MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

WE ARE HERE TO MAKE YOUR DREAMS HAPPEN

August 14, 2018

Corporate Governance and Finance Department
SECURITIES AND EXCHANGE COMMISSION
SEC Building, Mandaluyong City

Attention : **Justina F. Callangan**
Director, Corporate Governance and Finance Department

The Disclosure Department
THE PHILIPPINE STOCK EXCHANGE, INC.
3^{rd} 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, 2018 (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

3/F Mazda Makati Building, 2301 Chino Roces Avenue, Makati City 1231 Philippines
Telephone Nos. (632) 751-8132
Website: www.makatifinance.ph

108142018004168

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
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Company Information

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

Document Information

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COVER SHEET

		2	8	7	8	8				

S.E.C. Registration Number

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

(Company's Full Name)

3 RD FLOOR MAZDA MAKATI
BUILDING 2301 CHINO ROCES
BARANGAY MAGALLANES
AVENUE MAKATI CITY 1231

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

MARCOS E. LAROSA
Contact Person

(02) 751-8132
Company Telephone Number

1	2		3	1

Month *Day*

Fiscal Year

2018

SEC Form 17Q
2nd Qtr. 2018
FORM TYPE

Secondary License Type, If Applicable

0	7			

Month *Day*

Annual Meeting

Every last Thursday of July

	C	F	D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

106
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, 2018**

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)

   3/F Mazda Makati Bldg. 2301 Don Chino Roces Ave, Brgy. Magallanes, Makati City 1231
7. Address of issuer's principal office Postal Code

   (**0632) 751-8132**
8. Issuer's telephone number, including area code

   7823 MAKATI AVENUE, POBLACION, MAKATI CITY 1210
9. Former name, former address and former fiscal year, if changed since last report

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
COMMON STOCK	**223,412,301 ***

**as reported by the stock transfer agent as of June 30, 2018*

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)

	2018	*2017*
NET INTEREST INCOME	83.87%	79.64%
EBIT MARGIN	29.61%	28.26%
RETURN ON ASSETS(annualized)	0.43%	1.10%
DEBT TO EQUITY	82.31%	144.24%
RETURN ON EQUITY(annualized)	0.78%	2.69%

Net interest income increased by 4.23%, which is computed by deducting the cost of borrowing from the gross interest revenues. This is mainly due to lower interest expense of the Company as of June 30, 2018 versus same period in 2017. The EBIT margin, which measures profitability performance, increased to 29.61% in June 2018 as against 28.26% in June 2017 as a result of the company's thrust to produce higher quality loan portfolio with lower interest yield. Return on assets ended at 0.43% in 2018 as against 1.10% in 2017. 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 0.78% in June 2018 as against 2.69% in June 2017. 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 ₱ 1.99 million as of June 2018. Net interest income for the period ending June amounted to ₱ 56.7 million. The thrust in loan production is to produce more low risk, low interest yield loans for higher quality portfolio.

The operating expenses incurred amounted to ₱ 62.2 million as of June 2018. The Company continues to align allowance for doubtful accounts based on the Accounting Standards on valuation of assets.

Total assets amounted to ₱ 927.56 million as of June 2018, of which ₱ 660.3 million pertain to aggregate loans receivable. Loans receivable increased by 7% versus ₱ 616.9 million as of December 31, 2017 due to loans released during the first half of 2018 . Total liabilities amounting to ₱ 420.6 million as of June 30, 2018 declined from ₱ 464 million from December 2017 due to significant loan payments made during the year.

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............…………......…...…………………**RENE B. BENITEZ**.........…....................
Signature and Title............……………………**CHAIRMAN**……...………...................

Date ……August 13, 2018

Principal Financial/Accounting Officer/Controller...….......**MARCOS E. LAROSA**……………………
Signature and Title...**CFO/Compliance Officer**.........................

Date …….August 13, 2018

ANNEX A

FINANCIAL STATEMENTS
For the Period Ending June 30, 2018
With Comparative Figures for 2017

MAKATI FINANCE CORPORATION
INTERIM BALANCE SHEET
FOR THE PERIOD ENDING JUNE 30, 2018 AND 2017 AND DECEMBER 31, 2017

	JUNE 30, 2018	**DEC. 31, 2017 (Audited)**	**JUNE 30, 2017**
Current Assets:			
Cash on Hand/in Banks *(Note 8)*	48,488,662	126,800,064	113,897,992
Receivables *(Note 9)*	660,340,706	616,946,052	687,439,097
Total Current Assets	708,829,368	743,746,116	801,337,089
Investment Properties *(Note 12)*	60,836,871	53,825,871	43,859,359
Investment in Associates *(Note 10)*	-	-	99,936,744
Property & Equipment - net *(Note 11)*	8,670,925	10,850,897	12,044,843
Deferred Tax Asset	80,550,420	77,825,999	58,456,296
Other Assets - net *(Note 13)*	68,652,644	84,539,417	123,423,638
Total Assets	**927,540,228**	**970,788,300**	**1,339,057,969**

	JUNE 30, 2018	**DEC. 31, 2017 (Audited)**	**JUNE 30, 2017**
Current Liabilities:			
Notes Payable *(Note 14)*	361,573,407	427,338,890	638,461,489
Accounts Payable	24,065,552	16,463,258	6,129,619
Accrued Expenses *(Note 15)*	33,124,787	20,197,962	28,091,720
Total	418,763,746	464,000,110	672,682,828
Stockholder's Equity:			
Capital Stock – P1 par value			
Authorized – 300,000,000 shares			
Issued and Outstanding	223,412,301	223,412,301	216,462,556
Additional Paid in Capital	5,803,922	5,803,922	5,803,922
Retained Earnings	273,833,974	219,434,771	233,334,356
Remeasurement gains on retirement assets	3,737,996	3,737,996	4,491,589
Share in other comprehensive income/(loss) of an associate	-	-	57
YTD Net Income	1,988,289	54,399,200	6,282,661
Total	508,776,482	506,788,190	466,375,141
Total Liabilities and Capital	**927,540,228**	**970,788,300**	**1,139,057,969**

MAKATI FINANCE CORPORATION
INTERIM STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE QUARTER ENDING JUNE 30, 2018 AND 2017

	FOR 3 MONTHS ENDING		FOR 6 MONTHS ENDING	
	2018-June 30	2017-June 30	2018-June 30	2017-June 30
Interest Income – Loans	**34,505,093**	**40,087,256**	**67,578,892**	**86,604,276**
Cost of Borrowings	5,157,641	8,452,412	10,902,604	17,629,907
Net Interest Income	**29,347,452**	**31,634,844**	**56,676,288**	**68,974,369**
Less: Provisions	-4,864,616	362,000	-4,434,616	2,500,000
Net Interest Income after provision	**34,212,068**	**31,272,844**	**61,110,904**	**66,474,369**
Other Income	3,974,777	4,007,607	6,767,807	14,062,136
Total Revenue	**38,186,845**	**35,280,451**	**67,878,711**	**80,536,505**
Operating Expenses				
Professional/Management Fees and Bonus	1,893,898	1,493,341	3,930,755	3,636,493
Salaries and Wages	13,511,007	14,042,986	25,765,221	30,184,177
Transportation and Representation	1,832,831	1,616,854	3,526,477	3,231,597
Depreciation and Amortization	1,188,679	1,205,931	2,405,370	2,468,471
Commissions	2,266,138	3,837,846	3,237,203	4,065,846
Loss from sale and write-down of MC inventories	7,266,138	3,916,978	10,176,079	12,539,829
Communication	493,708	1,419,948	982,407	2,662,435
Occupancy costs	3,439,075	1,978,144	7,015,812	6,857,197
Taxes, Licenses, Permits and fees	2,366,721	2,942,066	5,169,866	6,062,178
Total	36,523,173	32,454,094	62,209,189	71,708,223
Other Operating Expenses	1,633,811	1,142,455	4,138,100	1,985,047
Total Operating Expenses	36,122,020	33,596,549	66,347,289	73,693,270
Net Income Before Income Tax	**2,064,825**	**1,683,902**	**1,531,422**	**6,843,235**
Provisions for Tax/Deferred Tax Adjustment	165,396	581,718	-456,866	560,574
Net Income	**1,899,429**	**1,102,184**	**1,988,289**	**6,282,661**
Other Comprehensive Income	-	-	**-**	**-**
Total Comprehensive Income	**1,899,429**	**1,102,184**	**1,988,289**	**6,282,661**
RETIANED EARNINGS, BEGINNING	**273,833,974**	**233,334,356**	**273,833,974**	**233,334,355**
RETAINED EARNINGS, QUARTER/YEAR-END	**275,733,403**	**239,617,016**	**275,822,263**	**239,617,016**
BASIC EARNINGS PER SHARE	**0.01**	**0.01**	**0.01**	**0.03**

***As of June 30, 2018, and December 31, 2017,** 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, 2018 AND 2017

	2018 30-June	2017 30-June
Cash Flow From Operating Activities		
Net Income Before Tax and Extra-Ordinary Items	1,531,422	6,843,235
Adjustments for:		
Provisions for probable losses	5,741,463	2,500,000
Depreciation and amortization	2,237,547	2,635,602
Share in the net income of an associate		(4,974,654)
Software costs amortization	167,823	
Change in operating Assets and Liabilities		
Decrease (increase) in the amounts of:		
Receivables	(45,975,898)	117,829,285
Other Assets	1,392,397	(14,052,781)
Increase (decrease) in the amounts of:		
Accrued Expenses Payable	7,602,294	(11,766,924)
Other Payable	14,836,806	(9,588,169)
Net cash provided by (used in) operating activities	**(12,466,147)**	**89,425,594**
Income Tax Paid	-	730,793
Net Cash provided by (used in) operating activities	**(12,466,147)**	**88,694,801**
Cash Flow From INVESTING Activities		
Acquisition of Property and Equipment	(79,772)	310,518
Pre-termination of short-term money market placement	-	-
Cash Dividends from AIB	-	-
Proceeds from Sale of Property and Equipment	-	-
Net cash provided by (used in) investing activities	**(79,772)**	**310,518**
Cash Flow From FINANCING Activities		
Cash dividend paid	-	-
Loan availments	81,035,306	72,090,770
Pre-Termination)	(146,800,789)	(144,815,738)
Net cash provided by (used in) financing activities	**(65,765,483**	**(72,724,968)**
Net cash provided by (used in) Cash and Cash Equivalents	**(78,311,402)**	**16,280,351**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	126,800,064	97,617,641
CASH AND CASH EQUIVALENTS AT END OF QUARTER	**48,488,662**	**113,897,992**

MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDING JUNE 30, 2018 AND 2017 AND DECEMBER 31, 2017

	June 30, 2018	Dec. 31, 2017	June 30, 2017
Capital Stock			
Authorized 300,000,000 par value P1			
Issued and outstanding	223,412,301	216,482,556	216,462,556
Stock dividends		6,949,745	
Issuance during the year			
	223,412,301	**223,412,301**	**216,462,556**
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	273,833,971	233,334,355	233,334,355
Adjustment to RE	3		
Stock dividends		(6,949,745)	
Cash dividends		(6,949,839)	
Total Comprehensive Income	1,988,289	54,399,200	6,282,661
Balance, end of quarter/year	**275,822,263**	**273,833,971**	**239,617,016**
Remeasurement gains on retirement assets	**3,737,996**	**3,737,996**	**4,491,589**
Share in other comprehensive income/loss of an associate	**-**	**-**	**57**
Net unrealized loss on investments			
Total Equity	**508,776,482**	**506,788,190**	**466,375,140**

MAKATI FINANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(With Comparative Figures of 2016)

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.

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

Amalgamated Investment Bancorporation (AIB) owns 42.46% of the Company as at December 31, 2017 and 2016.The Company has an ownership in AIB of nil and 20% as at December 31, 2017 and 2016, respectively.

On March 11, 2002, the Board of Directors (BOD) and stockholders approved the offer of up to 19,560,000 shares from the Company's unissued common stock through initial common public offering (IPO). The application for the IPO of the Company was approved by the SEC and the Philippine Stock Exchange (PSE), on December 9, 2002 and November 28, 2002, respectively. The Company was listed in the PSE under the Small and Medium Enterprise Board on January 6, 2003, with an offer price of P1.38 per share.

The Company's principal place of business is at 3/F Mazda Makati Bldg., 2301 Chino Roces Avenue, Makati City.

As at June 30, 2018, the Company's closing price at the PSE amounts to ₱3.03 per share.

2. Basis of Preparation

Statement of Compliance

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

Basis of Measurement

These financial statements have been prepared under the historical cost convention, except for retirement liability which is measured at present value of the defined benefit liability less fair value of plan assets.

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 Amendments to Standards

The Company has adopted the following amendments to standards starting January 1, 2017 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.

- *Amendments to PAS 7, Statement of Cash Flows - Disclosure Initiative*
  The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. The Company has provided the required information in Note 24 to the financial statements. As allowed under the transition provisions of the standards, the Company did not present comparative information for the year ended December 31, 2017.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12 Income Taxes).* The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

<u>Interest income and expense</u>
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 receipts and payments 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 interest discount is recognized as income over the terms of the financial asset using the effective interest method.

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

<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:

Gain on Sale of Investment in an Associate
Gain on sale of investment in an associate is recognized upon sale of the investment as the difference between the selling price and the outstanding balance of the investment sold.

Gain on Foreclosed Assets
Gain on foreclosed assets is recognized as the difference between the fair market value of the foreclosed asset and the net carrying value of the receivable settled upon collection of existing receivable through foreclosure of asset used as collateral.

Gain on Sale of Assets
Gain on sale of investment properties and property and equipment is recognized when the risk and rewards of ownership related to the assets is transferred to the buyer or when the collectability of the entire sale price is reasonably assured at an amount equal to or in excess of the selling price over the carrying amount of the assets.

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.

Miscellaneous Income
Income from other sources is recognized when earned.

<u>Expenses</u>
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.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand, cash in banks and cash equivalents. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of changes in value.

<u>Financial Instruments</u>
Date of Recognition
Financial instruments are recognized in the statements of financial position when the Company 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 trade date.

Initial Recognition and Classification of Financial instruments
Financial instruments are recognized initially at fair value, which is the price would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is normally the transaction price (e.g., the fair value of the consideration give or received). If financial assets is not subsequently accounted for at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs that are attributable to its acquisition or origination.

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) financial assets, 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 at Jun 30, 2018 and December 31, 2017, the Company has no HTM investments, AFS financial assets and financial assets and liabilities at FVPL.

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

a. *Financial Assets at FVPL*
Financial assets 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' in the statements of comprehensive income according to the terms of the contract, or when the right of payment has been established.

b. *AFS Financial Assets*
AFS financial assets are those non-derivative financial assets that are designated as such or are not classified as financial assets 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 as 'net unrealized loss on AFS financial assets in OCI. When the AFS financial assets are disposed, the cumulative gain or loss previously recognized in OCI is recognized in profit or loss.

c. *HTM Investments*
HTM investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, and which are not designated as financial assets at FVPL or as AFS financial assets.

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 financial assets, and would prevent the Company from classifying investment securities as HTM for the current and the following two (2) financial years.

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

After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less allowance for impairment losses, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in profit or loss. The losses arising from impairment of such loans and receivables are recognized in profit or loss.
Loans and receivables are classified as non-performing or considered impaired when the principal is past due, or when in the opinion of management, collection of interest and principal is doubtful. These receivables will not be reclassified as performing until interest and principal payments are brought current or the receivables are restructured and future payments appear assured.

Client's equity represents the amount withheld by the Company as protection against customer returns and allowances and other special adjustments, which is equivalent to 30% of the receivables factored. This is diminished proportionately as the receivables from factoring are collected.

Unearned interest income is shown as a deduction from 'Loans and receivables - net' in the statements of financial position.

Included in this category are 'Cash and cash equivalents', 'Loans and other receivables - net' and 'Security deposits' presented under 'Other assets – net' in the statements of financial position.

e. *Other Financial Liabilities*
This category pertains to financial liabilities not designated at FVPL where the substance of the contractual arrangements result in the Company having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Included in this category are 'Notes payable', 'Accounts payable' and 'Accrued expenses' (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.

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

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

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

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

- Level 1: Fair value measured using unadjusted quoted prices in active market for identical assets or liabilities.

- Level 2: Fair value measured using inputs other than quoted prices included in Level 1 that are observable for the asset and liability, either directly of (i.e., prices) or indirectly (i.e., derived from prices).

- Level 3: Fair value measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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 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 or 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 or 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 or 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 profit or loss, the impairment loss is reversed to the extent of the carrying amount of the debt security 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 debt security is recognized in OCI.

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

Derecognition of Financial Assets and Liabilities

Financial Asset

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

(a) the rights to receive cash flows from the assets have expired;

(b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a “pass-through” arrangement; or

(c) the Company has transferred its right to receive cash flows from the asset and either:
   (i) has transferred substantially all the risks and rewards of the asset, or
   (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liability

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognized in profit or loss.

Determination of Fair Value

When measuring the fair value of assets or liabilities, the Company uses market observable data as much as possible. Fair Values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

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

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

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value ("Day 1" difference) in the statements of profit or loss in the period when the asset is acquired or the liability is incurred. In cases where the transaction price used is based on inputs which are not observable, the difference the transaction price and model value is only recognized in the statements of profit and loss in the period when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

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 has no control or joint control over those policies. Investment in an associate is accounted for under the equity method of accounting.

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

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

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

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 net of '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 measured initially 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. Any gain or loss on exchange is recognized in profit or loss under ‘Gain on foreclosed assets’.

Foreclosed properties are classified under “Investment properties” account upon:
a. entry of judgment in case of judicial foreclosure;
b. execution of the Sheriff’s Certificate of Sale in case of extra-judicial foreclosure; or
c. notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

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

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

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

Investment properties are derecognized when it has either been disposed or when it is permanently withdrawn from 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.

Other Properties Acquired

Other properties acquired include chattel mortgage properties acquired in settlement of loan receivables. These are carried at cost, which is the fair value at recognition date, less accumulated depreciation and any impairment in value.

The Company applies the cost model in accounting for other properties acquired. Depreciation is computed on a straight-line basis over the estimated useful life of five years. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of other properties acquired 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, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Nonfinancial Assets).

Motorcycle Units

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

Software Costs

Software costs that are not an integral part of the hardware are classified as intangible assets. This is included under "Other assets - net" account in the statements of financial position, which includes costs incurred relative to the development of the Company's software.

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

Software asset is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software asset 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 (excluding security deposits) 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.

<u>Equity</u>
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.

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

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

<u>Revenue Recognition</u>
Revenue is recognized to the extent that 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 is acting as a principal on all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized.

Income is recognized to the extent that is probable that economic benefits will flow to the Company and that income can be measured reliably. The Company consistently applies the following specific recognition criteria:

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

<u>Expenses</u>
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.

<u>Interest Income and Interest Expense</u>
Interest income are accrued using the effective interest method. The EIR is the rate that exactly discounts the estimated future cash receipts and payments 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 for 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 fess, 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 interest discount is recognized as income over the terms of the financial asset using the effective interest method.

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

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 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 'Salaries and employee 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; or
- when the plan amendment or curtailment occurs.

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

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

Leases
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.

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

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

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

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

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

Provisions
Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

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

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

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

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the year 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, 2017 and have not been applied in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

To be Adopted January 1, 2018

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

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

  The Company is assessing the potential impact on its financial statements resulting from the application of PFRS 9. As at December 31, 2017, the Company has not yet arrived on a reasonable estimate of the potential impact.

- *Transfers of Investment Property (Amendments to PAS 40 Investment Property)* amends the requirements on when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

  The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. An entity may apply the amendments to transfers that occur after the date of initial application and also reassess the classification of property assets held at that date or apply the amendments retrospectively, but only if it does not involve the use of hindsight.

- *PFRS 15, Revenue from Contracts with Customers replaces PAS 11, Construction Contracts, PAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 18, Transfer of Assets from Customers and SIC-31, Revenue* – Barter Transactions Involving Advertising Services. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

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

  Management believes that PFRS 15 will not significantly impact the financial statements due to very limited transactions involving transfer of goods or services.

To be Adopted January 1, 2019

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

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until FRSC has adopted IFRS 15. Once adopted, earlier application of PRS 16 is permitted if the entity has adopted the new revenue regulation standard. The Company is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

The Company is currently assessing the potential impact of PFRS 16 and will adopt this new standard on the required effective date.

- *Prepayment Features with Negative Compensation (Amendments to PFRS 9).*
  The amendments cover the following areas:

  - *Prepayment features with negative compensation.* The amendment clarifies
    that clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or fair value through other comprehensive income irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for the early termination.

  - *Modification of financial liabilities.* The amendment to the Basis for Conclusions of PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when modification does not result in the derecognition of the financial asset – i.e. the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in profit and loss.

    If the initial application of PFRS 9 results in a change accounting policy for these modifications or exchanges, then retrospective application is required, subject to relevant transition reliefs.

    The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs.

    The amendments were approved by the FRSC on November 8 2017 but is still subject to the approval by the Board of Accountancy.

4. Significant Accounting Judgments and Estimates

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

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

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

Judgments

(a) *Going Concern Assumption*
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue its business in the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements were prepared on the going concern basis.

(b) *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 statements of financial position. The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

(c) *Operating Leases*
Company as a Lessee
The Company has entered into a contract of lease for its office space and warehouses 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).

(d) *Capitalization of Software Costs*
The Company has entered into a contract with a supplier for the development of its loans management system. The Company used judgment to decide whether development costs are capitalizable as intangible assets and to demonstrate that the asset will generate probable future economic benefits. The Company recorded the cost as 'Prepaid expenses' under "Other assets – net" on the basis that the system is still under pre-implementation stage. On full implementation, the Company will record the cost as an intangible asset as 'Software costs' under "Other assets – net" and will subsequently amortize on a straight-line basis.

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

As at June 30, 2018 and December 31, 2017, management assessed that nor provisions nor contingencies are necessary to be recognized or disclosed, respectively, in the financial statements.

Estimates

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

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

The Company assessed that allowance for credit losses necessary for its loans and receivables as at June 30, 2018 and December 31, 2017 amounted to ₱115.45 million and ₱ 119.89 million, respectively (see Note 9).

The carrying value of loans and receivables amounted to ₱660.34 million and ₱616.93 million as at June 30, 2018 and December 31, 2017, respectively, net of allowance for credit losses (see Note 9).

(b) *Impairment of Investment in an Associate, Property and Equipment, Investment Properties and Software Costs*
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

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

As at June 30, 2018 and December 31, 2017, the Company did not recognize impairment on investment in an associate, property and equipment, investment properties and software costs.

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.

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

As at June 30, 2018 and December 31, 2017, the carrying value of motorcycle units amounted to ₱62.92 million and ₱74.53 million, respectively (see Note 13).

(d) *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.

(e) *Estimating Useful Lives of Property and Equipment, Investment Properties and Software Costs*

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

(f) *Valuation of Retirement Liability*
The cost of defined benefit pension plan as well as the present value of the pension obligation was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details on the retirement liability are provided in Note 18.

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

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

As at June 30, 2018 and December 31, 2017, the net retirement liability amounted to ₱0.44 million and ₱0.44 million, respectively (see Note 18).

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

As at June 30, 2018 and December 31, 2017, the Company did not recognize provisions nor contingencies related to legal obligations or claims

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

Loans and Other Receivables
The carrying amounts of loans and receivables 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.

Security Deposits
The carrying amount of security deposits approximates fair value at year end.
The management believes that the effect of discounting and future cash flows of this instrument using the prevailing market rate is not significant. They are classified as current assets when they become collectible within twelve (12) months from the reporting date.

Other Investments
Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology

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

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

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. There is no change in the financial risk management objectives and policies of the Company.

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

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

The Company also focuses on markets and borrowers that have a relatively better capability to repay their loans. One example 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 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 30, 2018			December 31, 2017 (Audited)		
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements**	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and Other Receivables						
Cash and cash equivalents*	**₱48,510,860**	**₱ -**	**₱ 48,510,860**	₱96,800,856	₱ -	₱96,800.856
Receivable from customers:						
Consumer	**602,579,605**	**468,204,353**	**134,375,252**	770,797,008	746,006,867	24,790,141
Services	**155,987,091**	**25,581,883**	**130,405,208**	151,855,672	7,155,357	144,700,315
Other receivables	**17,236,289**	**-**	**17,236,289**	18,982,734	-	18,982,734
Security deposits**	**3,152,561**	**-**	**3,152,561**	3,384,627	-	3,384,627
Loans and Other Receivables	**₱827,466,406**	**₱493,786,236**	**₱ 333,680,170**	₱1,041,820,897	₱753,162,224	₱288,658,673

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

	June 30, 2017			December 31, 2016 (Audited)		
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements**	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and Other Receivables						
Cash and cash equivalents*	**P113,897,992**	**P -**	**P113,897,992**	P96,800,856	P -	P96,800,856
Receivable from customers:						
Consumer	**625,769,591**	**600,738,808**	**25,030,783**	770,797,008	746,006,867	24,790,141
Services	**137,748,747**	**6,887,437**	**130,861,310**	151,855,672	7,155,357	144,700,315
Dividend receivable	**-**	**-**	**-**	-	-	-
Other receivables	**19,023,899**	**-**	**19,023,899**	18,982,734	-	18,982,734
Security deposits**	**3,384,627**	**-**	**3,384,627**	3,384,627	-	3,384,627
	P899,824,856	**P607,626,245**	**P292,198,611**	P1,041,820,897	P753,162,224	P288,658,673

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

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

	June 30, 2018 (Unaudited)					
	Neither Past Due nor Impaired					
	High Grade	**Medium Grade**	**Low Grade**	**Past Due but not Impaired**	**Impaired**	**Total**
Loans and Other Receivables						
Cash and cash equivalents*	**₱48,510,860**	**₱ -**		**₱ -**	**₱ -**	**₱48,510,860**
Receivable from customers:						
Consumer	351,122,945	-	46,152,829	108,649,218	96,654,614	602,579,605
Services	12,283,003	-	109,440,290	18,443,244	15,820,555	155,987,091
Other receivables			17,236,289			17,236,289
Security deposits	-	-	3,152,561	-	-	3,152,561
Other investments**	-	-	80,000	-	-	80,000
	₱ 411,916,808	**₱ -**	**₱ 17,6061,969**	**₱ 127,092,462**	**₱ 112,475,169**	**₱ 827,546,406**

** Excluding cash on hand*
***Includes investments in golf shares which is presented under 'Other assets - net'*

	June 30, 2017 (Unaudited)					
	Neither Past Due nor Impaired			Past Due but not Impaired		
	High Grade	Medium Grade	Low Grade		Impaired	Total
Loans and Other Receivables						
Cash and cash equivalents*	P113,897,992	P --	P -	P -	P -	P113,897,992
Receivable from customers:						
Consumer	394,234,842	-	18,773,088	131,411,614	81,250,047	625,769,591
Services	-	-	103,311,560	-	34,437,187	137,748,747
Dividend receivable	-	-	-	-	-	-
Other receivables	-	-	19,023,899	-	-	19,023,899
Security deposits	-	-	3,384,627	-	-	3,384,627
Other investments**	-	-	80,000	-	-	80,000
	P508,132,834	P -	P144,493,174	P131,411,614	P115,787,234	P899,824,856

** Excluding cash on hand*
***Includes investments in golf shares which is presented under 'Other assets - net'*

	December 31, 2017 (Audited)					
	Neither Past Due nor Impaired			Past Due but not Impaired		
	High Grade	Medium Grade	Low Grade		Impaired	Total
Loans and Other Receivables						
Cash and cash equivalents*	₱126,259,754	₱ -	₱ -	₱ -	₱ -	₱126,259,754
Receivable from customers:						
Consumer	325,447,820	-	31,533,408	112,057,211	108,338,523	577,376,962
Services	10,823,815	-	92,709,481	19,777,047	18,460,012	141,770,355
Other receivables			17,690,772			17,690,772
Security deposits	-	-	3,149,779	-	-	3,149,779
Other investments**	-	-	80,000	-	-	80,000
	₱462,531,389	₱ -	₱145,163,440	₱131,834,258	₱126,798,535	₱866,327,621

** Excluding cash on hand*
***Includes investments in golf shares which is presented under 'Other assets - net'*

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

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

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

Loans and Other Receivables

- High grade pertains to receivables with no default in payment and fully secured with collateral.
- Medium grade pertains to receivables with no default in payment and partially secured with collateral.
- Low grade pertains to receivables with no default in payment and without security.

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

	June 30, 2018					
	1-30 Days	30-60 Days	61-90 Days	91-120 Days	More than120 Days	Total
Consumer	₱54,039,322	₱19,593,104	₱11,496,715	₱12,281,360	₱11,238,717	₱ 108,649,218
Services	17,542,876	235,006	309,079	338,683	17,600	18,443,244
	₱71,582,198	₱ 19,828,111	₱ 11,805,794	₱ 12,620,044	₱ 11,256,316	₱ 127,092,462

	June 30, 2017					
	1-30 Days	30-60 Days	61-90 Days	91-120 Days	More than120 Days	Total
Consumer	P80,992,956	P33,352,112	P14,390,639	P5,615,350	P14,645,151	P131,411,614
Services	-	-	-	-	-	-
	P80,992,956	P33,352,112	P14,390,639	P5,615,350	P14,645,151	P131,411,614

	December 31, 2017 (Audited)					
	1-30 Days	30-60 Days	61-90 Days	91-120 Days	More than120 Days	Total
Consumer	₱52,290,445	₱22,024,781	₱12,923,558	₱11,815,373	₱13,003,054	₱112,057,211
Services	9,228,773	3,887,167	2,280,887	2,085,303	2,294,917	19,777,047
	₱61,519,218	₱25,911,948	₱15,204,445	₱13,900,676	₱15,297,971	₱131,834,258

	December 31, 2016 (Audited)					
	1-30 Days	30-60 Days	61-90 Days	91-120 Days	More than 120 Days	Total
Consumer	P70,240,018	P26,315,422	P22,606,684	P8,442,800	P37,793,725	P165,398,649
Services	-	-	-	-	-	-
	P70,240,018	P26,315,422	P22,606,684	P8,442,800	P37,793,725	P165,398,649

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 June 30, 2018 (Unaudited)					
	Carrying Amount	**Up to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**1 to 3 Years**	**More than 3 Years**	**Total**
Financial Assets							
Cash and cash equivalents	**P48,510,86**	**P48,510,860**	**P -**	**P -**			**P48,510,860**
Loans and other receivables							
Receivable from customers:							
Consumer	**602,579,605**	**139,095,236**	**119,815,152**	**188,565,322**	**276,477,260**	**50,191,852**	**774,144,823**
Services	**155,987,091**	**121,283,731**	**16,459,146**	**28,733,049**	**71,025,274**	**-**	**237,501,200**
Other receivables	**17,236,289**	**-**	**-**	**31,586,977**	**-**	**-**	**31,586,977**
Security deposits	**3,152,561**	**3,152,561**	**-**	**-**	**-**		**3,152,561**
Other investments*	**80,000**	80,000	-	-	-		**80,000**
	827,546,406	**308,889,827**	**136,274,298**	**248,885,348**	**347,502,535**	**53,424,413**	**1,094,976,421**
Financial Liabilities							
Notes payable	**361,573,407**	**34,046,482**	**30,662,064**	**279,268,337**	**17,596,524**	**-**	**361,573,407**
Accounts payable	**24,065,552**	**24,065,552**	**-**	**-**	**-**	**-**	**24,065,552**
Accrued interest	**33,146,985**	**33,146,985**	**-**	**-**	**-**	**-**	**33,146,985**
	418,785,944	**91,259,019**	**30,662,064**	**279,268,337**	**17,596,524**	**-**	**418,785,944**
Net liquidity gap	**P408,760,46**	**P217,630,808**	**P105,612,234**	**P(30,382,989)**	**P329,906,010**	**P 53,424,413**	**P 676,190,477**

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

		Contractual Maturities June 30, 2017 (Unaudited)					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial Assets							
Cash and cash equivalents	P113,897,992	P113,897,992	P -	P -	P -	P -	P113,897,992
Loans and other receivables							
Receivable from customers:							
Consumer	625,769,591	126,704,646	114,,374,434	200,204,307	360,946,729	24,703,718	826,933,834
Services	137,748,748	114,409,993	12,743,590	22,377,285	40,170,134	11,393,156	201,094,158
Other receivables	19,032,899	18,288,616	1,137,214	2,274,428	-	-	21,700,258
Dividend receivable	-	-	-	-	-	-	-
Security deposits	3,384,627	-	-	-	3,384,627	-	3,384,627
		-	-	-	-		
	P899,833,857	P373,301,247	P128,255,238	P224,856,020	P404,501,490	P36,096,874	P1,167,010,869
Financial Liabilities							
Notes payable	638,461,489	27,000,000	251,787,500	160,709,580	198,964,410		638,461,489
Accounts payable	6,129,619	6,129,619	-	-	-	-	6,129,619
Accrued interest	119,699,756	11,699,756	-	-	-	-	11,699,756
	656,290,864	44,829,375	251,787,500	160,709,580	198,964,410	-	656,290,864
Net liquidity gap	P243,542,993	P328,471,872	(P123,532,262)	P64,146,441	P205,537,081	P36,096,874	P510,720,006

**Includes investments in golf shares which is presented under 'Other assets - net'*

		Contractual Maturities December 31, 2017 (Audited)					
	Carrying Amount	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	More than 3 Years	Total
Financial Assets							
Cash and cash equivalents	P126,800,064	₱126,800,064	₱-	₱-	₱-	₱-	P126,800,064
Loans and other receivables							
Receivable from customers:							
Consumer	577,376,962	136,051,732	117,193,510	184,439,377	270,427,738	49,093,618	757,205,975
Services	141,770,354	106,296,461	14,425,257	25,182,449	62,248,541	-	208,152,708
Other receivables	17,690,772	-	-	21,825,829	-	-	21,825,829
Security deposits	3,149,779	-	-	-	-	3,149,779	3,149,779
Other investments*	80,000	-	-	-	-	80,000	80,000
	866,867,931	369,148,257	131,618,767	231,447,655	332,676,279	52,323,397	1,117,214,355
Financial Liabilities							
Notes payable	427,338,889	40,239,093	36,239,093	330,063,601	20,797,102	-	427,338,889
Accounts payable	16,463,257	16,463,257	-	-	-	-	16,463,257
Accrued expenses**	17,224,745	17,224,745	-	-	-	-	17,224,745
	461,026,891	73,927,095	330,063,601	330,063,601	20,797,102		461,026,891
Net liquidity gap	₱405,841,040	₱295,221,162	₱95,379,674	(₱98,615,946)	₱311,879,177	₱52,323,397	₱656,187,464

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

Market Risk

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

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

Interest Rate Risk

The 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 one (1) to three (3) years.

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

Presented below are the interest-bearing financial instruments:

	Note	**Jun.2018**	Dec.2017
Cash in bank and cash equivalents	*8*	**₱ 48,488,662**	₱126,800,064
Loans and receivable - net	*9*	**660,345,566**	616,946,052
Notes payable	*14*	**(361,573,407)**	(427,338,890)
Net exposure		**₱347,260,821**	₱316,407,226

7. Segment Information

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

Rx Cashline Group
The Rx Cashline Group is tasked with the sales and promotion of the Rx cash line product - loans tailored to medical professionals, and assist in the credit application, investigation, evaluation and approval and loan collection processes.

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

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

Other Segments
This segment includes real estate-backed business loans and other segments that provide support to its core activities.

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

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

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

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

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

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

Financial information about operating segments follows:

	June, 2018 (Unaudited)				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	142,528,112	351,081,403	518,036,509	31,586,977	1,043,233,001
Results of operation					
Revenues					
Interest income	11,158,153	19,877,266	32,468,522	4,074,951	67,578,892
Other income	1,492,307	6,233,095	(1,778,224)	820,629	6,767,807
	12,650,460	26,110,361	30,690,298	4,895,580	74,346,699
Expenses					
Interest expense	754,122	2,550,761	4,808,902	2,788,819	10,902,604
Provision for credit losses	(3,183,040)	-	8,924,503	-	5,741,463
Operating expenses	6,225,952	10,727,662	37,387,004	1,830,592	56,171,210
	3,797,034	13,278,423	51,120,409	4,619,411	72,815,277
Net operating income (loss)	8,853,426	12,831,938	(20,430,111)	276,169	1,531,422
Less: Income tax expense (benefit)	2,656,028	3,849,581	(7,045,326)	82,851	(456,866)
Net income (loss)	6,197,398	8,982,357	(13,384,785)	193,318	1,988,288
Statement of financial position					
Total assets	126,725,018	312,154,540	460,598,160	28,084,707	927,562,425
Total liabilities	57,215,186	140,934,917	207,955,853	12,679,988	418,785,944
Other segment information					
Capital expenditures	-	-	-	-	-
Depreciation and amortization	328,625	809,484	1,194,431	72,830	2,405,370

	June, 2017 (Unaudited)				
	Rx Cash Line	MFC Factors	MC Financing	Others	Total
Loans and Other Receivables	P	P	P	P	P
Results of operation					
Revenues					
Interest income	P10,162,140.88	P16,474,446.51	P59,283,798.82	P683,889.79	P86,604,276
Other income	1,243,477.40	2,323,008.49	4,389,751.34	6,105,898.77	14,062,136
	11,405,618.28	18,797,455.00	63,673,550.16	6,789,788.56	100,666,412.00
Expenses					
Interest expense	2,068,692	3,353,679	12,068,317	139,218	17,629,907
Provision for credit losses			2,500,000	-	2,500,000
Operating expenses	5,030,777	7,960,933	60,701,560	-	73,693,270
	7,099,469	11,314,612	75,269,877	139,218	93,823,177
Net operating income (loss)	4,306,149	7,482,843	(11,596,327)	6,650,570	6,843,235
Less: Income tax expense (benefit)	1,291,845	2,244,853	(3,139,525)	163,401	560,574
Net income (loss)	P3,014,304	P5,237,990	(P8,456,802)	P6,487,169	P6,282,661
Statement of financial position					
Total assets	P90,201,759	P226,285,097	P799,977,643	P22,593,471	P1,339.057.969
Total liabilities	P53,269,610	P133,,635,077	P472,435,326	P13,342,815	P672,682,828

Other segment information					
Capital expenditures	**P-**	**P-**	**P-**	**P-**	**P-**
Depreciation and amortization	**P208,713**	**P523,688**	**P1,851,023**	**P51,2778**	**P2,635,602**

	December 31, 2017 (Audited)				
	Rx Cash Line	**MFC Factors**	**MC Financing**	**Others**	**Total**
Loans and Other Receivables	**₱118,275,453**	**₱253,140,942**	**₱581,467,209**	**₱34,280,473**	**₱987,164,077**
Results of operation					
Revenues					
Interest income	**19,537,997**	**32,147,331**	**101,544,196**	**4,432,208**	**157,661,732**
Other income	**2,695,370**	**4,052,347**	**7,581,301**	**120,675,292**	**135,004,310**
	22,233,367	**36,199,678**	**109,125,497**	**125,107,500**	**292,666,042**
Expenses					
Interest expense	**2,002,116**	**6,678,942**	**24,227,409**	**5,220**	**32,913,687**
Provision for credit losses	**809,670**	**-**	**26,470,225**	**-**	**27,279,895**
Operating expenses	**335,597**	**3,259,554**	**114,905,764**	**77,471,832**	**195,972,747**
	3,147,383	**9,938,496**	**165,603,398**	**77,477,052**	**256,166,329**
Net operating income (loss)	**19,085,983**	**26,261,182**	**(56,477,901)**	**47,630,448**	**36,499,712**
Less: Income tax (expense) benefit	**5,966,369**	**7,875,284**	**(46,024,649)**	**14,283,564**	**(17,899,431)**
Net income (loss)	**₱13,119,614**	**₱18,385,898**	**(₱10,453,252)**	**₱33,346,883**	**₱54,399,143**
Statement of financial position					
Total assets	**₱64,724,751**	**₱241,137,958**	**₱475,396,141**	**₱189,529,450**	**₱970,788,300**
Total liabilities	**₱53,112,221**	**₱110,605,096**	**₱264,835,105**	**₱35,447,688**	**₱464,000,109**
Other segment information					
Capital expenditures	**₱ -**	**₱ -**	**₱ -**	**₱735,000**	**₱735,000**
Depreciation and amortization	**₱587,949**	**₱1,258,367**	**₱2,890,481**	**₱622,913**	**₱5,359,710**

8. Cash and Cash Equivalents

This account consists of:

	Note	**Unaudited June 2018**	Audited December 2017	Unaudited June 2017
Cash equivalents	*21*	**₱25,685,674**	₱99,787,025	₱ 79,722,881
Cash in banks		**20,850,451**	26,472,729	33,692,490
Cash on hand		**1,952,537**	540,310	482,621
		₱48,488,662	₱ 126,800,064	₱113,897,992

Cash in banks earn interest at the prevailing bank deposit rates which ranges from 0.64% to 0.74% per annum in 2018 and in 2017. Interest income on cash in banks amounted to ₱ 20 thousand, ₱74 thousand, and ₱23 thousand in June 30, 2018, December 31, 2017 and June 30, 2017, respectively.

As of June 30, 2018, cash equivalents include short-term placements with MAPI Lending Investors, Inc. (MAPILI) and HMW Lending Investors, Inc. (HMWLI) with maturities from three (3) to 90 days at 10.5% and 6.25% interest per annum. Interest income on cash equivalents amounted to ₱2.9 million, ₱3.75 million, ₱472.2 Thousand June 30, 2018, and December 31, 2017 and June 30, 2017, respectively (see Note 21).

9. Loans and Other Receivables

This account consists of:

	Note	Unaudited June 2018	Audited December 2017	Unaudited June 2017
Receivable from customers:				
Consumer		**₱778,114,540**	₱757,205,975	₱826,933,834
Services		**237,501,200**	208,152,708	201,094,158
Other receivables		**24,632,625**	21,825,829	21,700,257
		1,040,248,365	987,184,512	1,049,728,249
Unearned interest income		**(238,956,918**	(223,383,249)	(241,167,442)
Client's equity		**(28,473,097)**	(26,963,175)	(26,009,569)
Allowance for credit losses		**(112,477,644)**	(119,892,036)	(95,112,141)
		₱660,340,706	₱616,946,052	₱687,439,097

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

	Note	Unaudited June 2018	Audited December 2017	Unaudited June 2017
Motorcycle Financing		**₱507,927,493**	₱571,358,193	₱ 685,620,245
Receivables Purchased		**94,973,088**	89,877,255	86,698,560
RX Cashline		**141,631,940**	117,379,281	112,930,093
Car Loans		**31,493,237**	10,619,506	-
Corporate Salary Loans		**5,520,513**	1,855,573	-
Business Loans		**219,953,603**	163,263,687	132,665,657
		1,001,499,874	954,353,495	1,017,914,555
Accrued Interest Receivable		**12,320,801**	12,380,291	10,113,437
Sales Contract Receivable		**1,895,064**	2,135,064	2,625,064
Advances to Officers and Employees		**8,369,051**	525,620	1,829,597
Due From Affiliates		**101,007**	101,007	101,007
Miscellaneous Receivables	21	**16,062,568**	17,689,035	17,144,589
		₱1,040,248,365	₱987,184,512	₱1,049,728,249

Miscellaneous receivables consist of receivables from employees resulting from Company loans, other related parties and other non-related parties.

Client's equity represents the amount withheld by the Company as protection against customer returns and allowances and other special adjustments, which is equivalent to 30.00% of the receivables factored.

Interest rates on loans receivable ranges from 1.2% to 2.6% add-on rate per month plus gross receipts tax. Interest income earned from receivable from customers amounted to ₱46.5 million and ₱153.70 million, 209.20 million in 2018, 2017 and 2016, respectively.

Movements in allowance for credit losses follow:

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

In determining the allowance for credit losses on loans and receivable, the Company also considered the provisioning requirements of Republic Act (R.A.) No. 8556, *The Financing Company Act*.

Under Section 9 of R.A. 8556, a 100% allowance for probable loss should be set up for the following:

a) Clean loans and advances past due for a period of more than six (6) months;

b) Past due loans secured by collateral such as inventories, receivables, equipment and other chattels that have declined in value by more than 50% without the borrower offering additional collateral for the loans;

c) Past due loans secured by real estate mortgage title to which is subject to an adverse claim rendering settlement through foreclosure doubtful;

d) When the borrower, and his co-maker or guarantor, is insolvent or where their whereabouts is unknown, or their earning power is permanently impaired;

e) Accrued interest receivable that remain uncollected after six (6) months from the maturity date of such loans to which it accrues; and

f) Accounts receivable past due for 361 days or more.

The Company's recorded provisions are in compliance with the provisioning requirements set out by R.A. No. 8556.

10. Investment in an Associate

This account consists of investment in 20% shares of stock of AIB as at June 30, 2017:

	Unaudited June 2018	Audited December 2017	Unaudited June 2017
Cost at the beginning of the year	**₱ -**	₱41,666,667	₱41,666,667
Sale during the year	**-**	(41,666,667)	-
Cost at the end of the year	**-**	-	41,666,667
Accumulated equity in net earnings			
Balance at the beginning of the year	**-**	53,295,423	53,295,423
Share in net income	**-**	2,252,071	4,826,699
Sale during the year	**-**	(55,547,494)	-
Balance at the end of the year	**-**	-	58,122,122
	₱ -	₱ -	₱99,936,744

In a BOD resolution dated October 27, 2016, a committee was formed and authorized to negotiate, and enter into agreements, including but not limited to contract to sell, deeds of assignment, and such other documents, for the sale of the shares of stock of AIB owned by the Company, under such terms and conditions as may be mutually acceptable to the parties.

On October 18, 2017, the Company transferred, assigned and conveyed 5.99 million common shares of AIB representing 20% interest, in favor of Investivo Holdings Inc., for and in consideration of a total purchase price of ₱200.02 million or ₱33.33 per share which resulted in a gain of ₱102.80 million. The related capital gains tax amounting to ₱16.50 million was paid as at December 31, 2017.

On December 19, 2016, the Company transferred, assigned and conveyed 4.80 million common shares of AIB representing 16% interest, in favor of AIB, for and in consideration of a total purchase price of ₱159.98 million which resulted in a gain of ₱84.63 million (see Note 21). The related capital gains tax amounting to ₱12.00 million was accrued as at December 31, 2016 (see Note 15).

The following illustrates the summarized unaudited financial information of AIB as at December 31, 2016:

Total assets	₱2,731,865,144
Total liabilities	2,229,499,541
	₱ 502,365,603
Income	₱ 353,583,591
Expenses	193,279,874
Income before income tax	160,303,717
Provision for income tax	33,686,166
Net income	₱ 126,617,551

11. Property and Equipment

The rollforward analysis of this account follows:

	June 2018 (Unaudited)			
	Furniture, Fixtures and Equipment	**Leasehold Rights and Improvements**	**Transportation Equipment**	**Total**
Cost				
At January 1	**P15,055,539**	**P7,476,840**	**P8,716,395**	**P31,248,774**
Additions	**225,398**	**-**	**-**	**225,398**
Disposals	**-**	**-**	**-**	**-**
At June 30	**P15,280,937**	**P7,476,840**	**P8,716,395**	**P31,474,172**
Accumulated Depreciation and Amortization				
At January 1	**P12,773,605**	**P3,155,087**	**P4,469,185**	**P20,397,877**
Depreciation and amortization	**962,569**	**723,780**	**719,021**	**2,405,370**
Disposals	**-**	**-**	**-**	**-**
At June 30	**P13,736,174**	**P3,878,867**	**P5,188,206**	**P22,803,247**
Carrying Amount	**P1,544,763**	**P3,597,573**	**P3,528,189**	**P8,670,925**

	June 2017 (Unaudited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	P14,447,146	P7,476,840	P8,523,396	P30,447,382
Additions	171,113	-	60,936	232,049
Disposals	(90,899)	-	(451,667)	(532,566)
At June 30	P14,527,360	P7,476,840	P8,132,664	P30,136,,685
Accumulated Depreciation and Amortization				
At January 1	P10,693,469	P1,693,436	P3,236,645	P15,623,550
Depreciation and amortization	1,092,024	730,926	645,521	2,468,471
Disposals	-	-	-	-
At June 30	P11,785,493	P2,424,362	P3,882,166	P18,092,021
Carrying Amount	P2,741,867	P5,052,477	P4,250,499	P12,044,844

	December 31, 2017 (Audited)			
	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Transportation Equipment	Total
Cost				
At January 1	₱14,447,146	₱7,476,839	₱8,523,395	₱30,447,380
Additions	699,292	-	735,000	1,434,292
Disposals	(90,899)	-	(542,000)	(632,899)
At December 31	15,055,539.00	7,476,839	8,716,395	31,248,773
Accumulated Depreciation and Amortization				
At January 1	10,693,469	1,693,436	3,236,645	15,623,550
Depreciation and amortization	2,105,467	1,461,651	1,340,042	4,907,160
Disposals	(42,500)	-	(90,334)	(132,834)
At December 31	12,756,436	3,155,087	4,486,353	20,397,876
Carrying Amount	₱ 2,299,103	₱4,321,752	₱4,230,042	₱10,850,897

Motorcycle units, included under "Other assets" account in the statements of financial position, are transferred to transportation equipment when these are used in the business operations by the employees of the Company (see Note 13). These are valued at the units' carrying amount. In 2016, the Company transferred motorcycle units amounting to P0.67 million (shown as additions). There were no similar transfers in June 30, 2018 and December 31, 2017.

As at June 30, 2018 and 2017 and December 31, 2017, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱2.44 million, ₱2.3 million and ₱4.9 million, respectively.

As at June 30, 2018 and December 31, 2017, there were no property and equipment pledged as collateral for liabilities.

12. Investment Properties - net

This account consists of cost of land:

	June 30, 2018 (Unaudited)		
	Land	**Building**	**Total**
Cost			
At January 1	**₱42,641,421**	**₱-11,637,000**	**₱54,278,421**
Additions	**7,011,000**	**-**	**7,011,000**
Disposals	**-**	**-**	**-**
At December 31	**49,652,421**	**11,637,000**	**61,289,421**
Accumulated Depreciation and Amortization			
Depreciation and amortization	**-**	**452,550**	**452,550**
At December 31	**-**	**452,550**	**452,550**
Carrying Amount	**₱49,652,421**	**₱11,184,450**	**₱60,836,871**

	Dec. 31, 2017 (Audited)		
	Land	Building	Total
Cost			
At January 1	₱2,604,468	₱-	₱2,604,468
Additions	41,235,421	11,637,000	52,872,421
Disposals	(1,198,468)	-	(1,198,468)
At December 31	42,641,421	11,637,000	54,278,421
Accumulated Depreciation and Amortization			
Depreciation and amortization	-	452,550	452,550
At December 31	-	452,550	452,550
Carrying Amount	₱42,641,421	₱11,184,450	₱53,825,871

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

In 2017, the Company foreclosed properties upon default of the borrowers and recognized gain on repossession which amounted to P10.53 million presented under "*Gain on foreclosed asset*" account. Such gain was recognized on the appraised values made by an external expert upon the foreclosure of the assets. The assessment of the fair value of the Company's investment properties were verified on the basis of recent sales of similar properties in the same areas taking into account the economic conditions prevailing at the time the valuations were made. No repossessions were made in 2016.

Direct operating expenses with regard to the investment properties pertain to local property taxes amounting to ₱6,334 and ₱4,143 as at June 30, 2018 and December 31, 2017, respectively reported under 'Taxes and licenses' in the statements of comprehensive income.

No income was generated relating to these investment properties in June 30, 2018 and December 31, 2017.

13. Other Assets - net

This account consists of:

	Note	Unaudited June 2018	Audited December 2017	Unaudited June 2017
Motorcycle units,net	*11*	**₱62,916,260**	₱74,531,921	₱112,556,080
Prepaid expenses		**6,922,195**	6,122,724	6,863,291
Security deposits		**3,149,779**	3,149,779	3,398,656
Software costs		**214,772**	374,993	525,611
Other investments		**80,000**	80,000	80,000
Other properties acquired		**-**	280,000	-
		₱68,652,644	₱84,539,417	₱123,423,638

Motorcycle units pertain to repossessed units from the Company's motorcycle financing business carried at the lower of cost or its net realizable value. These units are intended for immediate resale. Loss from sale and write-down of motorcycle units included in profit or loss amounted to ₱7.2 million, ₱12.5 million, ₱56.56 million in June 30, 2018 and December 31, 2017, respectively.

The movements in software costs follow:

	Unaudited June 2018	Audited December 2017	Unaudited June 2017
Cost			
At January 1	**₱5,078,615**	₱4,869,996	₱4,869,996
Additions	**7,602**	208,619	208,620
At June 30 and December 31	**5,086,217**	5,078,615	5,078,616
Accumulated Amortization			
At January 1	**4,703,622**	4,385,874	4,385,874
Amortization for the year	**167,823**	317,748	167,131
Accumulated amortization	**4,871,445**	4,703,622	4,553,005
At June 30 and December 31	**₱ 214,772**	₱ 374,993	₱ 525,611

14. Notes Payable

This account consists of:

	Note	Unaudited June 2018	Audited December 2017	Unaudited June 2017
Related parties	*21*	**₱ 218,018,353**	₱230,583,047	₱398,803,176
Banks		**137,855,054**	186,555,843	227,258,313
Individuals		**5,700,000**	10,200,000	12,400,000
		₱361,573,407	₱427,338,890	₱638,461,489

Interest rates from borrowings range from 4.00% to 5.75% per annum in 2018 and 2017.

Interest expense on these notes payable amounted to ₱10.9 million, ₱32.91 million, and ₱17.6 million in June 30, 2018, December 31, 2017 and June 30, 2017, respectively.

Notes payable to banks have a maturity of up to three (3) years. As at June 30, 2018 and

December 31, 2017, the notes payable to banks are secured by certain motorcycle financing receivables. Under the agreements with the bank creditors, the notes payable are subject to Deed of Assignment on summary list of loans receivable (with 50% to 85% loanable value) on a per availment basis.

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

	2017		2016	
	Carrying Amount	**Secured Notes**	Carrying Amount	Secured Notes
Motorcycle financing	**₱260,299,462**	**₱186,555,842**	₱377,519,712	₱288,379,563

15. Accrued Expenses

This account consists of:

	Note	**Unaudited June 2018**	Audited December 2017	Unaudited June 2017
Accrued interest	*21*	₱4,682,586	₱ 3,982,795	₱11,699,756
Accrued taxes		5,264,516	2,447,308	2,507,697
Accrued occupancy costs		5,395,491	5,694,105	2,235,623
Accrued management and professional fees		4,318,647	2,213,210	1,902,418
Accrued administrative expenses		1,155,432	1,518,195	3,707,296
Accrued insurance payable		439,775	379,615	433,260
Others		11,868,339	3,436,825	5,605,670
		₱33,124,787	₱20,197.962	₱28,091,720

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

16. Maturity Analysis of Assets and Liabilities

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

	December 31, 2017 (Audited)			December 31, 2016 (Audited)		
	Less than 12 Months	**Over 12 Months**	**Total**	Less than 12 Months	Over 12 Months	Total
Financial Assets						
Cash and cash equivalents	**₱126,800,064**	**₱-**	**₱126,800,064**	₱97,617,641	₱ -	₱97,617,641
Loans and other receivables - gross	**605,414,615**	**381,769,897**	**987,184,512**	755,651,926	555,998,701	1,311,650,627
Security deposits, Other investments and Other Properties Acquired	**-**	**3,509,779**	**3,509,779**	-	3,464,627	3,464,627
	732,214,679	**385,279,676**	**1,117,494,355**	853,269,567	559,463,328	1,412,732,895
Nonfinancial Assets						
Investment in an associate	**-**	**-**	**-**	-	94,962,090	94,962,090
Property and equipment	**-**	**10,850,897**	**10,850,897**	-	14,823,832	14,823,832
Investment properties – gross		**54,278,421**	**54,278,421**	-	3,544,001	3,544,001
Deferred tax assets	**-**	**77,825,999**	**77,825,999**	-	57,706,296	57,706,296
Other assets*	**374,993**	**80,654,645**	**81,029,638**	106,899,814	484,122	107,383,936
	374,993	**223,609,962**	**223,984,955**	106,899,814	171,520,341	278,420,155
Less: Allowance for credit and impairment losses	**(27,279,895)**	**(93,119,340)**	**(120,399,235)**	-	(93,551,674)	(93,551,674)
Unearned interest income	**(136,785,759)**	**(86,597,490)**	**(223,383,249)**	(220,752,554)	(116,685,115)	(337,437,669)
Client's equity	**(26,963,175)**	**-**	**(26,963,175)**	(32,577,544)	-	(32,577,544)
	(191,028,829)	**(179,716,830)**	**(370,745,659)**	(253,330,098)	(210,236,789)	(463,566,887)

	₱541,560,843	**₱429,172,808**	**₱970,733,651**	₱706,839,283	₱520,746,880	₱1,227,586,163
Financial Liabilities						
Notes payable	**406,541,788**	**20,797,102**	**427,338,890**	P691,186,458	P20,000,000	P711,186,458
Accounts payable	**16,463,258**	**-**	**16,463,258**	15,717,788	-	15,717,788
Accrued interest	**17,224,745**	**-**	**17,224,745**	11,194,105	-	11,194,105
	440,229,791	**20,797,102**	**461,026,893**	718,098,351	20,000,000	738,098,351
Nonfinancial Liabilities						
Accrued expenses*	**2,447,308**	**-**	**15,689,258**	26,356,013	-	26,356,013
Retirement liability	**-**	**436,790**	**436,790**	-	1,549,370	1,549,370
Income tax payable	**89,118**	**-**	**88,268**	1,489,950	-	1,489,950
	2,536,426	**436,790**	**16,214,316**	27,845,963	1,549,370	29,395,333
	₱442,766,217	**₱21,233,892**	**₱464,000,109**	₱745,944,314	₱21,549,370	₱767,493,684

** excluding security deposits, other investments and other properties acquired*

17. Equity

On July 27, 2017, the BOD and stockholders approved the declaration of 3.21% stock dividends in the amount of ₱6,949,745 to stockholders of record as of August 24, 2017 with distribution date not later than September 19, 2017. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱6,949,839. Fractional shares related to this declaration were settled in cash with a total amount of ₱ 47.00.

On July 28, 2016, the BOD and stockholders approved the declaration of 3.29% stock dividends in the amount of ₱6,897,073 to stockholders of record as of August 26, 2016 with distribution date not later than September 21, 2016. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱6,897,133. Fractional shares related to this declaration were settled in cash with a total amount of ₱61.00.

On July 30, 2015, the BOD and stockholders approved the declaration of 3.08% stock dividends in the 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 with a total amount of ₱67.00.

As at June 30, 2018, the Company has 223,412,301 common shares issued and outstanding which were owned by 105 shareholders.

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

	June 30, 2018 (Unaudited)		December 31, 2017 (Audited)		June 30, 2017 (Unaudited)	
	Number of Shares	**Amount**	Number of Shares	Amount	Number Of Shares	Amount
Authorized - 300,000,000 shares; P1 par value						
At January 1	**223,412,301**	**₱223,412,301**	216,462,556	P216,462,556	216,462,556	₱216,462,556
Stock dividends	**0**	**0**	6,949,745	6,949,745	0	0
At December 31	**223,412,301**	**₱223,412,301**	223,412,301	P223,412,301	216,462,556	₱216,462,556

On January 21, 2016, the BOD of AIB resolved to approve the block sale of 25% (52,391,311) common shares of MFC at P1.40 per share to Motor Ace Philippines, Inc. This was approved by the PSE and executed on May 13, 2016.

The block sale effectively reduced AIB's ownership of the company from 69.42% to 42.46% as at December 31, 2016.

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

economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital. No changes were made in the objectives, policies or processes in June 30, 2018.

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

(a) minimum paid-up capital of P10.00 million; and

(b) additional capital requirements for each branch of P1.00 million for branches established in Metro Manila, P0.50 million for branches established in other classes of cities and P0.25 million for branches established in municipalities.

For the quarter ended June 30, 2018 and for the year ended December 31, 2017, the Company was in compliance with the minimum paid-up capital.

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

18. Retirement Plan

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

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

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

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

	Unaudited June 2018	Audited December 2017
Components of retirement benefit liability recorded in profit or loss as retirement benefit (income) expense		
Current service cost	**₱1,713,951**	₱1,713,951
Past service costs - curtailments	**(3,986,449)**	(3,986,449)
Net interest expense:		
Interest expense	**419,877**	419,877
Interest income on plan assets	**(336,521)**	(336,521)
	(2,189,142)	(2,189,142)
Components of retirement benefit liability recorded in OCI		
Remeasurement gain on defined benefits obligation	**691,224**	691,224
Remeasurement loss (gain) on plan assets	**385,338**	385,338
	1,076,562	1,076,562
Total components of retirement benefit liability	**(₱1,112,580)**	(₱1,112,580)

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

	Unaudited June 2018	Audited December 2017
Present value of retirement benefits obligation	**₱6,643,006**	₱6,643,006
Fair value of plan assets	**(6,206,216)**	(6,206,216)
Net defined benefit liability	**₱436,790**	₱436,790

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

	Unaudited June 2018	Audited December 2017
Balance at beginning of year	**₱7,804,403**	₱7,804,403
Current service cost	**1,713,951**	1,713,951
Past Service Cost-curtailments	**(3,986,449)**	(3,986,449)
Interest expense	**419,877**	419,877
Remeasurement gains (losses) on obligation arising from:		
Change in financial assumptions	**(416,267)**	(416,267)
Experience adjustment	**1,107,491**	1,107,491
Balance at end of year	**₱6,643,006**	₱6,643,006

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

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

	Unaudited June 2018	Audited December 2017
Balance at beginning of year	**₱6,255,033**	₱6,255,033
Interest income	**336,521**	336,521
Remeasurement (loss) gain on plan assets	**(385,338)**	(385,338)
Balance at end of year	**₱6,206,216**	₱6,206,216

Changes in the retirement benefit liability follow:

	Unaudited June 2018	Audited December 2017
Balance at beginning of year	**₱1,549,370**	₱1,549,370
Current service cost	**1,713,951**	1,713,951
Past service costs-curtailment	**(3,986,449)**	(3,986,449)
Net interest cost on the retirement liability	**83,356**	83,356
Remeasurement loss (gain) on plan assets	**385,338**	385,338
Actuarial gains on retirement liability arising from:		
Experience adjustment	**1,107,491**	1,107,491
Changes in assumptions	**(416,267)**	(416,267)
Changes in the effect of asset ceiling		
Balance at end of year	**₱436,790**	₱436,790

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

	Unaudited June 2018	Audited December 2017
Cash and cash equivalents	**₱1,184,578**	₱1,184,578
AFS financial assets	**4,985,936**	4,985,936
Accrued and other receivables	**35,702**	35,702
	₱6,206,216	₱6,206,216

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

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

	January 1	
	2017	2016
Discount rate	**5.70%**	5.38%
Future salary increases	**5.00%**	5.00%
Average remaining working life (in years)	**27.7**	28.4

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

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

	Increase (decrease) in basis points	Increase (decrease) in present value of obligation
Discount rates	+100 basis point	(1,119,516)
	-100 basis point	1,412,096
Salary increase rates	+100 basis point	1,331,910
	-100 basis point	(1,083,000)

The Company does not expect to contribute to the defined benefit plan in 2018.

The average duration of the defined benefit plan as at the reporting date is 19.1 years

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

19. Miscellaneous

Miscellaneous income consists of the following items:

	Unaudited June 2018	Audited December 2017	Unaudited June 2017
Penalties	**₱ 4,761,834**	₱10,140,631	₱5,228,671
Recoveries	**860,105**	4,807,162	1,120,038
Others	**56,078**	71,629	483,421
	₱ 5,678,017	₱15,019,422	₱6,832,130

Miscellaneous expenses consist of the following items:

	Unaudited June 2018	Audited December 2017
Communication		₱2,289,744
Insurance	**900,274**	2,425,303
Stationeries and supplies	**960,728**	1,852,574
Repairs and maintenance	**835,585**	1,147,845
Meetings and conferences		300,172
Training and development	**60,129**	141,108
Others	**1,381,383**	2,189,503
	₱4,138,099	₱10,346,249

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

20. Income Taxes

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

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

	Audited December 2017	Audited December 2016
Current:		
MCIT	₱ 1,897,303	₱ 2,833,371
RCIT	-	-
Deferred	(19,796,734)	(29,180,987)
	(₱17,899,431)	(₱26,347,616)

The components of deferred tax assets follow:

	Audited December 2017	Audited December 2016
Deferred tax assets on:		
Allowance for impairment and credit losses	₱35,967,611	₱27,783,642
Inventory write-down of motorcycle	22,372,864	19,302,690
NOLCO	18,668,682	11,135,654
Accrued expenses	2,022,466	981,160
Past service cost	48,352	80,095
	79,079,975	59,283,241

Deferred tax liabilities on:		
Remeasurement gain on defined benefit obligation	1,253,976	1,576,945
	₱77,825,999	₱57,706,296

Details of the Company's NOLCO and MCIT which could be carried over as a deduction from the Company's future taxable income for the next three (3) succeeding taxable years follow:

NOLCO

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2017	₱25,110,093	₱ -	₱25,110,093	2020
2016	37,118,846	-	37,118,846	2019
	₱72,640,526	₱ -	₱72,640,526	

MCIT

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2017	₱1,897,302	₱ -	₱1,897,302	2020
2016	2,833,371	-	2,833,371	2019
	₱4,729,824	₱ -	₱4,729,824	

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

		Audited December 2017	Audited December 2016
Income before income tax		₱36,499,712	₱19,984,333
Income tax computed at statutory rate (30%)		10,949,914	₱5,995,300
Additions to (reduction in) income tax resulting from the tax effects of:			
Nondeductible expense		4,975,980	(4,089,080)
Non-deductible interest expense	-	473,585	35,467
Interest income subjected to final tax and dividend income	-	(1,148,084)	(85,982)
Tax exempt income and nontaxable income		(34,674,191)	(39,621,496)
Others	-	1,523,365	3,240,015
Effective Income tax benefit		(₱17,899,431)	(₱26,347,616)

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

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of a company engaged in the sale of services. EAR expenses amounted to ₱0.61 million ₱0.73 million and ₱ 0.61million in June 30, 2018, December 31, 2017 and December 31, 2016, respectively.

21. Related Party Transactions

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

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

The following transactions have been entered into with related parties:

		2017			2016			
			Outstanding Balances			Outstanding Balances		
Category/Transaction	*Ref*	**Amount of Transactions**	**Due from Related Parties**	**Due to Related Parties**	Amount of Transactions	Due from Related Parties	Due to Related Parties	**Nature, Terms and Condition**
Parent Company								
Amalgamated Investment Bancorporation								
Miscellaneous receivables	*a*	**₱ -**	**₱80,514**	**₱ -**	₱ -	₱80,514	₱ -	Non-interest bearing, unsecured; no impairment
Notes payable	*b*		**-**	**161,900,000**		-	364,900,000	Unsecured, 1-year interest bearing placement at 5.75% annual interest rate
Availments		**9,000,000**	**-**	**-**	53,400,000	-	-	
Settlements		**212,000,000**	**-**	**-**	173,000,000	-	-	
Interest expense		**18,867,920**	**-**	**3,483,367**	29,062,864	-	6,030,664	
Share in net income of an associate	*c*	**2,252,071**	**-**	**-**	47,222,206	-	-	Share in income from investee's profit
Dividends		**-**	**-**	**-**	36,000,000	-	-	Cash dividend received from AIB
Short-term placements	*d*	**486,700,000**	**-**	**-**	600,711,817	74,554,022	-	Short-term interest bearing placements at 3.4% annual interest rate
Interest income		**528,391**	**-**	**-**	257,796	-	-	
Entities under related common control								
Miscellaneous Receivables	*a*	**-**	**5,223,585**	**-**	-	4,421,397	-	Non-interest bearing, unsecured; no impairment
Availments		**2,807,577**	**-**	**-**	511,880	-	-	
Settlements		**2,005,389**	**-**	**-**	834,978	-	-	

Forward

Category/Transaction	Ref	2017 Amount of Transactions	2017 Outstanding Balances Due from Related Parties	2017 Outstanding Balances Due to Related Parties	2016 Amount of Transactions	2016 Outstanding Balances Due from Related Parties	2016 Outstanding Balances Due to Related Parties	Nature, Terms and Condition
Accounts payable	*f*		**₱-**	**₱4,363,429**		₱ -	₱6,985,826	30-day unsecured, non-interest bearing
Availments		**₱57,558,482**	**-**	**-**	₱272,556,153	-	-	
Settlements		**51,705,530**	**-**	**-**	286,682,683	-	-	
Accounts payable	*h*			**4,868,402**	-	-	2,387,995	Non-interest bearing, unsecured
Availments		**7,484,447**	**-**	**-**	-	-	-	
Settlements		**5,004,041**	**-**	**-**	-	-	-	
Short-term placements	*e*	**111,508,070**	**99,787,025**	**13,229,644**	-	-	-	Short-term interest bearing placements at
Interest income		**3,224,328**	**-**	**-**	-	-	-	10.5% annual interest rate
Notes payable	*b*	**-**	**-**	**-**	-	-	-	Unsecured, interest-bearing
Availments		**31,406,271**	**-**	**-**	13,300,000	-	-	placement at
Settlements		**-**	**-**	**-**	13,300,000	-	-	10.0% annual interest rate
Interest expense		**1,439,709**	**-**	**-**	1,396,306	-	726,917	
Professional fees		**-**	**-**	**-**	1,102,080	-	-	Payment of professional fees for consultancy
Directors and other stockholders								
Notes payable	*b*	**-**	**-**	**24,276,776**	-	-	35,206,895	Unsecured, 1-year interest bearing
Availments		**8,790,369**	**-**	**-**	19,771,610	-	-	placement at
Settlements		**19,720,488**	**-**	**-**	50,218,078	-	-	5.5% annual interest rate
Interest expense		**1,592,548**	**-**	**-**	2,539,861	-	1,054,752	
Professional fees and other management fees		**2,683,498**	**-**	**-**	4,379,191	-	-	Payment of professional fees
TOTAL			**₱105,091,124**	**₱244,787,748**		₱79,055,933	₱436,288,272	

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

b. As at December 31, 2017 and 2016, notes payable and accrued interest payable arising from borrowings from stockholders amounted to ₱230.58 million and ₱413.11 million, respectively and ₱3.48 million and ₱7.81 million, respectively. Interest expense from these borrowings amounted to ₱21.90million and ₱32.37 million in 2017 and 2016, respectively (see Note 4).

Borrowings availed from related parties amounted to ₱49.20 million and ₱73.17 million in 2017 and 2016, respectively. Settlement from borrowings amounted to ₱231.72 million and ₱236.52 million in 2017 and 2016, respectively. Interest rates from borrowings range from 5.5% to 5.75% and from 5.5% to 10% in 2017 and 2016, respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. Share in net income of an associate is the share of the Company in the net income of its associate (see Note 10).

d. The Company had short-term placements with related parties amounting to ₱5 million and ₱600.71 million in 2017 and 2016, respectively. As at December 31, 2017 and 2016, ₱99.79 million and ₱74.55 million of these placements remain outstanding. Interest income from these placements amounted to ₱3.75 million ₱0.26 million in 2017 and 2016, respectively (see Note 8).

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

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

22. Earnings Per Share (EPS)

EPS amounts were calculated as follows:

		Unaudited June 2018	Audited December 2017	Unaudited June 2017
a.	Net income	**₱ 1,988,289**	₱54,399,143	₱6,282,6611
b.	Weighted average number of outstanding common shares	**223,412,301**	223,412,301	216,462,556
c.	Basic/diluted earnings per share (a/b)	**₱0.01**	₱0.24	₱0.03

The weighted average number of outstanding common shares in 2017 and 2016 was recomputed after giving retroactive effect to stock dividends declared on July 28, 2017, July 30, 2016, and July 31, 2015, however, the impact to the EPS was immaterial (see Note 17).

23. Lease Commitment

The Company entered into a new lease contract for a period of five (5) years starting from February 1, 2016 to January 31, 2021. Total rent expense included under 'Occupancy cost' account in the statements of comprehensive income, incurred in 2016 and 2015 amounted to P14.89 million and P7.14 million, respectively.

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

	Unaudited June 2018	Audited December 2017	Unaudited June 2017
Less than one year	**₱9,853,666**	₱9,853,666	₱8,836,109
Between one and five years	**18,543,031**	18,543,031	24,795,708
	₱28,396,697	₱28,396,697	₱33,631,817

24. Notes to Statements of Cash Flows

The following table shows the reconciliation analysis of liabilities arising from financing liabilities for the year ended December 31, 2017:

Beginning balance		**₱427,338,890**
Cash flows during the year		
Proceeds from loans payable	**81,035,306**	
Payment of loans payable	**(146,800,788)**	
Non-cash movement	**-**	**(65,765,483)**
Ending balance		**₱361,573,407**

25. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

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

The following are the tax information required for the taxable year ended December 31, 2017 based on Revenue Regulation No. 15-2010:

A. Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses, and permit fees lodged under 'Taxes and licenses' account in the Company's statement of comprehensive income. Details for June 30, 2018 consist of the following:

Gross receipts tax (GRT)	**3,642,309**
Documentary stamp tax (DST) on loan instruments	**1,775,407**
License and permit fees	**494,750**
	₱5,912,466

B. Withholding taxes

Details of the withholding taxes as at June 30, 2018 follow:

Expanded withholding taxes	**₱2,089,859**
Withholding taxes on compensation and benefits	**2,146,223**
	₱4,236,082

C. Tax Cases

As at June 30, 2018 , the Company has no pending tax court cases.

D. Tax Assessment

As at June 30, 2018, the Company has no pending tax assessment.

MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
June 30, 2018

	June 2018 (Unaudited)	Dec. 2017 (Audited)	June 2017 (Unaudited)
SOLVENCY AND LIQUIDITY RATIOS			
Current ratio	173.53%	183.67%	152.05%
Debt to equity ratio	82.31%	91.56%	144.24%
Quick ratio	149.05%	166.84%	168.62%
PROFITABILITY RATIOS			
Return on assets (annualized)	0.43%	5.60%	1.10%
Return on equity (annualized)	0.78%	10..73%	2.69%
Net profit margin	29.61%	18.73%	8.05%
ASSET TO EQUITY RATIO	182.31%	191.56%	244.24%
INTEREST RATE COVERAGE RATIO	1..83	1.11	1.39
OTHER RELEVANT RATIOS			
Ratio or percentage of total real estate investments to total assets	0.10%	5.54%	0.23%
Total receivables to total assets	71.19%	63.55%	60.35%
Total DOSRI receivables to networth	2.96%	3.61%	0.04%
Amount of receivables from a single corporation to total receivables:			
Motor Ace Philippines, Inc. (MAPI)	0.36%	0.34%	0.28%
Honda Motor World, Inc. (HMWI)	0.35%	0.39%	0.36%
Amalgamated Investment Bancorporation (AIB)	0.01%	0.01%	0.02%
MAPI Lending Investors, Inc (MAPILI)	0.12%	0.12%	0.01%

LIQUIDITY RATIOS measure the business ability to pay short-term debt.

- Current ratio – computed as current assets divided by current liabilities
- Quick ratio – computed as cash and cash equivalents divided by current liabilities

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.

- Debt to equity ratio – computed as interest bearing loans and borrowings divided by total stockholders' equity
- Interest-bearing debt to total capitalization ratio – computed as interest-bearing debt divided by interest-bearing debt plus stockholders' equity attributable to the company's shareholders.

PROFITABILITY RATIOS

- Net Profit Margin – computed as net profit divided by revenues
- Return on Assets – computed as net profit divided by average total assets
- Return on Equity – computed as net profit attributable to the company's shareholders divided by average stockholders' equity attributable to the company's shareholders.

ASSET-TO-EQUITY RATIOS

- measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders' equity.

INTEREST RATE COVERAGE RATIOS

- measure the business' ability to meet its interest payments. It is computed as earnings before income tax and interest expense (EBIT) divided by interest payments.

MAKATI FINANCE CORPORATION
AGING OF RECEIVABLES

AS OF JUNE 30, 2018

CLASSIFICATION	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	> 180 DAYS	TOTAL
A. Trade Receivables							
Loans Receivable (Principal Value)*	613,583,064	6,734,493	4,001,097	3,079,145	6,102,451	110,715,758	**744,216,008**
SUB-TOTAL	**613,583,064**	**6,734,493**	**4,001,097**	**3,079,145**	**6,102,451**	**110,715,758**	**744,216,008**
Less: Allowance for Doubtful Accounts**						115,457,420	**115,457,420**
Net Trade Receivables	**613,583,064**	**6,734,493**	**4,001,097**	**3,079,145**	**6,102,451**	**(4,741,661)**	**628,758,588**
***Principal Value=Gross PN less Unearned Interest and Clients' Equity**							
****Allowance for doubtful accounts is for principal only.**							
CLASSIFICATION	**CURRENT**	**1-30 DAYS**	**31-60 DAYS**	**61-90 DAYS**	**91-180 DAYS**	**> 180 DAYS**	**TOTAL**
B. Non-Trade Receivables							
Due from Subsidiaries/Affiliates							
Loans Receivable (Principal Value)*	31,586,977	-	-	-	-	-	31,586,977
SUB-TOTAL	31,586,977	**-**	**-**	**-**	**-**	**-**	31,586,977
Less: Allowance for Doubtful Accounts		-	-	-	-		
Net Non-Trade Receivables	31,586,977	**-**	**-**	**-**	**-**	**-**	31,586,977
NET RECEIVABLES	**645,170,042**	**6,734,493**	**4,001,097**	**3,079,145**	**6,102,451**	**(4,741,661)**	**660,345,566**