(31,818,116)	(22,721,025)
Allowance for credit losses		(55,912,524)	(36,684,525)
		P947,784,722	P844,882,348

The classes of receivable from customers are subdivided according to loans granted to different industries.

Loans and receivables according to product type:

	<i>Note</i>	2015	2014
Motorcycle financing		P1,065,245,505	P1,040,772,261
Receivables purchased		106,060,386	75,736,750
Rx cash line		100,052,367	77,834,119
Business loans		69,227,883	20,448,448
		1,340,586,141	1,214,791,578
Unearned interest income		(368,598,332)	(336,429,699)
Client's equity		(31,818,116)	(22,721,025)
		940,169,693	855,640,854
Accrued interest receivable		10,221,496	12,826,972
Sales contract receivable		205,064	634,231
Advances to officers and employees		517,655	646,382
Due from affiliates		101,007	101,007
Miscellaneous receivables	21	16,482,331	11,717,427
Dividend receivable	21	36,000,000	-
		1,003,697,246	881,566,873
Allowance for credit losses		(55,912,524)	(36,684,525)
		P947,784,722	P844,882,348

Dividend receivable pertains to the dividends declared by AIB last October 2015 to be received in April 2016.

Miscellaneous receivables consist of receivables from employees, 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 1.4% to 2.6% plus gross receipts tax. Interest income earned from receivable from customers amounted to P211.16 million and P220.16 million in 2015 and 2014, respectively.

Movements in allowance for credit losses follow:

	December 31, 2015				
	Receivable from Customers				Total
	Construction	Services	Consumer	Others	
At January 1	P842,288	P2,976,439	P31,916,798	P949,000	P36,684,525
Provisions during the year	1,950,760	2,506,270	14,770,969	-	19,227,999
Recoveries	-	-	-	-	-
Write-off	-	-	-	-	-
At December 31	P2,793,048	P5,482,709	P46,687,767	P949,000	P55,912,524
Individually impaired	P2,793,048	P5,482,709	P46,687,767	P949,000	P55,912,524

	December 31, 2014				
	Receivable from Customers				Total
	Construction	Services	Consumer	Others	
At January 1	P581,749	P2,776,062	P29,866,278	P949,000	P34,173,089
Provisions during the year	260,539	4,074,910	13,108,120	-	17,443,569
Recoveries	-	-	18,790,820	-	18,790,820
Write-off	-	(3,874,533)	(29,848,420)	-	(33,722,953)
At December 31	P842,288	P2,976,439	P31,916,798	P949,000	P36,684,525
Individually impaired	P842,288	P2,976,439	P31,916,798	P949,000	P36,684,525

	December 31, 2013				
	Receivable from Customers				Total
	Construction	Services	Consumer	Others	
At January 1	P -	P3,100,801	P12,061,093	P -	P15,161,894
Provisions during the year	581,749	3,031,882	62,129,606	2,594,271	68,337,508
Recoveries	-	-	-	-	-
Write-off	-	(3,356,621)	(44,324,421)	(1,645,271)	(49,326,313)
At December 31	P581,749	P2,776,062	P29,866,278	P949,000	P34,173,089
Individually impaired	P581,749	P2,776,062	P29,866,278	P949,000	P34,173,089

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.

## 10. Investment in an Associate

This account consists of investment in 36% share of stock of AIB:

	<i>Note</i>	2015	2014
At cost		P75,000,000	P75,000,000
Accumulated equity in net earnings			
Balance at the beginning of the year		79,302,222	75,756,840
Share in net income	21	40,787,135	39,545,382
Dividends	21	(72,000,000)	(36,000,000)
Balance at the end of the year		48,089,357	79,302,222
		<b>P123,089,357</b>	<b>P154,302,222</b>

The following illustrates the summarized financial information of the Company's investment in AIB:

	2015	2014
Total assets	P4,822,108,958	P2,593,557,147
Total liabilities	4,170,398,520	1,858,696,903
	651,710,438	734,860,244
Net unrealized gain on the Company's shares held and classified by AIB as AFS investments	(308,128,392)	(301,081,875)
	343,582,046	433,778,369
Proportion of the Company's ownership	36%	36%
Carrying amount of the investment	P123,689,537	P156,160,213
Income	P295,824,997	P290,107,421
Expenses	168,821,566	158,294,228
Income before income tax	127,003,431	131,813,193
Provision for income tax	13,705,835	21,964,909
Net income	P113,297,596	P109,848,284
Share in net income	P40,787,135	P39,545,382



## 11. Property and Equipment

The rollforward analysis of this account follows:

	2015			Total
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	
<b>Cost</b>				
At January 1	P9,679,749	P1,383,237	P4,650,299	P15,713,285
Additions	471,945	41,444	204,447	717,836
Disposals	-	-	-	-
At December 31	10,151,694	1,424,681	4,854,746	16,431,121
<b>Accumulated Depreciation and Amortization</b>				
At January 1	7,348,381	694,959	2,118,847	10,162,187
Depreciation and amortization	1,560,340	194,140	660,713	2,415,193
Disposals	-	-	-	-
At December 31	8,908,721	889,099	2,779,560	12,577,380
<b>Carrying Amount</b>	<b>P1,242,973</b>	<b>P535,582</b>	<b>P2,075,186</b>	<b>P3,853,741</b>
	2014			Total
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	
<b>Cost</b>				
At January 1	P7,825,361	P1,272,097	P7,853,877	P16,951,335
Additions	1,854,388	111,140	1,200,000	3,165,528
Disposals	-	-	(4,403,578)	(4,403,578)
At December 31	9,679,749	1,383,237	4,650,299	15,713,285
<b>Accumulated Depreciation and Amortization</b>				
At January 1	5,749,783	516,418	4,679,074	10,945,275
Depreciation and amortization	1,598,598	178,541	740,005	2,517,144
Disposals	-	-	(3,300,232)	(3,300,232)
At December 31	7,348,381	694,959	2,118,847	10,162,187
<b>Carrying Amount</b>	<b>P2,331,368</b>	<b>P688,278</b>	<b>P2,531,452</b>	<b>P5,551,098</b>

Motorcycle inventory is transferred to transportation equipment when these are used in the business operations by the employees (Note 13). The transportation equipment is valued at the inventory's carrying amount. In 2015 and 2014, the Company transferred motorcycle inventories amounting to P0.16 million and P0.80 million, respectively (shown as additions).

As of December 31, 2015 and 2014, the Company has fully depreciated property and equipment that are still in use with original cost amounting to P1.75 million and P0.62 million.

## 12. Investment Properties

This account consists of cost of land:

	2015	2014
Cost	<b>P3,544,001</b>	P3,544,001
Allowance for impairment losses		
Balance at beginning of the year	(939,533)	(939,533)
Reversal of impairment	-	-
Balance at end of the year	<b>(939,533)</b>	(939,533)
	<b>P2,604,468</b>	P2,604,468

The aggregate fair value of the investment properties of the Company amounted to P4.33 million as of December 31, 2015 and 2014. No sale of investment property occurred in 2015 and 2014. The fair value of the Company's investment properties was estimated on the basis of recent sales of similar properties in the same areas taking into account the economic conditions prevailing at the time the valuations were made. The unit of comparison applied by the Company is the price per square meter. The fair value of the investment properties is based on Level 2 hierarchy.

## 13. Other Assets - net

This account consists of:

	<i>Note</i>	2015	2014
Motorcycle inventories	11	<b>P192,270,005</b>	P182,720,097
Prepaid expenses		<b>3,119,237</b>	976,195
Retirement asset	18	-	662,595
Software costs		<b>467,633</b>	701,548
Other Investments		<b>80,000</b>	80,000
		<b>P195,936,875</b>	P185,140,435

Motorcycle inventories 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 write-down of motorcycle inventories included in profit or loss amounted to P44.00 million and P37.49 million in 2015 and 2014, respectively.



The movements in software costs follow:

	2015	2014
<b>Cost</b>		
At January 1	P4,362,136	P3,963,146
Additions	161,043	398,990
At December 31	4,523,179	4,362,136
<b>Accumulated Amortization</b>		
At January 1	3,660,588	3,292,942
Amortization for the year	394,958	367,646
Accumulated amortization	4,055,546	3,660,588
At December 31	P467,633	P701,548

#### 14. Notes Payable

This account consists of:

	<i>Note</i>	2015	2014
Related parties	21	P569,153,363	P722,375,896
Banks		270,096,103	101,424,243
Individuals		4,000,000	4,282,563
		P843,249,466	P828,082,702

Interest rates from borrowings range from 4.00% to 6.75% and from 4.00% to 6.00% per annum in 2015 and 2014, respectively.

Interest expense on these notes payable amounted to P44.97 million and P50.57 million, in 2015 and 2014, respectively.

Notes payable to individuals and banks are unsecured, with maturity of up to three years.

#### 15. Accrued Expenses and Other Liabilities

This account consists of:

	<i>Note</i>	2015	2014
Accrued interest	21	P16,001,297	P13,239,361
Accrued management and professional fees		3,757,949	2,039,042
Accrued taxes		2,958,189	1,853,130
Accrued administrative expenses		2,765,436	8,535,017
Retirement liability	18	613,221	-
Accrued insurance payable		508,425	462,397
Income tax payable		355,757	3,443,187
Accrued occupancy costs		286,496	-
Others		2,287,219	1,104,039
		P29,533,989	P30,676,173

Others include accrual on SSS, Pag-ibig and Philheath payable.

## 16. 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.

	2015			2014		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
<b>Financial Assets</b>						
Cash on hand and in banks	P18,406,119	P -	P18,406,119	P46,375,048	P -	P46,375,048
Loans and other receivables - gross	808,038,185	P596,075,509	1,404,113,694	787,576,527	453,141,070	1,240,717,597
Investment in an associate	-	123,089,357	123,089,357	-	154,302,222	154,302,222
	<b>P826,444,304</b>	<b>P719,164,866</b>	<b>P1,545,609,170</b>	<b>833,951,575</b>	<b>607,443,292</b>	<b>1,441,394,867</b>
<b>Nonfinancial Assets</b>						
Property and equipment	-	3,853,741	3,853,741	-	5,551,098	5,551,098
Investment properties - gross	-	3,544,001	3,544,001	-	3,544,001	3,544,001
Deferred tax assets	-	29,290,203	29,290,203	-	21,312,700	21,312,700
Retirement asset	-	-	-	-	662,595	662,595
Other assets	195,469,242	467,633	195,936,875	183,776,292	701,548	184,477,840
	<b>195,469,242</b>	<b>37,155,578</b>	<b>232,624,820</b>	<b>183,776,292</b>	<b>31,771,942</b>	<b>215,548,234</b>
Less: Allowance for credit and impairment losses	-	(56,852,057)	(56,852,057)	-	(37,624,058)	(37,624,058)
Unearned interest income	(42,858,641)	(325,739,691)	(368,598,332)	(34,318,097)	(302,111,602)	(336,429,699)
Client's equity	(31,818,116)	-	(31,818,116)	(22,721,025)	-	(22,721,025)
	<b>(74,676,757)</b>	<b>(382,591,748)</b>	<b>(457,268,505)</b>	<b>(57,039,122)</b>	<b>(339,735,660)</b>	<b>(396,774,782)</b>
	<b>P947,236,789</b>	<b>P373,728,696</b>	<b>P1,320,965,485</b>	<b>P960,688,745</b>	<b>P299,479,574</b>	<b>P1,260,168,319</b>
<b>Financial Liabilities</b>						
Notes payable	P756,154,228	P87,095,238	P843,249,466	P823,291,793	P4,790,909	P828,082,702
Accounts payable	27,970,499	-	27,970,499	21,860,364	-	21,860,364
Accrued interest	16,001,297	-	16,001,297	13,239,361	-	13,239,361
	<b>800,126,024</b>	<b>87,095,238</b>	<b>887,221,262</b>	<b>858,391,518</b>	<b>4,790,909</b>	<b>863,182,427</b>
<b>Nonfinancial Liabilities</b>						
Accrued expenses	13,176,935	-	13,176,935	13,993,625	-	13,993,625
Income tax payable	355,757	-	355,757	3,443,187	-	3,443,187
	<b>13,532,692</b>	<b>-</b>	<b>13,532,692</b>	<b>17,436,812</b>	<b>-</b>	<b>17,436,812</b>
	<b>P813,658,716</b>	<b>P87,095,238</b>	<b>P900,753,954</b>	<b>P875,828,330</b>	<b>P4,790,909</b>	<b>P880,619,239</b>

## 17. Equity

On July 30, 2015, the BOD and stockholders approved the declaration of 3.08% stock dividends in the amount of P6,252,710 to stockholders of record as of August 27, 2015 with distribution date not later than September 22, 2015. On the same date, the BOD also approved the declaration of cash dividends amounting to P6,252,777. Fractional shares related to this declaration were settled in cash with a total amount of P67.00.

On July 31, 2014, the BOD and stockholders approved the declaration of 1.73% stock dividends in the amount of P3,465,553 to stockholders of record as of August 28, 2014 with distribution date not later than September 23, 2014. On the same date, the BOD also approved the declaration of cash amounting to P3,465,588. Fractional shares related to this declaration were settled in cash with a total amount of P36.00.



On July 25, 2013, the BOD and stockholders approved the declaration of 1.24% stock dividends in the amount of P2,445,209 to stockholders of record as of August 22, 2013 with distribution date not later than September 17, 2013. On the same date, the BOD also approved the declaration of cash dividends amounting to P2,445,298. Fractional shares related to this declaration were settled in cash with a total amount of P89.00.

As of December 31, 2015, the Company has 209,565,483 common shares issued and outstanding which were owned by 103 shareholders.

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

	2015		2014		2013	
	Number of Shares	Amount	Number of Shares	Amount	Number Of Shares	Amount
Authorized - 300,000,000 shares; P1 par value						
At January 1	203,312,773	P203,312,773	199,847,220	P199,847,220	197,402,011	P197,402,011
Stock dividends	6,252,710	6,252,710	3,465,553	3,465,553	2,445,209	2,445,209
At December 31	209,565,483	P209,565,483	203,312,773	P203,312,773	199,847,220	P199,847,220

#### 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 2015.

Under R.A. No. 8556, *Financing Company Act*, 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 P1.00 million for branches established in Metro Manila, P0.50 million for branches established in other classes of cities and P0.25 million for branches established in municipalities.

For the years ended December 31, 2015 and 2014, 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 Philippine Stock Exchange, Inc. where the Company's shares are traded.

The Company's retained earnings representing the accumulated share in the net income of an associate amounting to P48.09 million and P79.30 million as of December 31, 2015 and 2014, respectively, is not available for declaration as dividends.

## 18. Retirement Plan

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

The Company is subject to the minimum retirement benefit under the R.A. 7641 "*The Philippine Retirement Law*", which provides for retirement pay to qualified employees in the absence of any retirement plan. R.A. 7641 requires the Company to provide minimum retirement benefits to employees who have reached the age of sixty (60) years or more, but not beyond sixty-five (65) years which is considered as the compulsory retirement age, and who have served at least five (5) years in the Company.

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 is included in the Company's profit and loss under 'Salaries and employee benefits.'

The amounts of retirement benefit reserve recognized in the statements of comprehensive income are as follows:

	2015	2014
<b>Components of retirement benefit liability recorded in profit or loss as retirement benefit expense</b>		
Current service cost	P1,969,369	P1,894,141
Net interest expense:		
Interest expense	226,123	344,590
Interest income on plan assets	(257,210)	(354,417)
Interest expense on effect of asset ceiling	1,336	589
	<u>1,939,618</u>	<u>1,884,903</u>
<b>Components of retirement benefit liability recorded in OCI</b>		
Remeasurement gain on defined benefits obligation	(680,475)	(2,603,678)
Remeasurement loss on plan assets	47,760	181,039
Remeasurement (gain) loss on the change in the effect of asset ceiling	(31,087)	19,925
	<u>(663,802)</u>	<u>(2,402,714)</u>
Total components of retirement benefit liability (asset)	<u>P1,275,816</u>	<u>(P517,811)</u>



The net retirement benefit liability (asset) is recognized as part of "Accrued expenses and other liabilities" ("Other assets - net") accounts in the statements of financial position follows:

	2015	2014
Present value of retirement benefits obligation	P6,551,174	P5,036,157
Fair value of plan assets	(5,937,953)	(5,728,503)
Effect of asset ceiling	-	29,751
<b>Net defined benefit liability (asset)</b>	<b>P613,221</b>	<b>(P662,595)</b>

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

	2015	2014
Balance at beginning of year	P5,036,157	P5,401,104
Current service cost	1,969,369	1,894,141
Interest expense	226,123	344,590
Remeasurement gains on obligation arising from:		
Change in financial assumptions	(386,800)	(708,045)
Experience adjustment	(293,675)	(1,895,633)
<b>Balance at end of year</b>	<b>P6,551,174</b>	<b>P5,036,157</b>

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

	2015	2014
Balance at beginning of year	P5,728,503	P5,555,125
Interest income	257,210	354,417
Remeasurement loss on plan assets	(47,760)	(181,039)
<b>Balance at end of year</b>	<b>P5,937,953</b>	<b>P5,728,503</b>

The changes in the effect of asset ceiling are as follows:

	2015	2014
Balance at beginning of year	P29,751	P9,237
Remeasurement (gain) loss on the change in the effect of asset ceiling	(31,087)	19,925
Interest expense on effect of asset ceiling	1,336	589
<b>Balance at end of year</b>	<b>P -</b>	<b>P29,751</b>

Changes in the net retirement benefit (liability) are as follows:

	2015	2014
Balance at beginning of year	P662,595	P144,784
Current service cost	(1,969,369)	(1,894,141)
Net interest cost on the retirement liability	31,087	9,827
Remeasurement loss on plan assets	(47,760)	(181,039)
Actuarial losses on retirement liability arising from:		
Experience adjustment	293,675	1,895,633
Changes in assumptions	386,800	708,045
Changes in the effect of asset ceiling	29,751	(20,514)
Balance at end of year	(P613,221)	P662,595

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

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

	2015	2014
Cash and cash equivalents	P916,820	P915,415
Available-for-sale investments	4,828,743	4,688,780
Accrued and other receivables	192,390	124,308
	P5,937,953	P5,728,503

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

In 2015 and 2014, the cash and cash equivalent and available-for-sale investments have high grade credit quality while accrued and other receivable have standard credit quality.

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	
	2015	2014
Discount rate	4.89%	4.49%
Future salary increases	5.00%	5.00%
Average remaining working life (in years)	29.1	30.0

Assumptions for mortality and disability rate are based on the adjusted 1994 Group Annuity Mortality Table in which separate rates were used for males and females and the 1952 Disability Study of the US Society for 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 reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Increase (decrease) in basis points	Increase (decrease) in present value of obligation
Discount rates	+100 basis point	(P866,640)
	-100 basis point	1,015,121
Salary increase rates	+100 basis point	934,531
	-100 basis point	(820,757)

The Company expects to contribute P2.32 million to the defined benefit plan in 2016.

The Company is not required to pre-fund the future defined benefits payable under the retirement plan before they become due.

The plan assets' concentration risks are limited to financial services.

The average duration of the defined benefit plan at the end of the reporting date is 16.4 years.

## 19. Miscellaneous

Miscellaneous income consists of the following items:

	2015	2014	2013
Penalties	P12,049,746	P10,402,716	P9,809,440
Recoveries	3,150,287	3,190,667	6,420,110
Miscellaneous	97,705	71,297	790,930
	<b>P15,297,738</b>	<b>P13,664,680</b>	<b>P17,020,480</b>

Miscellaneous expenses consist of the following items:

	2015	2014	2013
Communication	P1,979,600	P2,160,189	P1,599,054
Insurance	1,914,363	2,056,586	213,468
Stationeries and supplies	1,823,387	3,898,197	3,330,094
Repairs and maintenance	500,767	336,891	963,668
Meetings and conferences	210,934	370,938	237,105
Training and development	148,118	175,990	121,756
Miscellaneous	797,226	665,876	5,557,123
	<b>P7,374,395</b>	<b>P9,664,667</b>	<b>P12,022,268</b>

Miscellaneous expenses include advertising costs, donations, membership dues and other expenses.

**20. Income Taxes**

	2015	2014	2013
Current:			
RCIT	P3,811,044	P7,148,309	P4,455,659
Deferred	(7,706,900)	(8,428,768)	(5,321,482)
	<b>(P3,895,856)</b>	<b>(P1,280,459)</b>	<b>(P865,823)</b>

The components of deferred tax assets follow:

	2015	2014	2013
Deferred tax assets on:			
Allowance for impairment and credit losses	P16,773,757	P11,005,357	P13,834,695
Inventory write-down of motorcycle	13,216,658	11,246,415	-
Past service cost	111,839	143,582	175,326
	<b>30,102,254</b>	<b>22,395,354</b>	<b>14,010,021</b>
Deferred tax liabilities on:			
Remeasurement gain on defined benefit obligation	812,051	1,082,654	584,800
Retirement asset	-	-	43,435
	<b>P29,290,203</b>	<b>P21,312,700</b>	<b>P13,381,786</b>

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

	2015	2014	2013
Income before income tax	P42,085,035	P40,404,720	P22,238,106
Income tax computed at statutory rate (30%)	P12,625,511	P12,121,416	P6,671,432
Additions to (reduction in) income tax resulting from the tax effects of:			
Tax exempt income and nontaxable income	(12,236,141)	(11,863,615)	(16,004,837)
Non-deductible interest expense	4,747	4,085	784,212
Nondeductible expense	1,296,305	-	6,754,843
Interest income subjected to final tax and dividend income	(11,507)	(9,903)	(11,760)
Others	(5,574,761)	(1,532,442)	940,287
Effective income tax benefit	<b>(P3,895,856)</b>	<b>(P1,280,459)</b>	<b>(P865,823)</b>

Current tax regulations provide that the RCIT rate is 30.00%. Interest allowed as deductible expense is reduced by an amount equivalent to 33.00% of interest income subjected to final tax.



R.A. No. 9504, *An Act Amending National Internal Revenue Code*, provides that, the optional standard deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Company elected to claim itemized expense deductions instead of the OSD.

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 P0.24 million, P1.74 million and P1.97 million in 2015, 2014 and 2013, respectively.

## 21. 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:

Category	Ref	Outstanding balances/Amount/Volume		Nature, Terms and Condition
		2015	2014	
<i>Parent Company</i>				
<i>Amalgamated Investment Bancorporation</i>				
Miscellaneous Receivables	a	P80,514	P80,514	Non-interest bearing, unsecured; no impairment
Notes payable	b	484,500,000	610,800,000	Unsecured, 1-year interest bearing placement at 6.75% annual interest rate
Availments		45,000,000	38,000,000	
Settlements		171,300,000	72,500,000	
Interest Expense		31,048,706	28,241,748	
Share in Net Income of an Associate	c	40,787,135	39,545,382	Share in income from investee's profit
Dividend received		36,000,000	36,000,000	Cash dividend from AIB
Dividend receivable		36,000,000	-	Cash dividend receivable from AIB
<i>Other Related Parties</i>				
<i>Motor Ace Philippines Inc.</i>				
Miscellaneous Receivables	a	2,381,267	2,151,708	Non-interest bearing, unsecured; no impairment
Availments		361,693	1,393,142	
Settlements		132,134	449,106	
Accounts payable	d	27,970,499	21,860,364	30-day unsecured, non-interest bearing
Availments		357,660,360	364,932,451	
Settlements		352,413,225	341,057,231	
<i>Pikeville Bancshares</i>				
Professional fees		1,102,080	1,102,080	Payment of professional fees for consultancy
<i>MERG Realty Development Corporation</i>				
Miscellaneous Receivables	a	18,056	35,835	Non-interest bearing, no impairment
Availments			-	
Settlements		17,779	-	
Notes Payable	b	13,000,000	36,000,000	Secured interest-bearing placement at 5.5% annual interest rate; no impairment
Settlement		23,000,000	-	
Interest Expense		830,653	2,190,000	
<i>Forward</i>				

Category	Ref	Outstanding balances/Amount/Volume		
		2015	2014	Nature, Terms and Condition
<i>Directors and other stockholders</i>				
Notes payable	b	P71,653,363	P75,575,896	Secured, 1-year interest bearing placement at 6.0% annual interest rate
Availments		8,046,219	12,625,000	
Settlements		11,968,752	2,090,343	
Interest expense		4,636,886	2,555,555	
Professional Fees and other Management Fees		4,789,339	3,244,889	Payment of professional fees

- 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 of December 31, 2015 and 2014, notes payable and accrued interest payable arising from borrowings from stockholders amounted to P569.15 million and P722.38 million, respectively, and P15.06 million and P8.79 million, respectively. Interest expense from these borrowings amounted to P36.52 million and P32.99 million in 2015 and 2014, respectively (see Note 14).

Borrowings availed from related parties amounted to P53.05 million and P50.63 million in 2015 and 2014, respectively. Settlement from borrowings amounted to P206.27 million and P74.59 million in 2015 and 2014, respectively. Interest rates from borrowings range from 5.5% to 6.25% and from 5.70% to 6.00% in 2015 and 2014, respectively. Borrowings from related parties are unsecured and to be settled in cash.

- c. Share in net income of an associate is the share of the Company in the net income of its associate (see Note 10).
- d. Accounts payable represents billings for motorcycle units sold by the related parties that are financed by the Company

The remuneration of directors and other members of key management personnel consist of short-term benefits amounting to P11.35 million and P8.59 million in 2015 and 2014, respectively, included in the 'Salaries and employee benefits' and 'Management and professional fees' account in the statements of comprehensive income.

## 22. Earnings Per Share (EPS)

EPS amounts were calculated as follows:

	2015	2014
a. Net income	P45,980,891	P41,685,179
b. Weighted average number of outstanding common shares	209,565,483	203,312,773
c. Basic/diluted earnings per share (a/b)	P0.22	P0.21



The weighted average number of outstanding common shares in 2015 and 2014 was recomputed after giving retroactive effect to stock dividends declared on July 30, 2015, July 31, 2014, and July 25, 2013, however, the impact to the EPS was immaterial (see Note 17).

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### 23. Lease Commitment

The Company leases its office space for a period of one (1) year under a lease contract expiring on February 28, 2016. The Company entered into a new lease contract for a period of five (5) years. Total rent expense included under 'Occupancy cost' account in the statement of comprehensive income, incurred in 2015 and 2014 amounted to P7.14 million and P5.01 million, respectively.

As of December 31, 2015 and 2014, minimum lease payments due within one year from reporting date amounted to P7.36 million and P1.46 million, respectively.

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### 24. 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 taxable year ended December 31, 2015 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 2015 consist of the following:

Gross receipts tax (GRT)	P11,692,039
Documentary stamp tax (DST) on loan instruments	4,066,570
License and permit fees	737,684
	P16,496,293

As of December 31, 2015, accrued GRT and DST amounted to P0.99 million and P0.93 million, respectively.

#### B. Withholding taxes

Details of the withholding taxes as of December 31, 2015 follow:

Expanded withholding taxes	P9,646,247
Withholding taxes on compensation and benefits	5,167,657
	P14,813,904

**C. Tax Cases**

As at December 31, 2015, the Company has no pending tax court cases.

**D. Tax Assessment**

The Company received a Letter of Authority no. eLA201100080446 from BIR in August 2015 to examine the books of accounts and other accounting records for the tax period ended December 31, 2014. The Company provided the requirements to the Revenue Officer. As at report date, no final assessment or letter of demand on tax deficiency has been received by the Company.





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Branches: Subic · Cebu · Bacolod · Iloilo

## **REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION**

The Stockholders and Board of Directors  
Makati Finance Corporation  
2<sup>nd</sup> Floor, Makati Finance Bldg.  
7823 Makati Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Makati Finance Corporation (the "Company") as at and for the year ended December 31, 2015, included in this Form 17-A, and have issued our report thereon dated April 11, 2016.

Our audit was made for the purpose of forming an opinion on the financial statements of the Company taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management.

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Map of Conglomerate
- Schedule of Financial Soundness Indicators
- Schedule of Philippine Financial Reporting Standards
- Supplementary Schedules of Annex 68-E

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

**R. G. MANABAT & CO.**

CARMEL LYNNE M. BALDE

Partner

CPA License No. 0099677

SEC Accreditation No. 1055-AR, Group A, valid until May 20, 2018

Tax Identification No. 205-133-498

BIR Accreditation No. 08-001987-24-2014

Issued January 22, 2014; valid until January 21, 2017

PTR No. 5320738MD

Issued January 4, 2016 at Makati City

April 11, 2016  
Makati City, Metro Manila

**EXHIBIT II**  
**SCHEDULE OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**DECEMBER 31, 2015**

**MAKATI FINANCE CORPORATION**  
**2nd Floor, Makati Finance Centre**  
**7823 Makati Avenue, Makati City**

<b>UNAPPROPRIATED RETAINED EARNINGS -</b>		
<b>BEGINNING</b>		<b>P167,321,336</b>
<b>ADD(LESS) ADJUSTMENTS:</b>		
Accumulated equity in net income of an associate		(79,302,222)
<b>ADD: Net income actually earned during the year</b>		
Net Income during the period	P45,980,891	
Deferred tax benefit during the year	(7,706,900)	
Equity in net income of an associate	(40,787,135)	
Dividend Income from an associate	72,000,000	69,486,856
<b>LESS: Dividends declared during the year</b>		<b>(12,505,554)</b>
<b>RETAINED EARNINGS AVAILABLE FOR</b>		
<b>DIVIDENDS</b>		<b>P145,000,416</b>



**EXHIBIT III**  
**MAKATI FINANCE CORPORATION**  
**SCHEDULE OF ALL THE EFFECTIVE STANDARDS**  
**UNDER PFRS IN COMPLIANCE WITH SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2015**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	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			✓
	Amendment 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			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal	✓		
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓

\* These standards will be effective subsequent to January 1, 2015 and were not adopted early by the Company

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	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 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: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements	✓		
	<b>PFRS 8</b>	Operating Segments	✓	
Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments		✓		
<b>PFRS 9</b>	Financial Instruments		✓*	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39			✓
<b>PFRS 9 (2014)</b>	Financial Instruments		✓*	
<b>PFRS 10</b>	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓*	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
<b>PFRS 11</b>	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

\*These standards will be effective subsequent to January 1, 2015 and were not adopted early by the Company



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception		✓*	
<b>PFRS 13</b>	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception		✓*	
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	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	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
<b>PAS 2</b>	Inventories			✓
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓

\* These standards will be effective subsequent to January 1, 2015 and were not adopted early by the Company

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✓
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓
<b>PAS 27 (Amended)</b>	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception		✓*	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception		✓*	
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 32</b>	Financial Instruments: Disclosure and Presentation	✓		
	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	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✓
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report"	✓		
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		

\*These standards will be effective subsequent to January 1, 2015 and were not adopted early by the Company



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
<b>PAS 39</b>	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 Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
<b>PAS 40</b>	Investment Property	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter- relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)	✓		
<b>PAS 41</b>	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	✓		
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓

\* These standards will be effective subsequent to January 1, 2015 and were not adopted early by the Company

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
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	✓		
<b>Philippine Interpretations Committee Questions and Answers</b>				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01 - Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]	✓		
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01 - Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
<b>PIC Q&amp;A 2010-03</b>	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan	✓		
<b>PIC Q&amp;A 2011-01</b>	PAS 1.10(f) - Requirements for a Third Statement of Financial Position	✓		
<b>PIC Q&amp;A 2011-02</b>	PFRS 3.2 - Common Control Business Combinations			✓
<b>PIC Q&amp;A 2011-03</b>	Accounting for Inter-company Loans	✓		
<b>PIC Q&amp;A 2011-04</b>	PAS 32.37-38 - Costs of Public Offering of Shares			✓
<b>PIC Q&amp;A 2011-05</b>	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
<b>PIC Q&amp;A 2011-06</b>	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✓
<b>PIC Q&amp;A 2012-01</b>	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
<b>PIC Q&amp;A 2012-02</b>	Cost of a New Building Constructed on the Site of a Previous Building			✓
<b>PIC Q&amp;A 2013-01</b>	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
<b>PIC Q&amp;A 2013-02</b>	Conforming Changes to PIC Q&As - Cycle 2013			✓
<b>PIC Q&amp;A 2013-03 (Revised)</b>	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law	✓		

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**EXHIBIT IV**  
**MAKATI FINANCE CORPORATION**  
**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**December 31, 2015**

**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
Other investments: Orchard golf club shares	1	P80,000	-

**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
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
AIB	P-	36,000,000	P-	P-	P-	P-	36,000,000



**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
Pushtech/IFCA	100,758		93,739			7,019
Accounting Sytem QnE	37,572	10,000	27,070			20,502
Intellismart	33,848		21,264			12,584
Windows 7 Prof OEM License	159,788	(27,540)	76,439			55,809
Other Software Cost	369,582	178,583	176,446			371,719
<b>TOTAL</b>	<b>701,548</b>	<b>161,043</b>	<b>394,958</b>			<b>467,633</b>

**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
N/A	N/A	N/A	N/A

**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
N/A	N/A	N/A

**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
N/A	N/A	N/A	N/A	N/A

**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	145,485,180	145,485,180	-	145,485,180		
COMMON	14,874,146	14,874,146	-			14,874,146
COMMON	8,671,642	8,671,642	-		8,671,642	
COMMON	6,848,093	6,848,093	-			6,848,093
COMMON	5,844,492	5,844,492	-		5,844,492	
COMMON	5,245,445	5,245,445	-			5,245,445
COMMON	4,994,219	4,994,219	-			4,994,219
COMMON	4,794,676	4,794,676	-		4,794,676	
COMMON	4,998,802	4,998,802	-			4,998,802
COMMON	2,111,089	2,111,089	-		2,111,089	
COMMON	1,034,595	1,034,595	-		1,034,595	
COMMON	622,274	622,274	-			622,274
COMMON	407,591	407,591	-		407,591	
COMMON	362,114	362,114	-			362,114
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	239,712	239,712	-			239,712
COMMON	232,636	232,636	-		232,636	
COMMON	210,754	210,754	-			210,754
COMMON	153,456	153,456	-			153,456
COMMON	150,764	150,764	-			150,764
COMMON	69,701	69,701	-			69,701
COMMON	28,329	28,329	-			28,329
COMMON	27,397	27,397	-			27,397
COMMON	20,803	20,803	-			20,803
COMMON	20,803	20,803	-			20,803





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	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,259	1,259	-			1,259
COMMON	1,093	1,093	-			1,093
COMMON	624	624	-			624
COMMON	615	615	-			615
COMMON	425	425	-			425
COMMON	327	327	-			327
COMMON	226	226	-			226
COMMON	92	92	-			92
COMMON	92	92	-			92
COMMON	92	92	-			92
COMMON	92	92	-			92
COMMON	61	61	-			61
COMMON	29	29	-			29
COMMON	29	29	-			29
COMMON	29	29	-		29	
COMMON	29	29	-			29
COMMON	29	29	-			29
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	
<b>TOTAL</b>	<b>209,565,483</b>	<b>209,565,483</b>	<b>-</b>	<b>147,559,784</b>	<b>23,096,782</b>	<b>38,908,917</b>



**EXHIBIT IV**  
**MAKATI FINANCE CORPORATION**  
**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**December 31, 2015**

**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
Other investments: Orchard golf club shares	1	P80,000	-

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Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
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**Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements**

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
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**Schedule D. Intangible Assets - Other Assets**

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Schedule H. Capital Stock

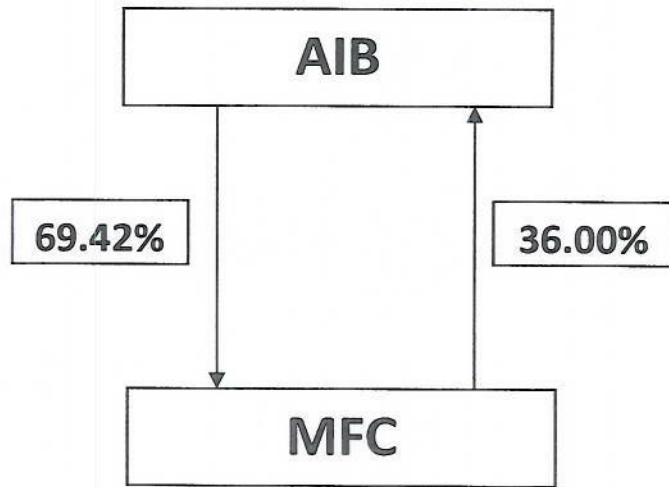
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
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COMMON	145,485,180	145,485,180	-	145,485,180		
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COMMON	6,848,093	6,848,093	-			6,848,093
COMMON	5,844,492	5,844,492	-		5,844,492	
COMMON	5,245,445	5,245,445	-			5,245,445
COMMON	4,998,802	4,998,802	-			4,998,802
COMMON	4,994,219	4,994,219	-			4,994,219
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COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
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COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	239,712	239,712	-			239,712
COMMON	232,636	232,636	-		232,636	
COMMON	210,754	210,754	-			210,754
COMMON	153,456	153,456	-			153,456
COMMON	150,764	150,764	-			150,764
COMMON	69,701	69,701	-			69,701
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COMMON	20,803	20,803	-			20,803
COMMON	20,803	20,803	-			20,803

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COMMON	20,803	20,803	-			20,803
COMMON	20,803	20,803	-			20,803
COMMON	20,803	20,803	-			20,803
COMMON	20,803	20,803	-			20,803
COMMON	20,802	20,802	-			20,802
COMMON	19,371	19,371	-			19,371
COMMON	16,847	16,847	-			16,847
COMMON	14,871	14,871	-			14,871
COMMON	14,437	14,437	-			14,437
COMMON	13,533	13,533	-			13,533
COMMON	8,266	8,266	-			8,266
COMMON	7,066	7,066	-			7,066
COMMON	6,027	6,027	-			6,027
COMMON	6,017	6,017	-			6,017
COMMON	5,997	5,997	-			5,997
COMMON	5,931	5,931	-			5,931
COMMON	4,628	4,628	-			4,628
COMMON	2,292	2,292	-			2,292
COMMON	2,061	2,061	-			2,061
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967



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	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,259	1,259	-			1,259
COMMON	1,093	1,093	-			1,093
COMMON	624	624	-			624
COMMON	615	615	-			615
COMMON	425	425	-			425
COMMON	327	327	-			327
COMMON	226	226	-			226
COMMON	92	92	-			92
COMMON	92	92	-			92
COMMON	92	92	-			92
COMMON	92	92	-			92
COMMON	61	61	-			61
COMMON	29	29	-			29
COMMON	29	29	-			29
COMMON	29	29	-		29	
COMMON	29	29	-			29
COMMON	29	29	-			29
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	
<b>TOTAL</b>	<b>209,565,483</b>	<b>209,565,483</b>	<b>-</b>	<b>147,559,784</b>	<b>23,096,782</b>	<b>38,908,917</b>

**EXHIBIT V**  
**MAKATI FINANCE CORPORATION**  
**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, 2015**





**EXHIBIT VI**  
**MAKATI FINANCE CORPORATION**  
**SCHEDULE SHOWING FINANCIAL SOUNDNESS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2015**

	2015	2014
<b>Solvency and Liquidity Ratios</b>		
Current ratio	116.42%	109.69%
Debt to equity ratio	214.36%	232.02%
Quick ratio	92.39%	88.71%
<b>Profitability Ratios</b>		
Return on assets	3.48%	3.31%
Return on equity	10.94%	10.98%
Net profit margin	24.68%	22.51%
Asset to Equity Ratio	314.36%	332.02%
Interest Rate Coverage Ratio	1.94	1.80
<b>Other Relevant Ratios</b>		
Ratio or percentage of total real estate investments to total assets	0.20%	0.21%
Total receivables to total assets	71.75%	67.05%
Total DOSRI receivables to net worth	8.61%	0.06%
Amount of receivables from a single corporation to total receivables:		
Motor Ace Philippines, Inc.	0.25%	0.25%
Honda Motor World, Inc.	0.25%	0.28%

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