108122016003612

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder : Jojit Licudine
Receiving Branch : SEC Head Office
Receipt Date and Time : August 12, 2016 04:32:39 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.	0000028788
Company Name	MAKATI FINANCE CORP.
Industry Classification	FINANCING COMPANY OPERATIONS
Company Type	Stock Corporation

Document Information

Document ID	108122016003612
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	June 30, 2016
No. of Days Late	0
Department	CFD
Remarks	

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

August 12, 2016

The Markets & Securities Regulation Department
SECURITIES AND EXCHANGE COMMISSION
SEC Building, Mandaluyong City

Attention : **Hon. Vicente Graciano P. Felizmenio, Jr.**
Director, Markets & Securities Regulation Department

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

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

Gentlemen:

We are sending herewith the Quarterly Report for the period ended June 30, 2016 (SEC Form 17-Q) of Makati Finance Corporation.

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

MAKATI FINANCE CORPORATION
Registrant

By:

MARCOS E. LAROSA
Chief Finance Officer/CIO

2nd Floor, Makati Finance Building 7823 Makati Avenue, Makati City, Philippines
Tel. (632) 899 4145 / 890 0526 Fax. (632) 899 4121

COVER SHEET

		2	8	7	8	8			

S.E.C. Registration Number

M A K A T I F I N A N C E

C O R P O R A T I O N

(Company's Full Name)

2 N D F l o o r , M a k a t i

F i n a n c e B u i l d i n g 7 8 2 3

M a k a t i A V e . , M a k a t i C i t y

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

MARCOS E. LAROSA
Contact Person

897-0749
Company Telephone Number

1	2		3	1
Month			*Day*	

Fiscal Year

2016

SEC Form 17-Q
2nd Quarter 2016
FORM TYPE

Secondary License Type, If Applicable

0	7			
Month			*Day*	

Annual Meeting

Every last Thursday of July

C R M D
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders | Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2016**

2. Commission identification number **28788**

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

MAKATI FINANCE CORPORATION

4. Exact name of issuer as specified in its charter

MAKATI CITY, PHILIPPINES

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

6. Industry Classification Code: [ ] (SEC Use Only)

7823 MAKATI AVENUE, POBLACION, MAKATI CITY	**1210**
7. Address of issuer's principal office	Postal Code

(**0632) 896-02-21**

8. Issuer's telephone number, including area code

N/A

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
COMMON STOCK	**209,565,483***

**as reported by the stock transfer agent as of June 30, 2016*

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

Yes [X] No [ ]

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

PHILIPPINE STOCK EXCHANGE — Common Stock

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports) Yes [/] No [ ]

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

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements. (See Annex A)

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

Key Variable and Other Qualitative and Quantitative Indicators

Financial Ratios (For the Period Ending June)

	2016	*2015*
NET INTEREST INCOME	78.07%	76.62%
EBIT MARGIN	49.24%	47.18%
RETURN ON ASSETS(annualized)	3.08%	2.82%
DEBT TO EQUITY	203.63%	225.58%
RETURN ON EQUITY(annualized)	9.34%	9.19%

Net interest income increased by 1.45%, which is computed by deducting the cost of borrowing from the gross interest revenues. This is due to lower interest expense of the Company as of June 30, 2016 versus same period in 2015. The EBIT margin, which measures profitability performance, increased to 49.24% in June 2016 as against 47.18% in June 2015 as a result of the company's thrust to produce higher quality loan portfolio with lower interest yield. Return on assets was 3.08% in 2016 as against 2.82% in 2015. This ratio of annualized net income over the total assets is an indicator of management effectiveness. The return on equity or the ratio of annualized net income over the stockholder's equity was at 9.34% in June 2016 as against 9.19% in June 2015. The ROE measures the return on funds provided by the stockholders. The income generated steadily grows as the Company grows quality loan portfolio.

Liquidity

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

Events that will Trigger Material Direct or Contingent Financial Obligation

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

Material Off-Balance Sheet Transactions, Arrangements or Obligations

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

Material Commitments for Capital Expenditure

The Company had started to implement its geographical expansion plans for the Motorcycle Financing line. As in any expansion, there is the need to invest in buying new office equipment, furniture and service units (motorcycles) for the CSRs. The Company continued to spend its resources on computerization of financial system and on IT financial infrastructure.

Results of Operations/Material Changes in Financial Statement Accounts

The company posted a net income of ₱ 20.58 million as of June 2016. Net interest income for the period ending June amounted to ₱ 103.82 million. The thrust in loan production is to produce more low risk, low interest yield loans for higher quality portfolio.

On operating expenses, increased salaries and benefits, rental expenses, and higher taxes and licenses contributed to the increase in the operating expenses as of June 30, 2016. On matters of provisioning, the Company continued to be prudent and aligned its provisions within the limits of the newly implemented Accounting Standards on valuation of assets.

Total assets amounted to ₱ 1,338.4 million, of which current assets were at ₱ 949 million. The increase in total assets as of June 2016 versus 2015 is primarily due to receivables which increased from ₱ 930.7 million in 2015 to ₱ 949 million in 2016. Total liabilities amounting to ₱ 897.6 million as of June 30, 2016 declined from ₱ 900.75million from December 2015 due to significant loan payments.

Material Events or Uncertainties

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

PART II--OTHER INFORMATION

NOT APPLICABLE.

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

SIGNATURES

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

Issuer............……….......…...………………………………….**.TERESITA B. BENITEZ**.........…...............

Signature and Title............……………………………………...   **CHAIRPERSON**…..………............

Date ……August 12, 2016

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

Signature and Title...**CHIEF FINANCE OFFICER**...................

Date …….August 12, 2016

ANNEX A

FINANCIAL STATEMENTS
For the Period Ending June 30, 2016
With Comparative Figures for 2015

MAKATI FINANCE CORPORATION
INTERIM BALANCE SHEET
FOR THE PERIOD ENDING JUNE 30, 2016 AND DECEMBER 31, 2015

	JUNE 30, 2016	**DEC. 31, 2015 (Audited)**	**JUNE 30, 2015**
Current Assets:			
Cash on Hand/in Banks	25,682,799	18,406,119	27,531,672
Receivables *(Note 8)*	923,347,996	947,784,722	903,170,415
Total Current Assets	949,030,795	966,190,841	930,702,087
Investment Properties	2,604,468	2,604,468	2,604,468
Investment in Associates *(Note 11)*	146,840,721	123,089,357	154,915,556
Property & Equipment - net *(Note 9)*	15,542,151	3,853,741	4,984,385
Deferred Tax Asset	31,799,024	29,290,203	22,448,960
Other Assets - net *(Note 10)*	192,533,614	195,936,875	179,577,281
Total Assets	**1,338,350,773**	**1,320,965,485**	**1,295,232,737**

	JUNE 30, 2016	**DEC. 31, 2015 (Audited)**	**JUNE 30, 2015**
Current Liabilities:			
Notes Payable *(Note 12)*	834,545,194	843,249,466	820,605,242
Accounts Payable	30,182,035	27,970,499	36,519,570
Accrued Expenses	32,833,926	29,533,989	40,282,092
Total	897,561,155	900,753,954	897,406,904
Stockholder's Equity:			
Capital Stock – P1 par value			
Authorized – 300,000,000 shares			
Issued and Outstanding	209,565,483	209,565,483	203,312,773
Additional Paid in Capital	5,803,922	5,803,922	5,803,922
Retained Earnings	200,796,673	167,321,336	167,321,336
Remeasurement gains on retirement assets	4,045,396	4,045,396	3,110,992
Share in other comprehensive income/(loss) of an associate	57	57	57
YTD Net Income	20,578,087	33,475,337	18,276,753
Total	440,789,618	420,211,531	397,825,833
Total Liabilities and Capital	**1,338,350,773**	**1,320,965,485**	**1,295,232,737**

MAKATI FINANCE CORPORATION
INTERIM STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE QUARTER ENDING JUNE 30, 2016 AND 2015

	FOR 3 MONTHS ENDING		**FOR 6 MONTHS ENDING**	
	2016-June 30	2015-June 30	2016-June 30	2015-June 30
Interest Income – Loans	52,823,108	53,448,250	103,824,501	106,055,211
Cost of Borrowings	10,862,766	12,389,337	22,770,792	24,792,509
Net Interest Income	41,960,341	41,058,913	81,053,708	81,262,702
Less: Provisions	2,404,369	2,949,416	6,450,585	6,253,006
Net Interest Income	39,555,973	38,109,497	74,603,124	75,009,696
Other Income	25,493,410	14,518,535	33,206,130	26,963,253
Operating Expenses				
Professional/Management Fees and Bonus	1,932,237	3,910,937	5,191,239	6,533,359
Salaries and Wages	18,618,179	14,559,249	36,125,961	29,644,895
Transportation and Representation	1,664,215	1,681,922	3,116,551	3,051,466
Depreciation and Amortization	1,214,678	572,734	1,797,870	1,185,493
Commissions	865,334	1,045,966	1,321,519	1,679,800
Loss from sale and write-down of MC inventories	18,851,173	15,898,113	21,801,744	28,384,101
Other Employee Benefits	0	502,478	0	502,478
Communication and Utilities	610,340	1,406,704	1,278,265	2,042,383
Rent Expense	3,624,122	1,518,904	5,930,655	2,985,841
Taxes, Licenses, Permits and fees	6,664,489	2,972,498	7,355,219	5,982,985
Other Operating Expenses	2,837,931	416,937	4,688,097	1,877,643
Total	56,882,696	44,486,442	88,607,120	83,840,444
Net Income Before Income Tax	**8,166,687**	**8,141,590**	**19,202,134**	**18,132,505**
Provisions for Tax/Deferred Tax Adjustment	-2,032,868	-709,352	-1,375,953	-144,248
Net Income	**10,199,555**	**8,850,942**	**20,578,087**	**18,276,753**
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**10,199,555**	**8,850,942**	**20,578,087**	**18,276,753**
RETIANED EARNINGS, BEGINNING	**200,796,673**	**167,321,336**	**200,796,673**	**167,321,336**
RETAINED EARNINGS, QUARTER/YEAR-END	**210,996,228**	**176,172,278**	**221,374,760**	**185,598,089**
BASIC EARNINGS PER SHARE	**0.04**	**0.04**	**0.09**	**0.09**

***As of June 30, 2016, and December 31, 2015,** there were no shares of stock that have a dilutive effect on the earnings per share of the Company.

MAKATI FINANCE CORPORATION
INTERIM CASH FLOW STATEMENTS
FOR THE PERIOD ENDING JUNE 30, 2016 AND 2015

	2016 30-June	**2015 30-June**
Cash Flow From Operating Activities		
Net Income Before Tax and Extra-Ordinary Items	19,202,134	18,132,505
Adjustments for:		
Provisions for probable losses	28,252,290	34,637,107
Depreciation and amortization	1,797,870	1,185,493
Share in the net income of an associate	(23,751,364)	(18,613,334)
Change in operating Assets and Liabilities		
Decrease (increase) in the amounts of:		
Receivables	17,986,142	(64,541,073)
Other Assets	(54,594,345)	(22,820,949)
Increase (decrease) in the amounts of:		
Accrued Expenses Payable	2,211,536	14,659,206
Other Payable	1,276,084	6,460,253
Net cash provided by (used in) operating activities	**(5,445,885)**	**(26,593,480)**
Income Tax Paid	1,086,884	2,153,656
Net Cash provided by (used in) operating activities	**(6,532,768)**	**(28,747,136)**
Cash Flow From INVESTING Activities		
Acquisition of Property and Equipment	(13,486,279)	(618,780)
Pre-termination of short-term money market placement	-	-
Cash Dividends from AIB	36,000,000	18,000,000
Proceeds from Sale of Property and Equipment	-	-
Net cash provided by (used in) investing activities	**22,513,721**	**17,381,220**
Cash Flow From FINANCING Activities		
Cash dividend paid	-	-
Loan availments	91,589,433	101,936,820
Pre-Termination)	(100,293,705)	(109,414,280)
Net cash provided by (used in) financing activities	(8,704,272)	(7,47,460)
Net cash provided by (used in) Cash and Cash Equivalents	**7,276,680**	**(18,843,376)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	18,406,119	46,375,048
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	**25,682,799**	**27,531,672**

MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDING JUNE 30, 2016 AND 2015 AND DECEMBER 31, 2015

	June 30, 2016	Dec. 31, 2015	June 30, 2015
Capital Stock			
Authorized 300,000,000 par value P1			
Issued and outstanding	203,312,773	203,312,773	203,312,773
Stock dividends		6,252,710	
Issuance during the year			
	203,312,773	**209,565,483**	**203,312,773**
Additional paid-in capital			
Balance, beginning of year	5,803,922	5,803,922	5,803,922
Issuance during the year			
	5,803,922	**5,803,922**	**5,803,922**
Retained earnings (deficit)			
Balance, beginning of year	167,321,336	132,567,334	167,321,336
Adjustment to RE			
Stock dividends		(6,252,710)	
Cash dividends		(6,252,844)	
Total Comprehensive Income	20,578,087	45,980,891	18,276,753
Balance, end of quarter/year	**221,474,760**	**200,796,673**	**185,598,089**
Remeasurement gains on retirement assets	**4,045,396**	**4,045,396**	**3,110,992**
Share in other comprehensive income/loss of an associate	**57**	**57**	**57**
Net unrealized loss on investments			
Total Equity	**449,789,618**	**420,211,531**	**397,825,833**

MAKATI FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENT
(With Comparative Figures of 2015)

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 Centre, 7823 Makati Avenue, Makati City. The Company was listed in the Philippine Stock Exchange (PSE) on January 6, 2003 and is majority-owned by Amalgamated Investment Bancorporation (AIB).

2. Basis of Preparation

Statement of Compliance
The accompanying 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 retirement assets and available-for-sale (AFS) financial assets which are measured at their 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.

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, 2014 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.

Adopted on January 1, 2014

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32).* These amendments clarify that:

  - an entity currently has a legally enforceable right to set-off if that right is:
    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and

  - gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
    - eliminate or result in insignificant credit and liquidity risk; and
    - process receivables and payables in a single settlement process or cycle.

- *Investment Entities (Amendments to PFRS 10, PFRS 12, and PAS 27 (2011)).*

  These amendments provide consolidation exception for investment funds and require qualifying investment entities to recognize their investments in controlled entities, as well as investments in associates and joint ventures, in a single line item in the statement of financial position, measured at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. However, the parent of an investment entity (that is not itself an investment entity) is still required to consolidate all subsidiaries. This consolidation exception is mandatory.

- *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to PAS 36).*

  These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

- *Measurement of short-term receivables and payables (Amendment to PFRS 13).* Amendment to PFRS 13 is part of the Annual Improvements to PFRSs 2010-2012 Cycle. The amendment clarifies that, in issuing PFRS 13 and making consequential amendments to PAS 39 and PFRS 9, the intention is not to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial. The amendment to PFRS 13 is effective immediately.

<u>Revenue Recognition</u>
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 investments and financial assets and liabilities at FVPL.

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

- *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.

- *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.

- *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.

- *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 nonperforming 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.

- *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 payables, accounts payable and accrued expenses (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 statement of income and expenses, 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:

- the rights to receive cash flows from the assets have expired;

- 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

- the Company has transferred its right to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset, or
  - 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 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.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

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 statement 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 pertain 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 is not 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 statement 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 statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The 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 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 foreclosed 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 net realizable value is recognized as a loss from write-down 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 statement of financial position, which includes costs incurred relative to the development of the Company’s software.

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

Software 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 Board of Directors (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 (PDEx) 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.

Leases

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

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

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances give rise to the reassessment for scenarios a, c, or d above; and at the date of renewal or extension period for scenario b.

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

Company as Lessor
Leases where the Company does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Operating lease payments received are recognized as an income in the statement of income on a straight line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Employee Benefits
Defined Benefit Plan
The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets, if there is any.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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 have 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 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 an 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 statement 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 statement 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, 2014, and have not been applied in preparing these financial statements. However, none of these is expected to have a significant effect on the financial statements. Those which may be relevant to the Company are set out below.

To be Adopted on January 1, 2015

- *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.

  The amendments apply retrospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles*

  Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Most amendments will apply prospectively for annual periods beginning on or after

July 1, 2014. 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:

- *Measurement of short-term receivables and payables* (*Amendment to PFRS 13*). The amendment clarifies that, in issuing PFRS 13 and making consequential amendments to PAS 39 and PFRS 9, the intention is not to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.
- *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.

To be Adopted on January 1, 2016

- *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.

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

- *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 to changes in methods of disposal that occur on or after January 1, 2016.

  - *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 Accounting Policies, Changes in Accounting Estimates and Errors.*

  - *'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 Accounting Policies, Changes in Accounting Estimates and Errors*, 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.

- *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 Accounting Policies, Changes in Accounting Estimates and Errors.*

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.

4. Significant Accounting Judgments and Estimates

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

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

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Judgments

- *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.

- *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

- *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 management assessed that provision for impairment loss is necessary for its loans and receivables as of December 31, 2014 and 2013.

- *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.

  For 2014, no impairment loss was recognized for AFS equity investments. For 2013 a provision amounting to P10,000 was recorded in the statement of comprehensive income.

- *Impairment of Property and Equipment, Investment Properties, Investment in an Associate 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.

- *Write-down of Motorcycle Inventories to NRV*
  The Company recognizes loss on write-down 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.

  The carrying value of motorcycle inventories and the related loss from write-down are disclosed in Note 13.

- *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.

- *Estimating Useful Lives of Property and Equipment 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.

- *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. Further details about the assumptions used are provided in Note 18.

- *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.

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.

AFS Financial Assets
This is carried at cost less any allowance for impairment losses due to lack of other suitable method to arrive at a reliable measure of fair value.

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.

In 2014 and 2013, there were no transfers of financial instruments between Levels 1, 2 and 3. No instruments were measured based on Level 3.

The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

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.

<u>Credit Risk</u>
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.

	June 2016			December 2015		
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements**	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and Other Receivables						
Receivable from customers:						
Consumer	**P759,769,288**	**P679,125,387**	**P80,643,901**	P823,839,289	P737,555,753	P86,283,556
Services	**163,578,708**	**15,898,969**	**147,679,738**	143,857,957	5,853009	138,004,948
Construction	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-
Dividend Receivable	-		-	36,000,000		36,000,000
	923,347,996	**P695,024,356**	**P228,323,640**	1,003,697,246	P743,408.42	P260,288,504

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).

	June 2016					
	Neither Past Due nor Impaired					
	High Grade	**Medium Grade**	**Low Grade**	**Past Due but not Impaired**	**Impaired**	**Total**
Loans and other receivables						
Cash in banks	**P24,605,055**	**P -**	**P -**	**P -**	**P -**	**P24,605,055**
Receivable from customers:						
Consumer	**505,534,607**	**-**	**12,699,933**	**176,721,753**	**109,239,295**	**804,195,589**
Services	**9,794,782**	**-**	**122,100,526**	**15,486,218**	**7,155,658**	**154,537,184**
Construction	**-**	**-**	**-**	**-**	**-**	**-**
Other receivables	**-**	**-**	**16,979,656**	**-**	**-**	**16,979,656**
Dividend Receivable	**-**	**-**	**-**	**-**	**-**	**-**
Other assets*	**-**	**-**	**80,000**	**-**	**-**	**80,000**
	P539,934,445	**P -**	**P151,860,115**	**P192,207,971**	**P116,394,953**	**P1,000,397,484**

**Includes investments in Golf shares*

	December 2015					
	Neither Past Due nor Impaired					
	High Grade	Medium Grade	Low Grade	Past Due but not Impaired	Impaired	Total
Loans and other receivables						
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	6,682,125	-	116,486,793	13,570,793	7,172,246	143,857,957
Construction	-	-	1,429,112	-	-	1,429,112
Other receivables	-	-	17,011,516	-	-	17,011,516
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*

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:

	June 2016					
	<30 Days	**30-60 Days**	**61-90 Days**	**91-120 Days**	**>120 Days**	**Total**
Consumer	**P91,746,241**	**P32,073,429**	**P16,444,118**	**P13,863,800**	**P22,594,166**	**P176,721,753**
Services	**8,253,253**	**1,516,313**	**1,632,072**	**1,088,401**	**2,996,179**	**15,486,218**
	P99,999,493	**P33,589,741**	**P18,076,190**	**P14,952,201**	**P25,590,345**	**P192,207,971**

	December 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

Impairment Assessment
The Company recognizes impairment/credit losses based on the results of specific (individual) and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the payment of obligation by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold (e.g., 90 days).

These and other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

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

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

		Contractual Maturities					
		December 2015					
	Carrying amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial Assets							
Cash on hand and in banks	P17,282,619	P17,282,619	P -	P -	P -	P -	P17,282,619
Loans and other receivables							
Receivable from customers:							
Consumer	797,362,673	178,295,166	158,329,828	255,720,308	535,961,046	15,613,419	1.143,919,767
Services	143,082,841	125,828,747	16,261,025	24,623,569	31,727,328	8,447,201	206,887,870
Construction	-	-	-	-	-	-	-
Other receivables	12,142,653	4,326,514	4,326,514	4,326,514	4,326,514	-	17,306,057
Dividend Receivable	36,000,000	-	36,000,000	-	-	-	36,000,000
	1,010,739,650	P325,733,046	P214,917,367	P284,670,391	P572,014,889	24,060,620	P1,421,396,313
Financial Liabilities							
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	24,060,620	P543,175,051

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 risk

The Company has no foreign currency denominated financial assets and liabilities as of December 31, 2014 and 2013. Accordingly, the Company does not have exposure to foreign exchange risk.

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.

7. Segment Information

The Company has three (3) main products: Rx Cashline - loans tailored to medical professionals, MFC Factors - receivable factoring services and MC Financing, loans to motorcycle buyers.

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.

Below is the performance of each of the product line based on allocable revenues and expenses.

	June 2016				
	Rx Cash Line	**MC Factors**	**MC Financing**	**Others**	**Total**
Loans	**P111,299,256.41**	**P117,155,601.32**	**P1,028,254,148.49**	**P122,251,361.28**	**1,378,960,367.50**
Results of operation					
Revenues					
Interest income	**P9,817,981.19**	**P8,106,249.90**	**P80,197,996.23**	**P36,104.91**	**P98,158,332.23**
Other income	**1,652,892.73**	**2,201,984.30**	**5,594,144.74**	**23,757,108.30**	**33,206,130.07**
	11,470,873.92	**10,308,234.20**	**85,792,140.97**	**23,793,213.21**	**131,364,462.30**
Expenses					
Interest expense	**2,357,421.30**	**2,056,939.56**	**14,467,018.07**	**3,889,413.42**	**22,770,792.35**
Provision for credit losses	**757,410.11**	**-**	**27,494,879.98**	**-**	**28,252,290.09**
Operating expenses	**3,109,729.55**	**3,491,494.82**	**54,538,321.77**	**-**	**61,139,246.14**
	6,224,560.96	**5,548,134.38**	**96,500,219.81**	**3,889,413.42**	**112,162,328.58**
Net operating income	**5,246,312.96**	**4,760,099.82**	**(10,708,078.84)**	**19,903,799.79**	**19,202,133.72**
Less provision for income tax	**1,573,893.89**	**1,428,029.95**	**(4,377,876.88)**		**(1,375,953.05)**
Net income (loss)	**P3,672,419.07**	**P3,332,069.87**	**(P6,330,201.96)**	**19,903,799.79**	**P20,578,086.77**
Statement of financial position					
Total assets	**P108,021,247.51**	**P113,705,110.13**	**P997,969,792.94**	**P118,650,788.70**	**1,338,346,939.27**
Total liabilities	**P72,444,351.22**	**P76,256,228.51**	**P669,287,532.40**	**P79,573,043.34**	**P897,561,155.48**
Other segment information					
Capital expenditures	**P -**	**P -**	**P -**	**P -**	**P -**
Depreciation and amortization	**P3,026**	**P918**	**P626,235**	**P1,167,691**	**P1,797,870**

The Company has no significant customers which contribute 10% or more of the revenues.

8. Receivables

Receivables consist of:

	Jun-16	Dec-15	Jun-15
Loans receivable	1,378,330,647	1,350,807,637	1,313,454,517
Others	16,979,656	53,306,057	13,388,751
	1,395,310,303	1,404,113,694	1,326,843,268
Unearned interest income/discount	(373.894.346)	(368,598,332)	(350,864,018)
Client's equity	(35,162,115)	(31,818,116)	(30,820,303)
Allowance for credit losses	(62,905,846)	(55,912,524)	(41,988,532)
	923,347,996	947,784,722	903,170,415

This account consists of:

	Jun-16	Dec-15
Receivable from customers:		
Consumer	**1,149,875,789**	**P1,143,919,767**
Services	**228,454,858**	**206,887,870**
Construction		**-**
Other receivables	**16,979,656**	**17,306,057**
Dividend Receivable	**-**	**36,000,000**
	1,395,310,303	**1,404,113,694**
Unearned interest income	**(373,894,346)**	**(368,598,332)**
Client's equity	**(35,162,115)**	**(31,818,116)**
Allowance for credit losses	**(62,905,846)**	**(55,912,524)**
	923,347,996	**P947,784,722**

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

Loans and receivables according to product type:

	Jun-16	Dec-15
Motorcycle financing	**1,018,807,770**	**P1,065,245,505**
Receivables purchased	**117,155,601**	**106,060,386**
Rx cash line	**109,345,363**	**100,052,367**
Business Loan	**121,621,641**	**69,227,883**
	1,366,930,375	**1,340,586,141**
Unearned interest income	**(373,894,346)**	**(368,598,332)**
Client's equity	**(35,162,115)**	**(31,818,116)**
	957,873,914	**940,169,693**
Accrued interest receivable	**11,400,272**	**10,221,496**
Sales contract receivable	**205,064**	**205,064**
Advances to officers and employees	**1,077,157**	**517,655**
Due from affiliates	**101,007**	**101,007**
Miscellaneous receivables	**15,596,428**	**16,482,331**
Dividend Receivable		**36,000,000**
	986,253,842	**1,003,697,246**
Allowance for credit losses	**(62,905,846)**	**(55,912,524)**
	923,347,996	**P947,784,722**

9. Property and Equipment

The movements of property and equipment during the year follow:

	Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost				
Balance, January 1, 2016	10,151,694	1,424,681	3,894,275	15,470,650
Additions	1,736,395	5,819,795	5,979,120	13,535,310
Disposals	-	-	(212,489)	(212,489)
Balance, June 30, 2016	11,888,089	7,244,476	9,660,906	28,793,471
Accumulated Depreciation				
Balance, January 1, 2016	8,925,890	889,099	2,762,391	12,577,380
Depreciation	617,986	98,451	917,975	1,634,412
Balance, June 30, 2016	9,543,876	987,550	3,680,366	14,211,792
Net Book Value				
June 30, 2016	**2,344,213**	**6,256,926**	**5,980,540**	**14,581,679**
Dec. 31, 2015(Audited)	**1,242,973**	**535,582**	**2,075,186**	**3,853,741**

Jun-15

	Furniture, Fixtures and Equipment & Others	Leasehold Improvements	Transportation Equipment	Total
Cost				
Balance, January 1, 2015	14,041,885	1,383,237	3,850,000	19,275,122
Additions	591,641	60,561	65,329	717,531
Balance, June 30, 2015	14,633,526	1,443,798	3,915,329	19,992,653
Accumulated Depreciation and Amortization				
Balance, January 1, 2015	11,026,138	694,959	2,101,678	13,822,775
Depreciation and amortization	930,454	112,931	142,108	1,185,493
Balance, June 30, 2015	11,956,592	807,890	2,243,786	15,008,268
Net Book Value				
30-Jun-15	**2,676,934**	**635,908**	**1,671,543**	**4,984,385**
Net Book Value				
Dec. 31, 2014(Audited)	**2,331,368**	**688,278**	**2,531,452**	**5,551,098**

Motorcycle inventory is transferred to transportation equipment when these are used in the business operations by the employees. The transportation equipment is valued at the inventory's carrying amount.

10. Other Assets

This account consists of:

	Jun-16	Dec-15	Jun-15
Software Costs	**316,592**	467,633	478,378
Prepaid Expenses	**4,770,665**	3,119,237	2,242,178
Motorcycle Inventories	**183,985,921**	192,270,005	176,114,130
Retirement Asset		-	662,595
Miscellaneous	**3,460,436**	80,000	80,000
	192,533,614	195,936,875	179,577,281

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.

11. Investment in an Associate

As of June 30, 2016 and December 31, 2015, investments in associate pertains to investments in 36% shares of stock of AIB.

	Jun-16	Dec-15	Jun-15
At cost	**₱75,000,000**	₱75,000,000	₱75,000,000
Accumulated equity in net earnings			
Balance at the beginning of the year	**48,089,357**	79,302,222	79,302,222
Share in net income	**23,751,364**	40,787,135	18,613,334
Dividends		(72,000,000)	(18,000,000)
Balance at the end of the year	**71,840,721**	48,089,357	79,915,556
	₱146,840,721	₱123,089,357	₱154,915,556

12. Notes Payable

This represents short-term loans from the banks and Company's stockholders. Interest rates from borrowings range 4% to 5.75% per annum in 2016 and from 4% to 5.75% 2015.

13. Stockholders' Equity

On July 30, 2015, the BOD and stockholders approved the declaration of 3.08% stock dividends in the maximum amount of ₱6,252,710 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 ₱6,252,777. Fractional shares related to this declaration were settled in cash amounting to ₱ 67.

On July 25, 2014, the BOD and stockholders approved the declaration of 1.73% stock dividends in the maximum amount of ₱3,465,553 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 dividends amounting to ₱3,465,588. Fractional shares related to this declaration were settled in cash amounting to ₱ 36.

On July 25, 2013, the BOD and stockholders approved the declaration of 1.24% stock dividends in the maximum amount of ₱2,445,209 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 ₱2,445,298. Fractional shares related to this declaration were settled in cash amounting to ₱ 89.

On June 28, 2012, the BOD and stockholders approved the declaration of 1.06% stock dividends in the amount of ₱2,074,121 to stockholders of record as of July 26, 2012 with distribution date not later than August 20, 2012. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱2,074,158. Fractional shares related to this declaration were settled in cash amounting to ₱37.

MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
JUNE 30, 2016

	2016 June 30	2015 June 30
Solvency and Liquidity Ratios		
Current ratio	105.73%	103.71%
Debt to equity ratio	203.63%	225.58%
Quick ratio	60.57%	55.75%
Profitability Ratios		
Return on assets	1.54%	1.41%
Return on equity	4.67%	4.59%
Net profit margin	19.82%	17.23%
Asset to Equity Ratio	303.63%	325.58%
Interest Rate Coverage Ratio	326.86%	217.02%
Other Relevant Ratios		
Ratio or percentage of total real estate investments to total assets	0.19%	0.07%
Total receivables to total assets	68.99%	69.73%
Total DOSRI receivables to Networth	11.89%	3.22%
Amount of receivables from a single corporation to total receivables:		
Honda Motor World, Inc.	0.25%	0.23%
Motor Ace Philippines, Inc..	0.26%	0.26%

MAKATI FINANCE CORPORATION

AGING OF RECEIVABLES

AS OF JUNE 30, 2016

CLASSIFICATION	TOTAL	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-150 DAYS	>150 DAYS
A. Trade Receivables							
Loan Receivable (Principal)*							
As to Maturity Date:							
Within 1 year or less							
Maturity after 1 year							
Loan Receivables	969,854,032.81	856,392,740.70	11,727,187.22	7,729,766.54	6,285,973.40	10,635,451.93	77,082,913.03
SUB-TOTAL	**969,854,032.81**	**856,392,740.70**	**11,727,187.22**	**7,729,766.54**	**6,285,973.40**	**10,635,451.93**	**77,082,913.03**
Less: Allowance for Doubtful Accounts**	62,905,846.36						62,905,846.36
Net Trade Receivables	**906,948,186.45**	**856,392,740.70**	**11,727,187.22**	**7,729,766.54**	**6,285,973.40**	**10,635,451.93**	**14,177,066.67**
B. Non - Trade Receivables							
Due from Subsidiaries/Affiliates							
As to Maturity Date:							
Within 1 year or less**							
Maturity after 1 year	16,120,796.73	16,120,796.73					
SUB-TOTAL	16,120,796.73	16,120,796.73	-	-	-	-	-
Less: Allowance for Doubtful Accounts							
Net Non - Trade Receivables							
NET RECEIVABLES	**923,068,983.18**	**872,513,537.43**	**11,727,187.22**	**7,729,766.54**	**6,285,973.40**	**10,635,451.93**	**14,177,066.67**

*** Principal = Gross Promissory Note - Unearned Interest & Discount/Clients' Equity**

****Allowance for doubtful accounts is for principal only. (Please see noted on Receivables**