

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b)
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement
2. Name of Registrant as specified in its charter
 MAKATI FINANCE CORPORATION
3. Province, country or other jurisdiction of incorporation or organization
 MAKATI CITY
4. SEC Identification Number
 28788
5. BIR Tax Identification Code
 000-473-966
6. Address of principal office
 7823 MAKATI AVENUE, MAKATI CITY
 Postal Code
 1210
7. Registrant's telephone number, including area code
 632-897-0749 * 632-899-4145
8. Date, time and place of the meeting of security holders
 July 28, 2016, 11:00 A.M. at Manila
9. Approximate date on which the Information Statement is first to be sent or given to security holders
 Jul 7, 2016
10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

-

Address and Telephone No.

-

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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COMMON

209,565,483

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

Yes No

If yes, state the name of such stock exchange and the classes of securities listed therein:

PHILIPPINE STOCK EXCHANGE COMMON STOCK

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



Makati Finance Corporation

MFIN

**PSE Disclosure Form 17-5 - Information Statement for Annual or
Special Stockholders' Meeting**
*References: SRC Rule 20 and
Section 17.10 of the Revised Disclosure Rules*

Date of Stockholders' Meeting	Jul 28, 2016
Type (Annual or Special)	Annual
Time	11:00 A.M.
Venue	Manila A Function Room, Makati Shangri-La Hotel, Ayala Avenue., Makati City
Record Date	Jul 1, 2016

Inclusive Dates of Closing of Stock Transfer Books

Start Date	Jul 1, 2016
End date	Jul 1, 2016

Other Relevant Information

Please see attached Definitive Information Statement filed on July 5, 2016 with the Securities and Exchange Commission in connection with the Annual Meeting of Makati Finance Corporation to be held on July 28, 2016.

Filed on behalf by:

Name	MARCOS LAROSA
Designation	Chief Finance Officer

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

July 04, 2016

Corporation Finance Department
SECURITIES AND EXCHANGE COMMISSION
SEC Building, Mandaluyong City

Attention: **Ms. Justina F. Callangan**
Director, Corporation Finance Department

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

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

Gentlemen:


We are sending herewith a copy of Makati Finance Corporation SEC FORM 20-IS Definitive Information Statement in relation to Annual Stockholder's Meeting to be held on July 28, 2016 at the Makati Shangri-La Hotel, Makati City.

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

Very truly yours,

MAKATI FINANCE CORPORATION
Registrant

By:



MARCOS E. LAROSA
Chief Finance Officer

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

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

NOTICE OF THE 2016 ANNUAL STOCKHOLDERS' MEETING

TO ALL SHAREHOLDERS
MAKATI FINANCE CORPORATION

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of Makati Finance Corporation, will be held on **28 July 2016, Thursday, 11:00 a.m.**, at the Manila A Function Room, **Makati Shangri-La Hotel**, Ayala Avenue, Makati City, with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 30 July 2015.
4. Presentation and Approval of the 2015 Annual Report and 2015 Audited Financial Statements
5. Ratification of acts, contracts, investments and resolutions of the Board of Directors and Management since the last Annual Stockholders' Meeting
6. Declaration of Cash /Stock Dividends
7. Election of Directors
8. Appointment of Independent External Auditors
9. Other Matters
10. Adjournment

The record date for stockholders entitled to notice of and vote at the said meeting is 1 July 2016. Registration for the meeting shall be at 10:30 a.m. Please present and provide any proof of identification, such as driver's license, passport, or government issued I.D, to facilitate registration. The Annual Stockholders' Meeting is a business meeting and children shall not be allowed in the venue.

Any instrument authorizing a proxy to act as such shall be submitted to and received at the principal office of the corporation on or before 20 July 2016, addressed to the attention of The Corporate Secretary. Corporate Shareholders are required to submit duly notarized Board Resolutions designating their proxies. Validation of proxies shall be on 21 July 2016 at 10:30 a.m. at the principal office of the Corporation. Holders of proxies which have not been submitted and validated in accordance with the foregoing shall not be honored during the meeting. No proxy is being solicited.

14 June 2016.



ATTY. D. ENRIQUE O. CO
Corporate Secretary

/ MFC-NSJUL16 [CFA-LAW]

2/F Makati Finance Bldg., 7823 Makati Avenue, Makati City, 1200 Philippines
Telephone Nos. (632) 899 4145 / 890 0526 Fax No. (632) 899 4121
Website: www.makatifinance.com

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

PROXY

The undersigned stockholder of **Makati Finance Corporation** (the "Corporation") hereby constitutes and appoints _____ as proxy to represent the undersigned stockholder, and to vote the share/s registered in the name of the undersigned stockholder in the books of the Corporation at the Annual Meeting of the Stockholders of the Corporation on **28 June 2012**, and any adjournment thereof.

The proxy is authorized to vote on all matters, which may properly come before the stockholders during the meeting.

This proxy shall be valid for said Stockholders' Meeting and adjournments thereof, unless earlier withdrawn by the undersigned stockholder by written notice filed with the Corporate Secretary of the Corporation.

Signed this proxy this _____ day of _____ 20__.

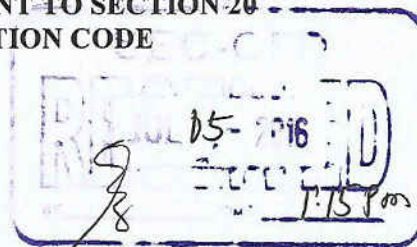
By:

Representative

Company

Signature over Printed Name

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:

- Preliminary Information Statement
 Definitive Information Statement

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

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

4. SEC Identification Number 28788

5. BIR Tax Identification Code 000-473-966

6. **7823 MAKATI AVENUE, MAKATI CITY** **1210**
Address of principal office Postal Code

7. Registrant's telephone number, including area code (02) 890-06-21

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

Date : **July 28, 2016**
Time : **11:00 a.m.**
Place : **Manila A Function Room, Makati Shangri-la Hotel,
Ayala Ave., corner Makati Ave., Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders July 07, 2016.

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
COMMON STOCK	209,565,483

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

Yes / No

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

INFORMATION REQUIRED IN INFORMATION STATEMENT

GENERAL INFORMATION

DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

The Annual Stockholders' Meeting of the Company will be held on **July 28, 2016, 11:00 a.m.** at the Manila A Function Room, Makati Shangri-la, Ayala Avenue corner Makati Avenue, Makati City. The complete mailing address of the principal office of Makati Finance Corporation is: 7823 Makati Avenue, Makati City, Philippines. This information statement is to be sent to the Company's stockholders on **July 07, 2016**.

DISSENTERS' RIGHT OF APPRAISAL

The procedure to be followed in exercising the appraisal right of dissenting stockholders shall be in accordance with Section 81 to 86 of the Corporation Code. A stockholder must have voted against any proposed corporate action in order to avail himself of the appraisal right.

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

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

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

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

CONTROL AND COMPENSATION INFORMATION

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Total number of common shares outstanding as of **May 31, 2016** is **209,565,483** with a par value of P1 per share. Pursuant to Article III, Section 4 of the Company's Amended By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock standing in his name in the books of the Company on the Record Date as fixed by the Board of Directors. Every stockholder voting on the election of directors may cumulate such number of votes in accordance with Section 24 of the Corporation Code.

Stockholders of record of the Company as of **July 1, 2016** ("the Record Date") shall be entitled to notice of, and to vote at, the Special Stockholders' Meeting.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS (MORE THAN 5% AS OF MAY 31, 2016)

Title of Class	Name and Address of Record Owner	Name/Address of Beneficial Owner	Citizenship	Amount of Ownership	Percentage Held
Common	Amalgamated Investment Bancorporation 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati	Record and beneficial owner	Filipino	55,155,228	26.31885%

	City				
Common	Pikeville Bancshares Inc. 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Record and beneficial owner	Filipino	14,430,349	6.88584%
	TOTAL			69,585,577	33.20469%

SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT (AS OF MAY 31, 2016)

Title of Class	Name, address of record owner and relationship	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	Percentage Held
Common	Michael Wee Son Lock 11F Multinational Bancorporation, 6805 Ayala Avenue, Makati City	Beneficial owner	Singaporean	8,412,908	4.13791%
Common	Eric B. Benitez 19 Mercedes St., Bel-Air Village, Makati City	Beneficial owner	Filipino	5,670,111	2.70565%
Common	Rene B. Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	4,651,618	2.21965%
Common	Rene B. Benitez ITF Carmela Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	242,236	0.11559%
Common	Rene B. Benitez ITF Lorenzo Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	242,236	0.11559%
Common	Rene B. Benitez ITF Matias Ysidro L. Benitez 35 Aries St. Bel-Air III, Bel-Air Village, Makati City	Beneficial owner	Filipino	232,560	0.11097%
Common	Joel S. Ferrer 2137 Lourdes St. San Miguel Village, Makati City	Beneficial owner	Filipino	2,048,101	0.97730%
Common	Teresita B. Benitez 19 Mercedes St., Bel-Air Village, Makati City	Beneficial owner	Filipino	395,430	0.18869%
Common	Max O. Borrromeo Maria Luisa Park, Banilad, Cebu City	Beneficial owner	Filipino	409,807	0.19555%
Common	Maxcy Francisco R. Borrromeo Maria Luisa Park, Banilad, Cebu City	Beneficial owner	Filipino	1,909	0.00091%
Common	Juan Carlos del Rosario Unit 9 17-A Mc Kinley Road, Forbes Park, Makati City	Beneficial owner	Filipino	29	0.00001%
Common	Francisco C. Eizmendi, Jr. 34 Celery Drive, Valle Verde 5, Pasig City	Beneficial owner	Filipino	15	0.00001%

Common	Atty. Eugenio E. Reyes 39 Road A St., Anthony Village, Quezon City	Beneficial owner	Filipino	15	0.00001%
Common	Jose V. Cruz 11F Multinational Bancorporation Bldg., 6805 Ayala Avenue, Makati City	Beneficial owner	Filipino	1	0.00000%
Common	Lawrence EE Hock Leong	Beneficial owner	Singaporean	1	0.00000%

The representative of Amalgamated Investment Bancorporation entitled to vote is Mr. Juan Carlos del Rosario. The representative of MF Pikeville Holdings/Pikeville Bancshares entitled to vote is Mr. Rene B. Benitez. There are no directors and nominees owning more than 5% of the outstanding shares who are affected by any acquisition, business combination or other reorganization, and there are no other commitments with respect to issuance of shares.

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

NOMINATIONS TO THE BOARD

The nomination committee is composed of: Ms. Teresita B. Benitez, Chairperson, and Mr. Rene B. Benitez, Mr. Max O. Borromeo, Mr. Eric B. Benitez and Mr. Michael Wee as members. Pursuant to the Company's Corporate Governance Manual, the Nomination Committee has pre-screened and shortlisted all candidates to be nominated as members of the Board of Directors. The Nomination Committee has considered the guidelines set forth in the Manual. This is in accordance with memorandum circular no. 16 of the Securities and Exchange Commission. The incumbent members of the Board of directors are expected to be nominated during the Stockholders' Meeting, for the term 2016 to 2017, as follows:

1. Ms. Teresita B. Benitez
2. Mr. Rene B. Benitez
3. Mr. Max O. Borromeo
4. Mr. Joel S. Ferrer
5. Mr. Francisco Eizmendi Jr.
6. Atty. Eugenio E. Reyes
7. Mr. Michael Wee Soon Lock
8. Mr. Eric B. Benitez
9. Mr. Jose V. Cruz
10. Mr. Juan Carlos del Rosario
11. Mr. Lawrence Hock Leong Ee

Pursuant to SRC Rule No. 38 on procedures on nomination and election of independent directors, Atty. Eugenio Reyes and Mr. Francisco Eizmendi, Jr. have been nominated by Mr. Rene B. Benitez as independent directors. There are no relations between Mr. Benitez, Atty. Reyes and Mr. Eizmendi up to the fourth degree either by consanguinity or affinity.

The nomination Committee shall propose that Dr. Isidro B. Benitez be bestowed the honorary title of Chairman Emeritus in recognition of his exemplary contributions to the Corporation and his key role as founder and Chairman of the Corporation. Chairman Emeritus is considered an honorary title and is not considered an officer of the Corporation nor a by-laws position. The Chairman Emeritus shall not exercise any formal duties and /or responsibilities within the Corporation.

DIRECTORS AND EXECUTIVE OFFICERS

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

Mr. Juan Carlos del Rosario, 66, Filipino, has served as a *Director* since 1996. Mr. Del Rosario is currently the Chairman of AIB and Inter Global Alliances Inc. He was formerly the Senior Vice President and Chief Investment Officer of the Philippine American Life Insurance Co. (AIG Philippines) where he served as a member of the Board of Directors in several of its subsidiaries and affiliated companies. He was a Director of AIG Investment Corporation (Asia) Ltd., Cosmos Bottling Co., Bacnotan Cement Corporation, Investment Capital Corporation of the Philippines and Science Park of the Philippines Inc. Prior to joining the AIG/Philamlife Group, he had worked for 17 years for Chase Manhattan Bank in New York Head Office, and overseas postings in Saudi Arabia, Brazil and the Philippines. He is a graduate of De La Salle University, Manila with Bachelor of Arts (History) and Bachelor of Science (Commerce) degrees. He received his MBA (Finance and Marketing) from Columbia University, New York City and also completed the Executive Development Program at Cornell University Graduate School of Management Ithaca, New York and the Strategic Business Economics Program at the University of Asia and the Pacific, Manila.

Ms. Teresita B. Benitez, 81, Filipino, is the Company's *Chairperson*. She has been a Director since 2001. She had previously worked for the Philippine Bank of Commerce as Assistant Personnel Manager and United Coconut Planters Bank as Assistant Corporate Secretary. She had also been a Director at Asiatruster Bank and President of Amalgamated Development Corporation. At present she is the President of 6805 Ayala Avenue Condominium Corporation, Treasurer and Director of Nationwide Health Systems and President of Felibon Realty, Inc. and Merg Realty and Development Corporation. Ms. Benitez obtained a Bachelor of Science in Commerce from the University of San Francisco, California, USA.

Mr. Max O. Borromeo, 67, Filipino, is the Company's *President*. He has been a Director since 2000. Aside from being a Director of the Company, Mr. Borromeo is currently a Director in the following companies: Honda Motor World, Inc., HMW Lending Investors, Dearborn Motors Co., Inc, Astron Gestus, Inc., Visayas Auto Ventures, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation, Cebu Parkland, Inc., and Salud Borromeo Foundation, Inc. He graduated with a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

Mr. Rene B. Benitez, 54, Filipino, is the Company's *Vice-Chairman* and has been a director since 1996. Prior to assuming his role as Vice-Chairman, Mr. Benitez has served in various board and senior executive capacities. Mr. Benitez is also Chairman, FCA Orbita LLC, a real estate asset management company based in New York. He is Executive Committee Chairman of Amalgamated Investment Bancorporation, and Vice Chairman of the Dearborn Motors Group of car dealerships. Mr. Benitez is a highly experienced director, currently serving in various international boards, among them are FPC 30 Green Energy Fund, a public power generation company in Australia, and the Yale Graduate School Alumni Association in New Haven, CT. To help the start up ecosystem, he recently co-founded the Manila Angel Investors Network. Mr. Benitez graduated with a dual major in Business Economics and Organizational Studies from Pitzer College of the Claremont Colleges, and has a master's degree in International and Development Economics from Yale University in New Haven, CT.

Mr. Joel S. Ferrer, 62, Filipino, is the Company's *Treasurer*. He has been a Director since 1998. Mr. Ferrer is currently the President of PARMAN Inc., a staffing company serving local and international clients. At the same time he also managing interests in real estate and agribusiness. Previous to this, he had worked for ERECSA, Inc. where he was the Executive Vice President. His other work experience includes being an investment executive at the Summa International Bank of Indonesia and a Lending Officer at the Bank of America. He obtained his Masters Degree in Business Management from the Asian Institute of Management and completed the Strategic Business Economics Program of the University of Asia and the Pacific.

Mr. Francisco C. Eizmendi Jr., 80, Filipino, is one of the Independent Directors of the Company. He was elected as a Director in the recent Stockholders' Meeting of Makati Finance Corporation and concurrently an Independent Director of Sun Life Grepa Financial and Member of Board Advisers of East West Seed (Philippines). Mr. Eizmendi had been the President and Chief Operating Officer of San Miguel Corporation for 15 years. He also had been a member of the Advisory Board of Rizal Commercial Banking Corporation. Mr. Eizmendi graduated with a Bachelor of Science in Chemical Engineering Degree from the University of Santo Tomas in 1956.

Atty. Eugenio E. Reyes, 79, Filipino, is one of the Independent Directors of the Company. He was elected as a Director only in the last quarter of 2003. Atty. Reyes is with Union Bank of the Philippines as Legal Consultant, concurrently as Independent Director of Securities Investors Protection Fund, Inc., AIB Money Market Mutual Fund, Inc., Bernad Securities, Inc., First Union Plans, Inc.; Executive Secretary of Philippine Association of Securities Brokers and Dealers, Inc., and Corporate Secretary of UPY Realty Corporation and UnionBank Condominium Association, Inc. He was also a former Department Director of the Securities and Exchange Commission (SEC) for fifteen (15) years, Executive Director for four (4) years and capping his 25-year stint at SEC as General Counsel, compulsorily retiring in 2001. Atty. Reyes finished his Bachelor of Laws at the University of Southern Philippines in Cebu City.

Mr. Michael Wee Soon Lock, 80, Singaporean, has served as a Director since 1998. Mr. Wee is a senior ASEAN banker and retired Executive Chairman of Development Bank of Singapore Securities Holding PTE Ltd. He has held the positions of the Chairman of NatSteel Ltd., Deputy Chairman of DBS Land, Executive Vice President of the Development Bank of Singapore, General Securities Investments Ltd., Singapore Bus Services Ltd., Laguna National Golf and Country Club, Ltd. Mr. Wee graduated with a Bachelor of Science Degree in Chemical Engineering from the University of London. He obtained his Masters Degree in Finance from the University of Birmingham and Masters Degree in Business Administration from the University of British Columbia, Canada.

Mr. Jose V. Cruz, 70, Filipino, has served as a Director since 2010. Mr. Cruz is currently the President and CEO of Amalgamated Investment Bancorporation ("AIB"). Prior to joining AIB, he has had extensive experience in foreign and local investment banking, commercial banking, and capital market operations, having been based in New York, London, the Middle East, Singapore, and Hongkong. He was formerly Managing Director in AIA Capital Corporation, a Hongkong based regional investment bank (focused on corporate finance in Asia) previously owned by the publicly listed pan-Asian insurance group, AIA Group Limited. He was also a Board Member of AIA Capital's investment banking subsidiaries located in Taiwan, India, and the Philippines. Prior to AIA Capital, he was Senior Vice President of AFC Merchant Bank, a Singapore-based consortium bank owned by leading Southeast Asian banks, including DBS Bank, Bangkok Bank, and Malayan Bank. He was previously Vice President and CFO of MERALCO and a Board member of Royal Dutch Shell's subsidiary in the Philippines. He started his career as an officer in the 1970s in Citigroup (then called Citibank) head office, New York. He received his MBA from Columbia University, New York City.

Mr. Eric B. Benitez, 49, Filipino, has served as a Director since 2011. Mr. Benitez was formerly a Director in Credit Risk Management at Eurohypo AG (wholly-owned subsidiary of Commerzbank AG) in New York. Prior to Eurohypo, Mr. Benitez was a senior consultant within the Real Estate Business Advisory Services Group at the New York office of PricewaterhouseCoopers, LLP. He began his career in 1988 as an analyst in the trust department at Sanwa Bank (now part of The Bank of Tokyo-Mitsubishi UFJ) in San Francisco, CA. Previously, Mr. Benitez was formerly a Board Member of the Philippine Finance Association. He earned his BA in Applied Mathematics from the University of California, Berkeley and his MS in Real Estate from Columbia University in New York.

Mr. Lawrence Hock Leong Ee, 74, Singaporean, has been a Director since 2014. He is currently Senior Adviser and Board of Director of Amalgamated Investment Bancorporation and lifetime member of the Institute of Singapore Chartered Accountants.

INDEPENDENT DIRECTORS

Among the Directors, Messrs. Francisco C. Eizmendi Jr. and Atty. Eugenio E. Reyes were elected as the two (2) Independent Directors of the Company at the **2015** Annual Stockholders' Meeting.

SENIOR MANAGEMENT

Mr. Maxcy Francisco Jose R. Borromeo, 42, *Filipino*, is the Company's Chief Operating Officer (COO). Aside from being a COO of the Company, Mr. Borromeo is also a Director of Honda Motor World, Inc., HMW Lending Investors, Inc., Motor Ace Philippines, Inc., MAPI Lending Investors, Inc., Astron Gestus, Inc., Cebu Maxi Management Corporation, Maxi Agricultural Corporation and Borromeo Brother's Estate, Inc. He is also a member of the Board of Trustees of Salud Borromeo Foundation, Inc. He graduated with a Bachelor of Arts degree in Political Science from the Ateneo de Manila University. He completed the following courses from the Asian Institute of Management, Professional Management Development Course, Strategic Management, Operations Management, and Financial Management. He obtained his Master's degree in Applied Finance with a focus on banking from the University of Wollongong, Australia.

Mr. Marcos E. Larosa, CPA – *Chief Finance Officer*, 37, *Filipino*, was employed by the Company in July 1, 2014 as its new CFO. He was the Regional Finance Manager of Dole Asia Company Limited since November 2013 before joining Makati Finance Corporation. For 11 years he has worked with Matimco Incorporated, a local wood manufacturing and distribution company handling several managerial positions; as Finance Manager (2010-2013), Sales Support Manager (2004-2009), Budget Planning and Control Manager (2003) . He graduated with a Bachelor of Science degree in Accounting from the Polytechnic University of the Philippines in 1999.

Atty. Danilo Enrique O. Co, *Corporate Secretary and Legal Counsel*, 47, *Filipino*. Atty. Co has been serving the Corporation as its Corporate Secretary and Legal Counsel shortly after it went public in 2003. He is currently the Managing Partner of Co Ferrer Ang-Co & Gonzales Law Offices. He is also a Director, Legal Counsel, Corporate Secretary and/or Asst. Corporate Secretary of several other Philippine corporations, such as Art Provenance Philippines Inc., Amalgamated Investment Bancorporation, Anvaya Cove Beach and Nature Club, Concepts Unplugged: Business Environment Solutions (CUBES), Inc., Dearborn Motors Co., Inc., Kalayaan College Inc., Now Corporation, The Studio of Secret 6 Inc., and Western Roadhouse Foods Inc. Atty. Co obtained his BS Business Administration (cum laude) and Law degrees from the University of the Philippines.

FAMILY RELATIONSHIP

Mr. Rene B. Benitez and Eric B. Benitez are sons of Ms. Teresita B. Benitez.
Mr. Maxcy Francisco Jose R. Borromeo is son of Mr. Max O. Borromeo.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

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

by any court or administrative body to have violated a securities or commodities law.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS – NOTE 21

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

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

The following transactions have been entered into with related parties:

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

Settlements	17,779	-	
Notes Payable	<i>b</i> 13,000,000	36,000,000	Secured interest-bearing placement at 5.5% annual interest rate; no impairment
Settlement	23,000,000	-	
Interest Expense	830,653	2,190,000	
<i>Directors and other stockholders</i>			
Notes payable	<i>b</i> P71,653,363	P75,575,896	Secured, 1-year interest bearing placement at
Availments	8,046,219	12,625,000	6.0% annual interest rate
Settlements	11,968,752	2,090,343	
Interest expense	4,636,886	2,555,555	
Professional Fees and other Management Fees	4,789,339	3,244,889	Payment of professional fees

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

b. As of December 31, 2015 and 2014, notes payable and accrued interest payable arising from Borrowings through other stockholders amounted to P569.15 million and P722.38 million, respectively, and P15.06 million and P8.79 million, respectively. Interest expense from these borrowings amounted to P36.52 million and P28.24 million in 2015 and 2014, respectively.

Borrowings availed from related parties amounted to P53.05 million and 50.63 million in 2015 and 2014, respectively. Settlement from borrowings amounted to P206.27

million and P74.59 million in 2015 and 2014, respectively. Interest rates from borrowings range from 5.5% to 6.25% and from 5.70% to 6.00% in 2015 and 2014, respectively. Borrowings from related parties are unsecured and to be settled in cash.

c. Share in net income of an associate is the share of the Company in the net income of its associate.

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

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

Item 10. Executive Compensation

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

SUMMARY COMPENSATION TABLE				
YEAR	NAME AND PRINCIPAL POSITION	SALARY/MANAGEMENT FEE	BONUS	OTHER COMPENSATION
2016 (Estimate)	Top 5 Executive Officers: Rene B. Benitez – Vice Chairman Teresita Benitez – Chairperson Max Borromeo – President Maxcy R. Borromeo – Chief Operating Officer Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	9,375,920	1,376,191	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	9,375,920	4,063,003	2,200,000
2015 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Vice Chairman Teresita Benitez – Chairperson Max Borromeo – President Maxcy R. Borromeo – Chief Operating Officer Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	9,375,920	1,376,191	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	9,375,920	4,063,003	2,200,000
2014 (Actual)	Top 5 Executive Officers: Rene B. Benitez – Chairman Teresita Benitez – Vice Chairperson Max Borromeo – President Maxcy R. Borromeo – Chief Operating Officer Marcos E. Larosa – Chief Finance Officer Aldrin B. Pontanares – Operation Manager	6,821,891	1,165,657	600,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	7,854,908	1,945,350	2,200,000
2013 (Actual)	Top 5 Executive Officers: Max Borromeo – Senior Managing Director Teresita Benitez – President Rene B. Benitez – Managing Director Cynthia M. Gacayan – COO/CFO Aldrin B. Pontanares – Operation Manager	7,500,000	700,000	400,000
	ALL BOARD DIRECTORS AND OFFICERS AS A GROUP	7,000,000	913,672	2,010,000

The Company has an existing management contract with Cebu Maxi Management Corporation for advice and assistance to be provided by Mr. Max O. Borromeo and with Pikeville Resources, Inc. for advice and assistance to be provided by Mr. Rene B. Benitez. The directors receive a per diem of ₱50,000 for each attendance at board meeting and ₱10,000 for each board committee meeting. There are no special compensatory plan or arrangement with any officer, which would give undue advantage

over any other employee of the Company. No stock warrants or stock options on the Company's shares have been issued or given to the Directors or Executive Officers as a form of compensation for services rendered. The Compensation Committee has four members, one of whom is independent director namely: Atty. Eugenio E. Reyes (Chairman), Juan Carlos del Rosario, Jose V. Cruz and Eric B. Benitez.

IDENTITY OF SIGNIFICANT EMPLOYEES

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

INDEPENDENT PUBLIC ACCOUNTANTS

The auditing firm of R.G. Manabat & Co. is the incumbent external auditor of the Company for the calendar year 2015. The Company has complied with SRC Rule 68 (3)(b)(iv), regarding rotation of external auditors or engagement partners every five years. Ms. Carmel Lynne M. Balde, the partner in charge, is the reviewer/auditor of the Company. It is expected that R.G. Manabat & Co. will be reappointed as the Company's external auditor for year 2016.

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

There had been no disagreements with R.G. Manabat & Co. with regards to accounting policies and financial disclosures of the Company.

Audit Committee is comprised of the following: Mr. Francisco C. Eizmendi, Jr., as Chairman and Mr. Juan Carlos Del Rosario, Mrs. Teresita B. Benitez and Mr. Lawrence EE as members.

ISSUANCE AND EXCHANGE OF SECURITIES

AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

As approved by the Board of Directors and upon concurrence by the Stockholders of the Company, an annual dividend declaration policy was set up, amount of which will be equivalent to 30% of the Company's net earnings for the year. For the year 2006, the Board of Directors approved the following: 30% of the audited net income after tax of P 16,205,137 is P 4,861,541 of which 50% was declared as stock dividends amounting to P2,430,710 in favor of the stockholders of record as of July 12, 2007 and 8.28% of the outstanding capital stock as of October 31, 2007 amounting to P83,117,897 is P6,882,103 was declared as stock dividends in favor of the stockholders of record as of November 26, 2007. For the year 2005, the Board of Directors approved the following: 30% of the audited net income after tax of P12,193,904 is P3,658,170, 50% of the amount, P1,829,066 was declared as stock dividend. Stock dividends shall be approved by a majority vote of the stockholders. On June 19, 2008, the Board of Directors approved the declaration of 2.51% stock dividends in the aggregate amount of P2,257,147 in favor of the stockholders of record as of July 17, 2008, with a payment date not later than August 12, 2008.

For the year 2009, the Board of Directors approved the following: 30% of the audited net income after tax of P5,465,094 is P1,639,528, 50% of the amount, P819,716 was declared as stock dividend. Stock dividend shall be approved by a majority vote of the stockholders.

For the year 2010, the Board of Directors approved the following: 30% of the audited net income after tax of P10,748,518 is P3,224,556, 50% of the amount P1,612,240 was declared as stock dividend.

Stock dividend shall be approved by a majority vote of the stockholders.

For the year 2011, the Board of Directors approved the following: 30% of the audited net income after tax of P12,355,253 is P3,706,576, 50% of the amount P1,853,245 was declared as stock dividend. Stock dividend shall be approved by a majority vote of the stockholders.

For the year 2012, the Board of Directors approved the following: 30% of the audited net income after tax of P13,827,722 is P4,148,317, 50% of the amount P2,074,121 was declared as stock dividend. Stock dividend shall be approved by a majority vote of the stockholders.

For the year 2013, the Board of Directors approved the following: 30% of the audited net income after tax of P16,301,689 is P4,890,507, 50% of the amount P2,445,209 was declared as stock dividend. Stock dividend shall be approved by a majority vote of the stockholders.

For the year 2014, the Board of Directors approved the following: 30% of the audited net income after tax of P23,103,929 is P6,931,178, 50% of the amount P3,465,553 was declared as stock dividend. Stock dividend shall be approved by a majority vote of the stockholders.

For the year 2015, the Board of Directors approved the following: 30% of the audited net income after tax of P41,685,179 is P12,505,553, 50% of the amount P6,252,710 was declared as stock dividend. Stock dividend shall be approved by a majority vote of the stockholders.

In 2016, it is expected that the Board shall propose dividend declaration of 30% of 2015 Net Income After Tax in the next BOD Meeting in July 28, 2016.

OTHER MATTERS

AMENDMENT OF CHARTER, BY-LAWS AND OTHER DOCUMENTS

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

PROPOSED ACTION

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

1. Approval of the Minutes of the Annual Stockholders' Meeting held on July 30, 2015.
2. Presentation and Approval of the 2015 Annual Report and the 2015 Audited Financial Statements

A copy of the 2015 Audited Financial Statements will be furnished to all shareholders as of Record Date, and the 2015 Annual Report will be presented during the Annual Stockholders' Meeting.

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

The dividend policy dictates that 30% of 2015 Net Income after Tax will be declared as dividends. It is expected that the Board shall proposed this in the next BOD Meeting in July 28, 2016.

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

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

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

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

5. Election of Directors

The same Directors are expected to be re-elected.

VOTING PROCEDURES

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

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

- a) Every stockholder entitled to vote shall have the right to vote, either in person or by proxy, the number of shares registered in his/her/their respective name of record as of the close of business hours of **July 1, 2016**. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before **July 20, 2016** for inspection and recording shall be honored for purposes of voting.
- b) For the stock dividend declaration, approval shall require a majority vote by the stockholders entitled to vote.
- c) For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder has a number of votes equal to the number of shares he owns, times the number of directors to be elected. The stockholder under this voting system has the option to (i) to cast all his votes in favor of one (1) nominee; or (ii) distribute those votes in the same principle among as many nominees as he shall see fit. Only candidates duly nominated during the meeting shall be voted by the stockholders entitled to vote or by their proxies.
- d) Unless required by law, or upon motion by any stockholder, voting need not be by ballot and will be done by show of hands and counted manually by the Corporate Secretary.

UNDERTAKING TO PROVIDE ANNUAL REPORT

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

MARCOS E. LAROSA
Chief Finance Officer
Makati Finance Corporation
2/F Makati Finance Center
7823 Makati Avenue, Makati City

UNDERTAKING TO PROVIDE UPDATED CERTIFICATION OF INDEPENDENT DIRECTOR

The registrant undertakes to provide SEC the updated Certificate of Qualification and Disqualification of Independent Directors within thirty (30) days after the Annual Stockholders' Meeting in July 28, 2016.

SIGNATURES

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

MAKATI FINANCE CORPORATION
Issuer



MARCOS E. LAROSA / Chief Finance Officer
Signature and Title

Date: July 4, 2016

MAKATI FINANCE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Plans and Prospects for 2016

In 2016, MFC intends to further balance our loan portfolio, wherein we continue to see our Factors and collateral based Business Loans increasing its share to 20% of MFC's total loan portfolio.

Motorcycle shall continue to be the main product line of MFC, together with our dealer partners, we will push to increase quality accounts from existing strategic outlets through extensive marketing activities and competitive pricing strategies.

MFC positions itself as a player in serving the financing needs of the often neglected middle markets in the Philippines. Because of the vast experience it has gained, MFC's lending activities and loan products will continue to be focused on the niche consumer loan market and SME markets. MFC will also continue and raise the quality of service it provides to its clients.

Funds Generation

We currently have a P484.5 million facility with Amalgamated Investment Bancorporation (AIB) and P297.5 million term loan financing with various financial institutions. The Company is in discussion with other financial institutions to secure credit loan facilities to finance MFC's growth potential in 2016.

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

INFORMATION ON EXTERNAL AUDITOR

There had been no disagreements with R.G. Manabat & Co. with regards to accounting policies and financial disclosures of the Company. Ms. Carmel Lynne M. Balde, the Partner, has been the auditor of the Company starting year 2014, and has not yet completed the five-year cap requirement of SEC.

For the annual statutory and regulatory engagements including out-of-pocket expenses, MFC has engaged R.G. Manabat & Co. for FY 2015 and FY 2014 audit periods for a service fee of Php 660,000 and Php 550,000, respectively. The Company has not engaged R.G. Manabat & Co. for any tax-related service or any other professional services. The audit committee of MFC regularly meets to tackle whatever issues that may come out of the regular audit of the company's external auditor and reports them to the Board of Directors. Recommendations by the audit committee are then deliberated during the Board meetings.

Discussion of Past Financial Performance

As of December 31, 2015

Results of Operation

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

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

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

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

Financial Condition and Capital Resources

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

Interest Income

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

Net Interest Income

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

Other Income

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

Income Before Income Tax

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

Net Income

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

As of December 31, 2014

Results of Operation

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

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

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

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

Financial Condition and Capital Resources

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

Interest Income

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

Net Interest Income

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

Other Income

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

Income Before Income Tax

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

Net Income

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

As of December 31, 2013

Results of Operation

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

In 2013 MFC continued its focus on strengthening the operations and services of its existing outlets. It went into a total review of the portfolio and evaluating the status for each account. Collectability of those accounts which had been non-moving for a number of months were evaluated and determined

as either for special collection efforts or for write-off. Completeness of documents for each account were analyzed and accounts with incomplete documents were rectified and those non-rectifiable accounts were recommended for write-off. The process flow of outlet operations were reviewed and streamlined. Management also focused on improving and beefing up manpower on its back-room operations. The Company now has a wider reach in the offer of its services resulting in a rise in the amounts financed and the corresponding rise in income generation. Volume of motorcycle units financed increased by 43%, from 9,156 motorcycle units in 2012 to 13,109 motorcycle units in 2013.

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

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

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

Financial Condition and Capital Resources

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

Net Interest Income

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

Other Income

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

Income Before Income Tax

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

Net Income

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

As of December 31, 2012

Results of Operation

Net Income after tax for the year ending December 31, 2012, as reflected in the audited financial statements, was at ₱ 16.3 million. This was a 17.9% increase over the NIAT of 2011, or an increase of ₱ 2.47 million. A revaluation on the investment of MFC with Amalgamated Bancorporation Inc. for a net of ₱ 12.31 million which resulted to Net Income after tax to be at ₱ 28.61 million

Total net interest income rose from ₱ 126.95 million in 2011 to ₱ 132.08.million in 2012, a 4% increase from 2011 to 2012 performance. Total other income was at to ₱ 18.18 million, an increase of ₱ 9.19.million, 102.3% higher than in 2011. Total expenses in 2012 reached ₱ 121.5 million which was ₱ 10.72 .million or 9.2% higher than the ₱ 116.79 million expenses in 2011.

Interest income in 2012 amounted to ₱ 176.56 million; major breakdown of which is ₱ 16.84 million from Rx, ₱ 7.32 million from Factors and ₱ 148.12 million from MC Financing

This year MFC reorganized and re-aligned some functions and responsibilities. The focus was on strengthening the operations, services and operating controls of its existing outlets.

With the higher income in 2012, Earnings Per Share in 2012 went up at ₱ 0.08 compared to ₱ 0.07 in 2011. Likewise, Return on equity (ROE) in 2012 was at 1.5% which was the same as in 2011 while Return on Assets was at 6.5%, slightly better as that in 2011.

Financial Condition and Capital Resources

In 2012 total assets increased by ₱ 175 million as against that in 2011, from ₱ 958 million to ₱ 1,134 million which was primarily due to the increase in our motorcycle financing loan portfolio. There was also a noticeable increase in our notes payable by ₱ 145 million as compared to that in 2011.

Net Interest Income

Net interest income increased 4.4% or P5.13 million as against that in 2011. The Company increased in interest expense from P29.6 million to P44.5 million.

Other Income

Other income increased by ₱7.39 million or 137.3% from December 2011.

As of December 31, 2011

Results of Operation

MFC ended the year 2011 with Net Income after Tax at ₱13.82 million. This was an increase against the 2010 NIAT of ₱12.36 million, or a 12% increase. Interest income in 2011 amounted to ₱156.6 million from our 3 major products: ₱16.9 million from Rx, ₱8.3 million from Factors and ₱128.0 million from Motorcycle Financing. The revaluation on the investment of MFC with Amalgamated Bancorporation Inc. gave rise to a net adjustment of ₱ 5.7 million which resulted to Net Income after tax to be at ₱ 19.52 million

Midway in the year, Management decided to defer its projected geographical expansion due firstly to a slowdown in the economies world-wide. The economic contractions were prominent in Europe, USA and Japan. Additionally, the continued unrests erupting in various areas in the Middle East brought a level of uncertainties and lack of job security for a lot of our Overseas Filipino Workers. All these add up to the Peso volatility which greatly affected a bulk of our motorcycle customers. Secondly, minimal government spending stunted economic growth as well as the spending capability of most of our customers. And thirdly, Luzon was battered with a lot of typhoons and bad weather which directly impacted client solicitations and collection efficiencies.

MFC then took this opportunity to focus on strengthening the operations and services of its existing outlets. It went into the re-aligning of functions & responsibilities and strengthening of operational controls. Management also focused on improving and beefing up manpower on its back-room operations and completing the conversion of the manual financing system to an automated one.

With the resulting income in 2011, Earnings Per Share in 2011 was a slight increase at P0.07. Likewise, Return on equity (ROE) in 2011 was at 6% while Return on Assets was 1.5%.

Loan portfolio in 2011 amounted to ₱738 million. Of the three major products: Motorcycle financing, Rx Cash Line and Factors, Motorcycle financing took the biggest share at 86% while Factors had 8% closely followed by Rx Cash Line at 6%.

Financial Condition and Capital Resources

In 2011 total assets increased by P238.2 million as against that in 2010, from P666.7 million to

P904.9 million. This increase was primarily due to the increase in our loan portfolio of products being offered. An increase in our portfolio necessitated for an increase in our borrowings which resulted in the noticeable increase in our notes payable by P251.9 million compared to that in 2010.

Net Interest Income

Interest expense decreased 7.66 percent or P2.46 million as against that in 2010. The Company decreased in interest expense from P32.1 million to P29.6 million. The reduction in income is due to expansion activity primarily in the MC Financing product.

Other Income

Other income decreased by ₱.12 million or 1.31% from December 2010.

Income Before Income Tax

Due to the significant increase on interest income and operating expenses as mentioned above, income before income tax increased by 21.66% from December 2010.

As of December 31, 2010

Results of Operation

The audited financial statements of the Company reflected Net Income after tax for the year ending December 31, 2010 at P12.36 million. This was a 15% increase over the NIAT of 2009, or an increase of P1.61 million.

The Company continued to implement its geographical expansion for the Motorcycle Financing line. Sixteen (16) new trading areas were established by our dealer partners in 2010 making a total of twenty eight (28) trading areas, where MFC absorbed all their financing transactions. The company has now a wider reach in the offer of its services resulting in a rise in amounts financed and the corresponding rise in income generation.

Operating income went up to P80.92 million from P58.18 million in 2009, a 39% increase in 2010 performance which was expected with the more than double geographical reach. Expenses likewise spiked up from P48.38 million in 2009 to P71.26 million in 2010. Expansion-related expenses like salary and compensation related expenses, recruitment and training costs, advertising and marketing costs, depreciation costs for new fixed assets, office supplies and forms that needed to be stocked up on and other overhead costs to support the increased number of trading areas were noted to be high. These expansion-related up-front costs were incurred sans corresponding equitable income recognition

KEY PERFORMANCE INDICATORS:

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

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

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

Computation for the Ratios:

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

TRENDS, EVENTS OR UNCERTAINTIES WITH MATERIAL IMPACT ON LIQUIDITY

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

EVENTS THAT WILL TRIGGER DIRECT OR CONTINGENT FINANCIAL OBLIGATION

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

MATERIAL OFF-BALANCE SHEET TRANSACTIONS, ARRANGEMENT OR OBLIGATION

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

CAPITAL EXPENDITURES

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

TRENDS, EVENTS OR UNCERTAINTIES WITH MATERIAL IMPACT ON SALES

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

SIGNIFICANT ELEMENTS OF INCOME OR LOSS

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

SEASONAL ASPECTS

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

HOLDERS OF COMMON STOCK as of May 31, 2016 TOP 20 Stockholders

There are a total of 102 stockholders as of May 31, 2016

Name	Nat	Class	No. of Shares	Percentage
PCD NOMINEE CORPORATION (FILIPINO)	FIL	common	96,827,313	46.20%
AMALGAMATED INVESTMENT BANCORPORATION	FIL	common	55,155,228	26.32%
MF PIKEVILLE HOLDINGS, INC.	FIL	common	14,430,349	6.89%
WEE, MICHAEL	FOR	common	8,412,908	4.01%
BORROMEO BROS. ESTATE INC.	FIL	common	6,643,768	3.17%
BENITEZ, ERIC B.	FIL	common	5,670,111	2.71%
LIMCAOCO, MELLISSA B.	FIL	common	5,088,938	2.43%
BENITEZ, GLEN B.	FIL	common	4,845,208	2.31%
BENITEZ, RENE B.	FIL	common	4,651,618	2.22%
FERRER, JOEL	FIL	common	2,048,101	0.98%
HERRERA, RODOLFO B./MAX BORROMEO/CARMEN MERCADO	FIL	common	1,003,726	0.48%
REYES, MARY GRACE V.	FIL	common	603,708	0.29%
BENITEZ, TERESITA B.	FIL	common	395,430	0.19%
MERG REALTY DEVELOPMENT	FIL	common	351,310	0.17%
PCD NOMINEE CORPORATION (FOREIGN)	FOR	common	292,764	0.14%
BENITEZ, GLENN, ITF ALFONSO C. BENITEZ	FIL	common	242,236	0.12%
BENITEZ, GLENN, ITF ALESSANDRA C. BENITEZ	FIL	common	242,236	0.12%
BENITEZ, RENE, ITF CARMELA L. BENITEZ	FIL	common	242,236	0.12%
BENITEZ, RENE, ITF LORENZO L. BENITEZ	FIL	common	242,236	0.12%

LIMCAOCO, MELLISSA B., ITF DANIELLE B. LIMCAOCO	FIL	common	242,236	0.12%
SUB-TOTAL			207,631,660	99.11%
OTHER STOCKHOLDERS (82)			1,933,823	0.89%
GRAND TOTAL (102 stockholders)			209,565,483	100.00%

As of March 31, 2016, of the total number of shares issued and outstanding, the Company has a public float of **11.84%** which is in compliance as required by the PSE. Likewise, the foreign owned shares comprise of only **4.14%**.

MARKET SHARE INFORMATION

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

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

The latest available price information on Makati Finance's stock price is **₱3.53** per share as of **July 01, 2016**.

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

Quarter Ending	Market Prices	
	High	Low
March 2016	3.67	3.58
December 2015	3.05	2.81
September 2015	3.31	3.31
June 2015	7.50	6.00
March 2015	4.20	3.60
December 2014	6.50	2.76
September 2014	12.50	4.14
June 2014	15.00	4.00
March 2014	3.50	3.50

DIVIDENDS

As approved by the board of directors and upon concurrence by the stockholders of the Company, an annual dividend declaration policy was set up, amount of which will be equivalent to 30% of the Company's net earnings for the year. For the year 2010, the Board of Directors also approved the declaration of cash dividends amounting to P1,612,316. Fractional shares related to this declaration was settled in cash. For the year 2011, the Board of Directors approved the declaration of cash dividends amounting to P1,853,288. Fractional shares related to this declaration was settled in cash. For the year 2012, the Board of Directors also approved the declaration of cash dividends amounting to P2,074,158.30. Fractional share was settled in cash. For the year 2013, the Board of Directors also approved the declaration of cash dividends amounting to P2,445,253.68. Fractional share was settled in cash. Please refer to page 14 (Authorization or Issuance of Securities other than for Exchange). For the year 2014, the Board of Directors also approved the declaration of cash dividends

amounting to P3,465,589. Fractional share was settled in cash. Please refer to page 14 (Authorization or Issuance of Securities other than for Exchange). For the year 2015, the Board of Directors also approved the declaration of cash dividends amounting to P6,252,776.85. Fractional share was settled in cash. Please refer to page 14 (Authorization or Issuance of Securities other than for Exchange).

There is no restriction that Limit the Payment of Dividend Common Shares.

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

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

EXEMPTION FROM REGISTRATION CLAIMED

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

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

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

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

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

CERTIFICATION


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

1. I am the duly elected and incumbent Corporate Secretary of Makati Finance Corporation.
2. I hereby certify that, to the best of my knowledge, none of named Directors or Executive Officers of Makati Finance Corporation currently works with the Philippine government, or any of its departments, agencies, branches or other offices.
3. This certification is being issued as part of the disclosure requirements of the Securities and Exchange Commission.


DANILO ENRIQUE O. CO
Affiant

SUBSCRIBED AND SWORN to before me this JUN 14 2016 at Makati City affiant personally appeared before me and exhibited his Competent Evidence of Identity (Passport) No. EB5073866 issued at Manila on 3 April 2012 expiring 2 April 2017.

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Page No. 55
Book No. I
Series of 2016


ATTY. ALYSSA AROMIN FUCOY
Notary Public - Makati City
Appointment No. M-29 (13 Jan. 2016 to 31 Dec. 2017)
Attorney's Roll No. 64236
PTR No. 5326881; 06 Jan. 2016; Makati City
IBP No. 1018444; Makati City Chapter
MCLE Compliance No. V-0012332
Tax Identification No. 220-862-681

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am an independent director of Makati Finance Corporation
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Dearborn Motors Corporation	Chairman	2000 – present
Sun Life Grepa Financial	Independent Director	2011 - present
RCBC	Independent Director	2006 – present
Institute for Solidarity in Asia	President	2008 – present
East West Seed Philippines	Advisory Board Member	2009 - present


3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Makati Finance Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code.
5. I shall inform the Corporate Secretary of Makati Finance Corporation of any changes in the abovementioned information within five (5) days of its occurrence.

Done, this 5th day of June 2015 at Pasig City, Philippines.


FRANCISCO C. EIZMENDI, JR.
Affiant

Subscribed and sworn to before me this JUN 09 2015 day of at MAKATI CITY affiant personally appeared before me and exhibited his Tax Information Number (TIN) 119-132-505.

Doc No. 45
Page No. 92
Book No. 77
Series of 2015


ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M 32
DATE: DECEMBER 11, 2016
OFFICE: 119-132-505
MEMBER OF THE BAR, 1983/4-10-2012
PTA. MEMBER (JAN 05, 2015)
LUG. CENTER
RIVERA AVE., COR. JUPA ST.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, ATTY. EUGENIO E. REYES, Filipino, of legal age and with residence address at 131 Barcelona St., Vista Real Classica II, Batasan Hills Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Makati Finance Corporation
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Institute of Corporate Directors	Member, Board of Advisors	1999 to present
Australian Institute of Company Directors	Affiliate	2002 to present
Philippine association of Securities Broker/Dealers, Inc.	Executive Secretary	2003 to present
Global Steel Phils., (SPV-AMC), Inc. (formerly National Steel Corporation)	Director	2005 to present
Securities Investors Protection Fund, Inc.	Director/Trustee	2005 to present
First Union Plans, Inc.	Independent Director	2007 to present
Bernad Securities Inc.	Independent Director	2010 to present
Union Bank Condominium Association, Inc.	Corporate Secretary	2013 to present
UPY Realty Corporation	Corporate Secretary	2014 to present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Makati Finance Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code.
5. I shall inform the Corporate Secretary of Makati Finance Corporation of any changes in the abovementioned information within five (5) days of its occurrence.

Done, this 5th day of June 2015 at Quezon City, Philippines.

ATTY. EUGENIO E. REYES
MAKATI CITY Affiant

Subscribed and sworn to before me this JUN 05 2015 day of June 2015 at _____ affiant personally appeared before me and exhibited his Tax Information Number (TIN) 116-244-865-00.

Doc No. 175
Page No. 50
Book No. 76
Series of 2015

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. 14 32
UNTIL SEPTEMBER 31, 2015
ROL NO. 14 32 15
MCLE COMPL. NO. 1074-10-2013
IBP NO. 116-244-865-00
PTR. NO. 116-244-865-00, 2015

SIGNATURES

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

By:


TERESITA B. BENITEZ
 Chairperson


MAX O. BORROMEEO
 President


JOEL S. FERRER
 Treasurer

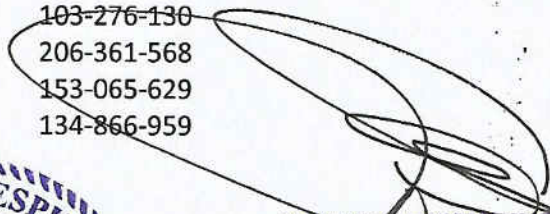

MARCOS E. LAROSA
 Chief Finance Officer


MAXCY FRANCISCO JOSE R. BORROMEEO
 Chief Operating Officer


DANILO ENRIQUE O. CO
 Corporate Secretary

SUBSCRIBED AND SWORN before me this _____ day of APR 13 2016, affiant(s) exhibiting to me his/her Tax Identification Numbers as follows:

NAME	TIN #
TERESITA B. BENITEZ	105-339-733
MAX O. BORROMEEO	108-479-305
JOEL S. FERRER	103-276-130
MARCOS E. LAROSA	206-361-568
MAXCY FRANCISCO JOSE R. BORROMEEO	153-065-629
DANILO ENRIQUE O. CO	134-866-959





MARIO B. ESPIRITU, JR.
 Commission No. M-51
 Notary Public for City of Makati
 Until December 31, 2017
 4th Floor MMP Bldg,
 2283 Pasong Tamo Ext. Makati City
 PTR No. 604466 01-06-16 Kawit, Cavite
 IBP No. 1019453 01-04-16 Cavite Chapter
 MCLE No. V-0010283 09-11-15
 Roll No. 39509

Doc No. AO :
 Page No. 8 :
 Book No. VI :
 Series of 2016.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

ANNEX A

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

FINANCIAL STATEMENTS
December 31, 2015 and 2014



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

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail ph-inquiry@kpmg.com

Branches: Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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





Opinion

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

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

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

R.G. MANABAT & CO.



CARMEL LYNNE M. BALDE

Partner

CPA License No. 0099677

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

Tax Identification No. 205-133-498

BIR Accreditation No. 08-001987-24-2014

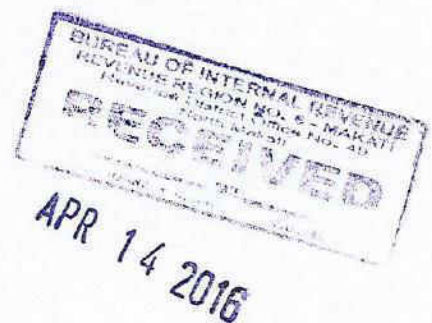
Issued January 22, 2014; valid until January 21, 2017

PTR No. 5320738MD

Issued January 4, 2016 at Makati City

April 11, 2016

Makati City, Metro Manila





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

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Internet www.kpmg.com.ph
E-Mail ph-inquiry@kpmg.com

Branches: Subic - Cebu - Bacolod - Iloilo

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

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

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

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

R.G. MANABAT & CO.

CARMEL LYNNE M. BALDE

Partner

CPA License No. 0099677

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

Tax Identification No. 205-133-498

BIR Accreditation No. 08-001987-24-2014

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

PTR No. 5320738MD

Issued January 4, 2016 at Makati City

April 11, 2016
Makati City, Metro Manila



APR 14 2016

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
 FOR FINANCIAL STATEMENTS**

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

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

R.G. Manabat & Co., the independent auditors appointed by the stockholders has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders has expressed its opinion on the fairness of presentation upon completion of such audit.

Teresita B. Benitez
TERESITA B. BENITEZ
 Chairperson

Max O. Borrromeo
MAX O. BORROMEIO
 President

Joel S. Ferrer
JOEL S. FERRER
 Treasurer

Signed this 11th day of April 2016
APR 14 2016

Presented and found to be true and correct before me this _____
 and I certify to the higher CTC No. _____
 signed on / at _____

JOEL G. GORDOLA
 Notary Public
 Commission expires until December 31, 2017
 Adm. No. 069; Rdl. No. 25103; IBP No. 1013094
 PTR No. 876282; 1/04/16; Q.C.
 2/F Makati Finance Building, 7825 Makati Avenue, Makati City 1200 Philippines
 Telephone Nos. (632) 899 4145 / 890 0526 Fax No. (632) 899 4121
 Website: www.makati-finance.ph


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

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

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

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


TERESITA B. BENITEZ
Chairperson


MAX O. BORRROMEO
President

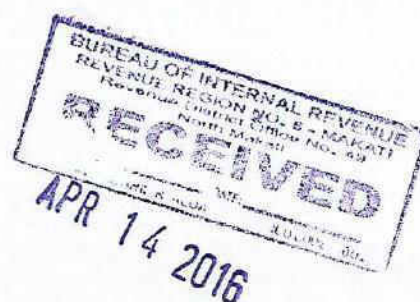

JOLL S. FERRER
Treasurer

Signed this 11th day of April 2016

MAKATI FINANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

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

See Notes to the Financial Statements.



MAKATI FINANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

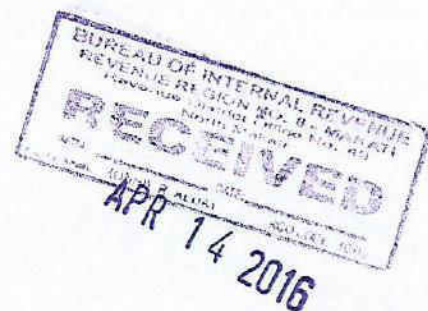
		Years Ended December 31		
	Note	2015	2014	2013
INTEREST INCOME	7, 9	P211,417,274	P220,193,623	P198,607,360
INTEREST EXPENSE	14, 21	44,966,237	50,571,236	48,540,423
NET INTEREST INCOME		166,451,037	169,622,387	150,066,937
OTHER INCOME				
Gain on sale of available-for-sale financial assets		-	-	12,229,350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

Forward



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

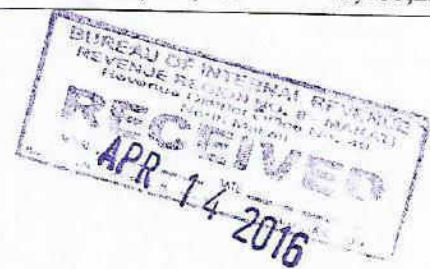
See Notes to the Financial Statements.



MAKATI FINANCE CORPORATION
STATEMENTS OF CASH FLOWS

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

Forward



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

See Notes to the Financial Statements.



MAKATI FINANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

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



See Notes to the Financial Statements.

MAKATI FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

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

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

2. Basis of Preparation

Statement of Compliance

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

Basis of Measurement

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

Functional and Presentation Currency

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

Approval of Issuance of Financial Statements

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

3. Summary of Significant Accounting Policies

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

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

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

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

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

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

Revenue Recognition

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

Interest

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

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

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

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

Service Charges

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

Dividend Income

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

Miscellaneous Income

Income from other sources is recognized when earned.

Expenses

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

Financial Instruments

Financial assets and financial liabilities are accounted for as follows:

Recognition

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

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

Classification and Measurement

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

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

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

a. Securities at FVPL

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

b. AFS Financial Assets

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

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

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

c. *HTM Investments*

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

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

d. *Loans and Receivables*

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

After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less allowance for impairment losses, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in profit or loss. The losses arising from impairment of such loans and receivables are recognized in profit or loss.

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

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

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

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

e. *Other Financial Liabilities*

This category pertains to financial liabilities not designated at FVPL where the substance of the contractual arrangements results in the Company having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

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

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

Amortized Cost Measurement

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

Impairment of Financial Assets

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

Financial Asset

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

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

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

Financial Liability

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

Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

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

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

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

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

Offsetting

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

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

Investment in an Associate

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

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

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

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

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

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

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Property and Equipment

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

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

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

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

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

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

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

Investment Properties

Investment properties are land held for capital appreciation or land held for currently undetermined future use. Investment properties are measured at cost, including transactions costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. Subsequent to initial recognition, depreciable investment properties are carried at cost less any impairment in value.

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

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

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

The Company estimates the useful lives of its investment properties based on the period over which the assets are expected to be available for use. Any depreciation for these assets is calculated on a straight - line basis using a useful life of 15 years.

Investment properties are derecognized when it has either been disposed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognized in profit or loss in the year of derecognition.

Motorcycle Inventories

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

Software Costs

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

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

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

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

Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that its property and equipment, investment properties and other assets may be impaired. When an indicator exists or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Recoverable amount is the higher of an asset or cash generating unit's (CGU's) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged against operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged against the revaluation increment of the said asset.

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

Equity

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

Retained Earnings

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

Dividends on Common Shares

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

Foreign Currency Transactions and Translation

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

Leases

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

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

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

Company as Lessee

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

Company as Lessor

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

Employee Benefits

Defined Benefit Plan

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

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

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

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

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

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

Short-term Employee Benefits

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

Employee Leave Entitlement

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

Borrowing Costs

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

Income Taxes

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

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

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

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

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

Provisions

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

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

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

Contingent Assets and Contingent Liabilities

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

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

Earnings Per Share

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

Segment Reporting

The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 7.

Events After the Reporting Date

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

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

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

To be Adopted on January 1, 2016

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- *Investment Entities: Applying the Consolidation Exception (Amendments to PFRS 10, PFRS 12 and PAS 28)* clarifies that:
 - A subsidiary that provides investment-related services should not be consolidated if the subsidiary itself is an investment entity.
 - The exemption from preparing consolidated financial statements for an intermediate held by an investment entity, even though the investment entity does not consolidate the intermediate.
 - When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

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

- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
 - Information should not be obscured by aggregating or by providing immaterial information.
 - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
 - The list of line items to be presented in the statement of financial position and statement of comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

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

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

To be Adopted January 1, 2018

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

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

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

To be Adopted January 1, 2019

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

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

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

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

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

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

4. Significant Accounting Judgments and Estimates

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

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

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

Judgments

(a) Classification of Financial Instruments

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

(b) Operating Leases

Company as a Lessee

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

Estimates

(a) Impairment of Loans and Other Receivables

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

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

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

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

(b) Impairment of AFS Equity Investment

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

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

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

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

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

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

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

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

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

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

(e) *Recognition of Deferred Tax Assets*

The Company reviews the carrying amounts of deferred taxes at each reporting date and reduce deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income. The amount of deferred tax assets are disclosed in Note 20.

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

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

(g) *Valuation of Retirement Asset*

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

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

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

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

(h) *Provisions and Contingencies*

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

5. Fair Value Measurement

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

Cash on Hand and in Banks

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

Loans and Other Receivables

The carrying value of loans and receivables approximates the fair values due either to the relatively short-term maturities of these assets or the fact that the interest rates reflect the prevailing market rates.

Notes Payable

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

Accounts Payable and Accrued Interest Payable

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

6. Financial Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk.

Credit Risk

Credit Risk Management and Collateral and Other Credit Enhancements

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

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

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

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

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

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

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

	2015			2014		
	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and Other Receivables						
Receivable from customers:						
Consumer	P823,839,289	P737,555,733	P86,283,556	P774,253,651	P712,873,125	P61,380,526
Services	143,857,957	5,853,009	138,004,948	105,271,632	2,041,589	103,230,043
Construction	-	-	-	2,041,590	-	2,041,590
Dividend Receivable	P36,000,000	-	36,000,000	-	-	-
	P1,003,697,246	P743,408,742	P260,288,504	P881,566,873	P714,914,714	P166,652,159

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

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

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

*Includes investments in Golfshares

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

*Includes investments in Golf shares

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

Cash in Banks

High grade pertains to cash deposited in local banks belonging to top 10 rank.

Loans and Other Receivables

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

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

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

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

Impairment Assessment

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

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

Liquidity Risk

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

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

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

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

Interest Rate Risk

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

The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The interest rates on notes payable are fixed with maturity ranging from 6 months to 1 year.

Foreign Exchange Rate Risk

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

Sensitivity of Net Interest Income

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

7. Segment Information

Operating Segments

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

Rx Cashline Group

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

MFC Factors Group

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

MC Financing Group

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

Other Segments

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

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

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

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

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

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

Financial information about operating segments follows:

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

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

9. Loans and Other Receivables

This account consists of:

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

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

Loans and receivables according to product type:

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

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

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

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

Interest rates on loans receivable ranges from 1.4% to 2.6% plus gross receipts tax. Interest income earned from receivable from customers amounted to P211.16 million and P220.16 million in 2015 and 2014, respectively.

Movements in allowance for credit losses follow:

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

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

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

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

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

- Clean loans and advances past due for a period of more than six (6) months;
- 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;
- Past due loans secured by real estate mortgage title to which is subject to an adverse claim rendering settlement through foreclosure doubtful;
- When the borrower, and his co-maker or guarantor, is insolvent or where their whereabouts is unknown, or their earning power is permanently impaired;

- e) Accrued interest receivable that remain uncollected after six (6) months from the maturity date of such loans to which it accrues; and
- f) Accounts receivable past due for 361 days or more.

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

10. Investment in an Associate

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

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

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

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

11. Property and Equipment

The rollforward analysis of this account follows:

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

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

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

12. Investment Properties

This account consists of cost of land:

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

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

13. Other Assets - net

This account consists of:

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

Motorcycle inventories pertain to repossessed units from the Company's motorcycle financing business carried at the lower of cost or its net realizable value. These units are intended for immediate resale. Loss from write-down of motorcycle inventories included in profit or loss amounted to P44.00 million and P37.49 million in 2015 and 2014, respectively.

The movements in software costs follow:

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

14. Notes Payable

This account consists of:

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

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

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

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

15. Accrued Expenses and Other Liabilities

This account consists of:

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

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

16. Maturity Analysis of Assets and Liabilities

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

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

17. Equity

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

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

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

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

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

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

Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. The Company considers its total equity as capital. No changes were made in the objectives, policies or processes in 2015.

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

- (a) minimum paid-up capital of P10.00 million; and
- (b) additional capital requirements for each branch of P1.00 million for branches established in Metro Manila, P0.50 million for branches established in other classes of cities and P0.25 million for branches established in municipalities.

For the years ended December 31, 2015 and 2014, the Company was in compliance with the minimum paid-up capital.

The Company is compliant with the minimum public float of 10% that is required by the Philippine Stock Exchange, Inc. where the Company's shares are traded.

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

18. Retirement Plan

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

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

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

Net benefit cost is included in the Company’s profit and loss under ‘Salaries and employee benefits.’

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	January 1	
	2015	2014
Discount rate	4.89%	4.49%
Future salary increases	5.00%	5.00%
Average remaining working life (in years)	29.1	30.0

Assumptions for mortality and disability rate are based on the adjusted 1994 Group Annuity Mortality Table in which separate rates were used for males and females and the 1952 Disability Study of the US Society for Actuaries adjusted to suit local experience.

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

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

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

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

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

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

19. Miscellaneous

Miscellaneous income consists of the following items:

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

Miscellaneous expenses consist of the following items:

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

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

20. Income Taxes

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

The components of deferred tax assets follow:

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

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

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

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

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

In addition, current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulations, EAR expenses allowed as deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the gross revenue of a company engaged in the sale of services. EAR expenses amounted to P0.24 million, P1.74 million and P1.97 million in 2015, 2014 and 2013, respectively.

21. Related Party Transactions

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

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

The following transactions have been entered into with related parties:

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

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

- a. This includes various receivables from the parent company and other related parties pertaining to availment of comprehensive insurance and other claims for reimbursement.
- b. As of December 31, 2015 and 2014, notes payable and accrued interest payable arising from borrowings from stockholders amounted to P569.15 million and P722.38 million, respectively, and P15.06 million and P8.79 million, respectively. Interest expense from these borrowings amounted to P36.52 million and P32.99 million in 2015 and 2014, respectively (see Note 14).

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

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

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

22. Earnings Per Share (EPS)

EPS amounts were calculated as follows:

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

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

23. Lease Commitment

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

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

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

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

The following are the tax information required for the taxable year ended December 31, 2015 based on Revenue Regulation No. 15-2010:

A. Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses, and permit fees lodged under 'Taxes and licenses' account in the Company's statement of comprehensive income. Details for year 2015 consist of the following:

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

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

B. Withholding taxes

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

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

C. Tax Cases

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

D. Tax Assessment

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



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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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

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

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

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

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

R. G. MANABAT & CO.

CARMEL LYNNE M. BALDE

Partner

CPA License No. 0099677

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

Tax Identification No. 205-133-498

BIR Accreditation No. 08-001987-24-2014

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

PTR No. 5320738MD

Issued January 4, 2016 at Makati City

April 11, 2016

Makati City, Metro Manila

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

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

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

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✓
PFRS 3 (Revised)	Business Combinations			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

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

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

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception		✓*	
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception		✓*	
PFRS 14	Regulatory Deferral Accounts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception		✓*	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception		✓*	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report"	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		

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

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01- Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]	✓		
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01- Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		

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

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

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

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

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Income received and accrued
Other investments: Orchard golf club shares	1	P80,000	-

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

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deduction)	Ending balance
Pushtech/IFCA	100,758		93,739			7,019
Accounting Sytem QnE	37,572	10,000	27,070			20,502
Intellismart	33,848		21,264			12,584
Windows 7 Prof OEM License	159,788	(27,540)	76,439			55,809
Other Software Cost	369,582	178,583	176,446			371,719
TOTAL	701,548	161,043	394,958			467,633

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-Term Debt" in statement of financial position
N/A	N/A	N/A	N/A

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

Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers	Others
COMMON	145,485,180	145,485,180	-	145,485,180		
COMMON	14,874,146	14,874,146	-			14,874,146
COMMON	8,671,642	8,671,642	-		8,671,642	
COMMON	6,848,093	6,848,093	-			6,848,093
COMMON	5,844,492	5,844,492	-		5,844,492	
COMMON	5,245,445	5,245,445	-			5,245,445
COMMON	4,994,219	4,994,219	-			4,994,219
COMMON	4,794,676	4,794,676	-		4,794,676	
COMMON	4,998,802	4,998,802	-			4,998,802
COMMON	2,111,089	2,111,089	-		2,111,089	
COMMON	1,034,595	1,034,595	-		1,034,595	
COMMON	622,274	622,274	-			622,274
COMMON	407,591	407,591	-		407,591	
COMMON	362,114	362,114	-			362,114
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	249,685	249,685	-			249,685
COMMON	239,712	239,712	-			239,712
COMMON	232,636	232,636	-		232,636	
COMMON	210,754	210,754	-			210,754
COMMON	153,456	153,456	-			153,456
COMMON	150,764	150,764	-			150,764
COMMON	69,701	69,701	-			69,701
COMMON	28,329	28,329	-			28,329
COMMON	27,397	27,397	-			27,397
COMMON	20,803	20,803	-			20,803
COMMON	20,803	20,803	-			20,803

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers	Others
COMMON	20,803	20,803	-			20,803
COMMON	20,803	20,803	-			20,803
COMMON	20,803	20,803	-			20,803
COMMON	20,803	20,803	-			20,803
COMMON	20,803	20,803	-			20,803
COMMON	20,803	20,803	-			20,803
COMMON	20,803	20,803	-			20,803
COMMON	20,803	20,803	-			20,803
COMMON	20,802	20,802	-			20,802
COMMON	19,371	19,371	-			19,371
COMMON	16,847	16,847	-			16,847
COMMON	14,871	14,871	-			14,871
COMMON	14,437	14,437	-			14,437
COMMON	13,533	13,533	-			13,533
COMMON	8,266	8,266	-			8,266
COMMON	7,066	7,066	-			7,066
COMMON	6,027	6,027	-			6,027
COMMON	6,017	6,017	-			6,017
COMMON	5,997	5,997	-			5,997
COMMON	5,931	5,931	-			5,931
COMMON	4,628	4,628	-			4,628
COMMON	2,292	2,292	-			2,292
COMMON	2,061	2,061	-			2,061
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,968	1,968	-			1,968
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Affiliates	Directors and Officers	Others
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,967	1,967	-			1,967
COMMON	1,259	1,259	-			1,259
COMMON	1,093	1,093	-			1,093
COMMON	624	624	-			624
COMMON	615	615	-			615
COMMON	425	425	-			425
COMMON	327	327	-			327
COMMON	226	226	-			226
COMMON	92	92	-			92
COMMON	92	92	-			92
COMMON	92	92	-			92
COMMON	92	92	-			92
COMMON	61	61	-			61
COMMON	29	29	-			29
COMMON	29	29	-			29
COMMON	29	29	-		29	
COMMON	29	29	-			29
COMMON	29	29	-			29
COMMON	15	15	-			15
COMMON	15	15	-		15	
COMMON	15	15	-			15
COMMON	15	15	-		15	
COMMON	13	13	-			13
COMMON	1	1	-		1	
COMMON	1	1	-		1	
TOTAL	209,565,483	209,565,483	-	147,559,784	23,096,782	38,908,917

EXHIBIT V
MAKATI FINANCE CORPORATION
A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE
COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT,
SUBSIDIARIES OR CO-SUBSIDIARIES, AND ASSOCIATES
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

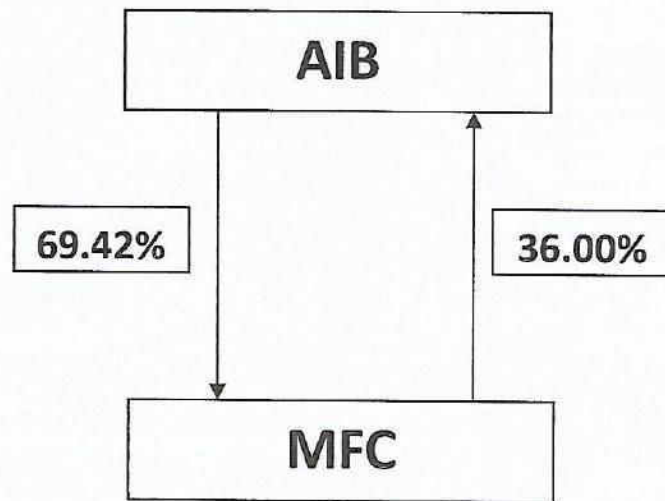


EXHIBIT VI
MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

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

Computation for the Ratios:

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



ANNEX B

MAKATI FINANCE CORPORATION

SEC FORM 17-Q

FOR THE QUARTER ENDING MARCH 31, 2016

WITH COMPARATIVE FIGURES FOR 2015

MAKATI FINANCE

FINANCIAL SERVICES AND ADVISORY

May 13, 2016

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

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

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

Attention : **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Gentlemen:

We are sending herewith the Quarterly Report for the period ended March 31, 2016 (SEC Form 17-Q) of Makati Finance Corporation.

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

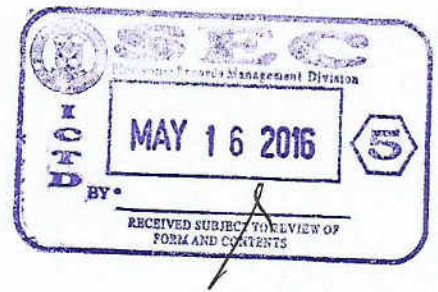
MAKATI FINANCE CORPORATION
Registrant

By:



MARCOS E. LAROSA
Chief Finance Officer/CIO

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



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

- 1. For the quarterly period ended March 31, 2016
2. Commission identification number 28788
3. BIR Tax Identification No. 000-473-966

MAKATI FINANCE CORPORATION

- 4. Exact name of issuer as specified in its charter

MAKATI CITY, PHILIPPINES

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

- 6. Industry Classification Code: [] (e Only)

7823 MAKATI AVENUE, POBLACION, MAKATI CITY

- 7. Address of issuer's principal office

1210
Postal Code

(0632) 896-02-21

- 8. Issuer's telephone number, including area code

N/A

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

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

Table with 2 columns: Title of each Class, Number of shares of common stock outstanding and amount of debt outstanding. Row: COMMON STOCK, 209,565,483*

*as reported by the stock transfer agent as of March 31, 2016

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

Yes [X] No []

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

PHILIPPINE STOCK EXCHANGE

Common Stock

- 12. Indicate by check mark whether the registrant:

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

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

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

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements. (See Annex A)

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

Key Variable and Other Qualitative and Quantitative Indicators

Financial Ratios (For the Quarter Ending March)

	2016	2015
NET INTEREST INCOME	76.65%	76.42%
EBIT MARGIN	53.24%	49.40%
RETURN ON ASSETS (ANNUALIZED)	3.17%	2.94%
DEBT TO EQUITY	205.84%	229.85%
RETURN ON EQUITY (ANNUALIZED)	9.65%	9.69%

Net interest income increased by 0.23%, which is computed by deducting the cost of borrowings from the gross interest revenues. This is mainly due to lower interest expenses in the first quarter of 2016 as against the same period in 2015. The EBIT margin, which measures profitability performance as annualized net income before interest and taxes over the total interest income, increased to 53.24% in March 2016 as against 49.40% in March 2015 due to lower operating expenses from Php 39.35 million in 2015 to Php 31.72 million in 2016. Return on assets was 3.17% in 2016 as against 2.94% in 2015. This ratio of annualized net income over the total assets is an indicator of management effectiveness. The return on equity or the ratio of annualized net income over the stockholder's equity was at 9.65% in Mar 2016 as against 9.69% in March 2015. The ROE measures the return on funds provided by the stockholders. The income generated steadily grows as the Company grows quality loan portfolio.

Liquidity

As for the Company's working capital requirements, the Company monitors its liquidity position on a daily basis and does not anticipate any cash flow or liquidity problem within the next twelve months. Makati Finance 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 ₱ 10.37 million for the first quarter of 2016. Net interest income for the quarter ending March amounted to ₱ 39.09 million. The thrust in loan production is to produce more low risk, low interest yield loans for higher quality portfolio.

Total operating expenses declined to Php 31.72 million as of March 2016, or 19% lower against same period last year. On matters of provisioning, the Company continued to be prudent such that even day one past due accounts are provisioned for but only within the limits of the newly implemented Accounting Standards on valuation of assets.

Total assets amounted to ₱1,317 million as of March 2016, 0.31% lower from Php 1,320 million as of December 2015. The decrease is primarily due to collections of loans receivables, which ended at Php 937.60 million in March 2016 from Php 947.78 million in December 2015. Total liabilities amounted to ₱886 million as of March 31, 2016, 1.60% lower from the ₱900.75 million in December 2015 due to payments of notes payables which ended at Php 832.47 million in March 2016 from Php 843.25 million in December 2015.

Material Events or Uncertainties

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

PART II--OTHER INFORMATION

NOT APPLICABLE.

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


SIGNATURES

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

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

Signature and Title.....**VICE CHAIRPERSON**.....

DateMay 13, 2016

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

Signature and Title.....**Chief Finance Officer/CFO**.....

DateMay 13, 2016

ANNEX A

FINANCIAL STATEMENTS
For the Period Ending March 31, 2016
With Comparative Figures for 2015

MAKATI FINANCE CORPORATION
INTERIM BALANCE SHEET
FOR THE PERIOD ENDING MARCH 31, 2016, 2015 AND DEC. 31, 2015

	MARCH 31, 2016	DEC. 31, 2015 (Audited)	MARCH 31, 2015
Current Assets			
Cash on Hand/in Banks	25,930,189	18,406,119	42,485,584
Receivables <i>(Note 4)</i>	937,599,509	947,784,722	860,812,290
Total Current Assets	963,529,698	966,190,841	903,297,874
Investment Properties	2,604,468	2,604,468	2,604,468
Investment in Subsidiaries	114,046,487	123,089,357	162,409,462
Property & Equipment - net <i>(Note 4)</i>	8,026,952	3,853,741	5,273,550
Deferred Tax Asset	29,232,283	29,290,203	24,177,940
Other Assets - net <i>(Note 5)</i>	199,468,290	195,936,875	185,265,836
Total Assets	1,316,908,178	1,320,965,485	1,283,029,130

	MARCH 31, 2016	DEC. 31, 2015 (Audited)	MARCH 31, 2015
Current Liabilities			
Notes Payable <i>(Note 5)</i>	832,472,659	843,249,466	827,106,951
Accounts Payable	22,231,205	27,970,499	37,181,830
Accrued Expenses & Other Liabilities	31,614,288	29,533,989	29,765,458
Total	886,318,152	900,753,954	894,054,239
Stockholder's Equity			
Capital Stock – P1 par value			
Authorized – 300,000,000 shares			
Issued and Outstanding	209,565,483	209,565,483	203,312,773
Additional Paid in Capital	5,803,922	5,803,922	5,803,922
Retained Earnings	200,796,673	167,321,336	167,321,336
Remeasurement gains on retirement assets	4,045,396	4,045,396	3,110,992
Share in other comprehensive income/(loss) of an associate	57	57	57
YTD Net Income	10,378,495	33,475,337	9,425,811
Total	430,590,026	420,211,531	388,974,891
Total Liabilities and Capital	1,316,908,178	1,320,965,485	1,283,029,130

MAKATI FINANCE CORPORATION
INTERIM STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE QUARTER ENDING MARCH 31, 2016, 2015 and DEC. 31, 2015

	MAR. 2016	DEC. 2015 (AUDITED)	MAR. 2015
Interest Income – Loans	51,001,393	211,417,274	52,606,961
Cost of Borrowings	11,908,026	44,966,237	12,403,172
Net Interest Income	39,093,367	166,451,037	40,203,789
Less: Provisions	4,046,216	19,227,999	3,303,590
Net Interest Income After Provision	35,047,151	147,223,038	36,900,199
Other Income	7,712,720	60,660,228	12,444,718
Operating Expenses			
Professional Fees	3,259,002	9,338,660	2,622,422
Salaries and Wages	17,507,782	66,891,192	15,085,646
Transportation & Representation	1,452,336	6,400,814	1,369,544
Depreciation & Amortization	583,192	2,415,193	612,759
Commissions	456,185	2,814,857	633,834
Loss from sale and write-down of MC inventories	2,950,571	44,002,083	12,485,988
Communications	667,925	1,979,600	635,679
Occupancy costs	2,306,533	9,434,067	1,466,937
Taxes & Licenses	690,730	16,496,293	2,980,487
Other Operating Expenses	1,850,205	6,025,472	1,460,706
Total	31,724,461	165,798,231	39,354,002
Net Income Before Income Tax	11,035,410	42,085,035	9,990,815
Provision for Tax/Deferred Tax Adjustment	656,915	(3,895,856)	565,104
Net Income After Tax	10,378,495	45,980,891	9,425,811
Total Comprehensive Income	10,378,495	45,980,891	9,425,811
RETAINED EARNINGS, BEGINNING	200,796,673	167,321,336	167,321,336
RETAINED EARNINGS, QUARTER/YEAR-END	211,175,168	200,796,673	176,747,147
BASIC EARNINGS PER SHARE*	0.05	0.22	0.05

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

MAKATI FINANCE CORPORATION
INTE RIM CASH FLOW STATEMENTS
FOR THE PERIOD ENDING MARCH 31, 2016 AND 2015

	2016 31-Mar	2015 31-Mar
Cash Flow From Operating Activities		
Net Income Before Tax and Extra-Ordinary Items	11,035,410	9,990,915
Adjustments for:		
Provisions for probable losses	6,996,787	15,789,578
Depreciation and amortization	583,192	612,759
Share in the net income of an associate	(8,957,130)	(8,107,239)
Loss on writeoff of investment property		
Change in operating Assets and Liabilities		
Decrease (increase) in the amounts of:		
Receivables	6,138,997	(19,233,533)
Other Assets	(6,481,986)	(15,476,629)
Increase (decrease) in the amounts of:		
Accounts Payable	(5,739,294)	9,948,844
Other Payable	1,481,304	3,896,803
Net cash provided by (used in) operating activities	5,057,280	(2,578,502)
Interest Expense Paid		
Income Tax Paid	-	-
Net Cash provided by (used in) operating activities	5,057,280	(2,578,502)
Cash Flow From INVESTING Activities		
Acquisition of Property and Equipment	(4,756,404)	(335,211)
Pre-termination of short-term money market placement	-	-
Cash Dividends from AIB	18,000,000	-
Proceeds from Sale of Property and Equipment	-	-
Net cash provided by (used in) investing activities	13,243,597	(335,211)
Cash Flow From FINANCING Activities		
Cash dividend paid	-	-
Loan Availments	46,175,691	46,347,635
Payment of Preterm Loan	(56,952,498)	(47,323,386)
Net cash provided by (used in) financing activities	(10,776,807)	(975,751)
Net cash provided by (used in) Cash and Cash Equivalents	7,524,070	(3,889,464)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	18,406,119	46,375,048
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	25,930,189	42,485,584

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

	Mar 31, 2016	Dec. 31, 2015	Mar 31, 2016
Capital Stock			
Authorized 300,000,000 par value P1			
Issued and outstanding	209,565,483	203,312,773	203,312,773
Stock dividends		6,252,710	
Issuance during the year			
	209,565,483	209,565,483	203,312,773
Additional paid-in capital			
Balance, beginning of year	5,803,922	5,803,922	5,803,922
Issuance during the year			
	5,803,922	5,803,922	5,803,922
Retained earnings (deficit)			
Balance, beginning of year	200,796,673	167,321,336	167,321,336
Adjustment to RE			
Stock dividends		(6,252,710)	
Cash dividends		(6,252,844)	
Total Comprehensive Income	10,378,495	45,980,891	9,425,811
Balance, end of quarter/year	211,175,168	200,796,673	137,110,986
Remeasurement gains on retirement assets	4,045,396	4,045,396	3,110,992
Share in other comprehensive income/loss of an associate	57	57	57
Net unrealized loss on investments			
Total Equity	430,590,026	420,211,531	388,974,891

MAKATI FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. General Information

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

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

2. Basis of Preparation

Statement of Compliance

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

Basis of Measurement

These financial statements have been prepared under the historical cost convention, except for retirement assets and available-for-sale (AFS) financial assets which are measured at their fair values.

Functional and Presentation Currency

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

3. Summary of Significant Accounting Policies

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

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

The Company has adopted the following amendments to standards and interpretations starting January 1, 2014 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Company's financial statements.

Adopted on January 1, 2014

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32)*. These amendments clarify that:
 - an entity currently has a legally enforceable right to set-off if that right is:
 - not contingent on a future event; and
 - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and
 - gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
 - eliminate or result in insignificant credit and liquidity risk; and
 - process receivables and payables in a single settlement process or cycle.
- *Investment Entities (Amendments to PFRS 10, PFRS 12, and PAS 27 (2011))*.

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

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

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

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

Revenue Recognition

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

Interest

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

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

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

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

Service Charges

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

Dividend Income

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

Miscellaneous Income

Income from other sources is recognized when earned.

Expenses

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

Financial Instruments

Financial assets and financial liabilities are accounted for as follows:

Recognition

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

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

Classification and Measurement

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

As of December 31, 2014 and 2013, the Company has no HTM investments and financial assets and liabilities at FVPL.

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

- *Securities at FVPL*

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

- *AFS Financial Assets*

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

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

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

- *HTM Investments*

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

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

- *Loans and Receivables*

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

After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less allowance for impairment losses, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in profit or loss. The losses arising from impairment of such loans and receivables are recognized in profit or loss.

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

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

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

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

- *Other Financial Liabilities*

This category pertains to financial liabilities not designated at FVPL where the substance of the contractual arrangements results in the Company having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

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

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

Amortized Cost Measurement

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

Impairment of Financial Assets

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

Financial Asset

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

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

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

Financial Liability

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

Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

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

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

Offsetting

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

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

Investment in an Associate

An associate pertains to an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in an associate is accounted for under the equity method of accounting.

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

The statement of comprehensive income reports the Company's share of the results of operations of the associate. Any change in OCI of the investee is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share

of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

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

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

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

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Property and Equipment

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

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

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

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

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

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

When an item of property and equipment is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation,

amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is reflected in profit or loss.

Investment Properties

Investment properties are land held for capital appreciation or land held for currently undetermined future use. Investment properties are measured at cost, including transactions costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. Subsequent to initial recognition, depreciable investment properties are carried at cost less any impairment in value.

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

Foreclosed properties are classified under investment properties on foreclosure date.

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

The Company estimates the useful lives of its investment properties based on the period over which the assets are expected to be available for use. Any depreciation for foreclosed assets is calculated on a straight-line basis using a useful life of 15 years.

Investment properties are derecognized when it has either been disposed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognized in profit or loss in the year of derecognition.

Motorcycle Inventories

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

Software Costs

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

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

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

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

Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that its property and equipment, investment properties and other assets may be impaired. When an indicator exists or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Recoverable amount is the higher of an asset or cash generating unit's (CGU's) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged against operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged against the revaluation increment of the said asset.

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

Equity

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

Retained Earnings

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

Dividends on Common Shares

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

Foreign Currency Transactions and Translation

Foreign currency-denominated assets and liabilities are translated to Philippine peso at the prevailing Philippine Dealing & Exchange Corp (PDEX) closing rate at the reporting date while foreign-currency denominated income and expenses are translated into Philippine peso based on the weighted average rate at

transaction dates. Foreign exchange gains or losses arising from such transactions, including restatements of foreign-currency denominated assets and liabilities are charged against current operations.

Leases

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

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

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

Company as Lessee

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

Company as Lessor

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

Employee Benefits

Defined Benefit Plan

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

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

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

payments. Net interest expense and other expenses related to defined benefit plans are recognized in compensation and fringe benefits in profit or loss.

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

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

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

Short-term Employee Benefits

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

Employee Leave Entitlement

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

Borrowing Costs

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

Income Taxes

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

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

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

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

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

Provisions

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

the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

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

Contingent Assets and Contingent Liabilities

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

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

Earnings Per Share

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

Segment Reporting

The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 7.

Events After the Reporting Date

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

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these financial statements. However, none of these is expected to have a significant effect on the financial statements. Those which may be relevant to the Company are set out below.

To be Adopted on January 1, 2015

- *Defined Benefit Plans: Employee Contributions (Amendments to PAS 19).* The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

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

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

Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the financial statements of the Company:

- *Measurement of short-term receivables and payables (Amendment to PFRS 13)*. The amendment clarifies that, in issuing PFRS 13 and making consequential amendments to PAS 39 and PFRS 9, the intention is not to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.
- *Definition of 'related party' (Amendment to PAS 24)*. The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g. loans.
- *Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)*. PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3.

To be Adopted on January 1, 2016

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

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

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

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38)*.

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

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

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

- *Equity Method in Separate Financial Statements (Amendments to PAS 27).*

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.

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

- *Annual Improvements to PFRSs 2012 - 2014 Cycle.*

This cycle of improvements contains amendments to four standards, none of which are expected to have significant impact on the Company's financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

- *Changes in method for disposal (Amendment to PFRS 5).* PFRS 5 is amended to clarify that:

- if an entity changes the method of disposal of an asset (or disposal group) - i.e. reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag - then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and
- if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

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

The amendment to PFRS 5 is applied prospectively in accordance with PAS 8 to changes in methods of disposal that occur on or after January 1, 2016.

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

The amendment to PFRS 7 is applied retrospectively, in accordance with *PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*.

- *'Continuing involvement' for servicing contracts (Amendment to PFRS 7).* PFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing

involvement in transferred financial assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset - e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement.'

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

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

The amendment to PAS 34 is applied retrospectively, in accordance with *PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*.

To be Adopted January 1, 2018

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

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

4. Significant Accounting Judgments and Estimates

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

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

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

Judgments

- *Classification of Financial Instruments*
The Company classifies financial instruments, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of the instruments. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statement of financial position. The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.
- *Operating Leases*
Company as a Lessee
The Company has entered into a contract of lease for the office space it occupies. The Company has determined that all significant risks and rewards of ownership on these properties are retained by the lessor (see Note 23).

Estimates

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

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

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

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

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

- *Impairment of Property and Equipment, Investment Properties, Investment in an Associate and Software Cost*
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:
 - significant underperformance relative to expected historical or projected future operating results;
 - significant changes in the manner of use of the acquired assets or the strategy for overall business; and
 - significant negative industry or economic trends.

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

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

- *Write-down of Motorcycle Inventories to NRV*
The Company recognizes loss on write-down of motorcycle inventories at a level considered adequate to reflect the excess of cost of motorcycle inventories over their NRV. NRV of inventories are assessed based on the estimated prevailing selling prices less the estimated cost necessary to sell.

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

- *Recognition of Deferred Tax Assets*
The Company reviews the carrying amounts of deferred taxes at each reporting date and reduce deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income. The amount of deferred tax assets are disclosed in Note 20.

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

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

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

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rate. Further details about the assumptions used are provided in Note 18.

- *Provisions and Contingencies*

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

5. Fair Value Measurement

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

Cash on Hand and in Banks

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

Loans and Other Receivables

The carrying value of loans and receivables approximates the fair values due either to the relatively short-term maturities of these assets or the fact that the interest rates reflect the prevailing market rates.

AFS Financial Assets

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

Notes Payable

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

Accounts Payable and Accrued Interest Payable

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

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

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

6. Financial Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk.

Credit Risk

Credit Risk Management and Collateral and Other Credit Enhancements

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

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

The Company also focuses on markets and borrowers that have a relatively better capability to repay their loans. One example for this is the medical professional market where most doctors are able to pay because

of their higher disposable income. Despite the systems and checks in place for the Company, there is no guarantee that none of its existing and future clients will default on a loan. An increase in loan defaults will have a negative effect on the Company's profitability.

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

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

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

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

	2015			2014		
	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Maximum Exposure After Financial Effect of Collateral and Credit Enhancements
Loans and Other Receivables						
Receivable from customers:						
Consumer	P823,839,289	P737,555,753	P86,283,556	P774,253,651	P712,973,125	P661,280,526
Services	143,857,957	5,853,009	138,004,948	105,271,632	2,041,589	103,230,0543
Construction	-	-	-	2,041,590	-	-
Manufacturing	-	-	-	-	-	-
Dividend Receivable	36,000,000	-	36,000,000	-	-	-
	1,003,697,246	P743,408.42	P260,288,504	P881,566,873	P714,914,714	P128,497,768

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

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

	2015					
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade			
Loans and other receivables						
Cash in banks	P17,282,619	P -	P -	P -	P -	P17,282,619
Receivable from customers:						
Consumer	456,992,205	-	17,671,417	212,939,832	119,224,319	806,827,773
Services	6,682,125	-	116,486,793	13,570,793	7,172,246	143,857,957
Construction	-	-	-	-	-	-
Other receivables	-	-	17,011,516	-	-	17,011,516
Dividend Receivable	36,000,000	-	-	-	-	36,000,000
Other assets*	-	-	80,000	-	-	80,000
	P516,902,949	P -	P151,249,726	P226,510,625	P126,396,565	P1,021,059,865

*Includes investments in Golf shares

	2014	
	Neither Past Due nor Impaired	Past Due

	High Grade	Medium Grade	Low Grade	but not Impaired	Impaired	Total
Loans and other receivables						
Cash in banks	P45,147,929	P -	P -	P -	P -	P45,147,929
Receivable from customers:						
Consumer	781,268,139	-	11,648,195	262,342,554	100,768,492	761,162,000
Services	-	-	95,892,170	6,010,765	3,981,173	105,884,108
Construction	-	-	1,429,112	-	-	1,429,112
Other receivables	-	-	13,091,653	-	-	13,091,653
Other assets*	-	-	80,000	-	-	80,000
	P431,550,688	P -	P122,141,130	P268,353,319	P104,749,665	P926,794,802

*Includes investments in Golf shares

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

Cash in Banks

High grade pertains to cash deposited in local banks belonging to top 10 rank.

Loans and Other Receivables

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

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

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

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

Impairment Assessment

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

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

Liquidity Risk

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

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

	Contractual Maturities							Total
	Carrying amount	2015					More than 3 Years	
		Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years			
Financial Assets								
Cash on hand and in banks	P17,282,619	P17,282,619	P -	P -	P -	P -		P17,282,619
Loans and other receivables								
Receivable from customers:								
Consumer	797,362,673	178,295,166	158,329,828	255,720,308	535,961,046	15,613,419		1,143,919,767
Services	143,082,841	125,828,747	16,261,025	24,623,569	31,727,328	8,447,201		206,887,870
Construction	-	-	-	-	-	-		-
Other receivables	12,142,653	4,326,514	4,326,514	4,326,514	4,326,514	-		17,306,057
Dividend Receivable	36,000,000	-	36,000,000	-	-	-		36,000,000
	1,010,739,650	P325,733,046	P214,917,367	P284,670,391	P572,014,889	24,060,620		P1,421,396,313
Financial Liabilities								
Notes payable	P843,249,466	P205,199,920	P231,318,103	P319,636,205	P87,095,238	P -		P843,249,466
Accounts payable	27,970,499	27,970,499	-	-	-	-		27,970,499
Accrued interest	16,001,297	16,001,297	-	-	-	-		16,001,297
	P887,221,262	P249,171,716	P231,318,103	P319,636,205	P87,095,238	P -		P887,221,262
Net liquidity gap	P123,518,388	P76,561,330	(P16,400,736)	(P34,965,814)	P484,919,651	24,060,620		P543,175,051

	Contractual Maturities							Total
	Carrying amount	2014					More than 3 Years	
		Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years			
Financial Assets								
Cash on hand and in banks	P46,375,048	P46,375,048	P -	P -	P -	P -		P46,375,048
Loans and other receivables								
Receivable from customers:								
Consumer	729,245,200	267,687,700	137,172,276	240,853,728	427,155,200	-		1,072,868,904
Services	102,295,193	94,466,182	12,894,867	20,181,276	22,625,441	P2,540,290		152,708,056
Construction	1,199,301	2,041,182	-	-	-	-		2,041,589
Other receivables	12,142,653	4,838,388	6,739,561	700,960	537,610	282,529		13,099,048
	P891,257,395	P415,408,907	P156,806,704	P261,735,964	P450,318,251	P2,822,819		P1,287,092,645
Financial Liabilities								
Notes payable	828,082,702	P152,266,905	P174,068,726	P496,956,162	P4,790,909	P -		P828,082,702
Accounts payable	21,860,363	21,860,364	-	-	-	-		21,860,364
Accrued interest	13,239,361	13,239,361	-	-	-	-		13,239,361
	863,257,395	P187,366,630	P174,068,726	P496,956,162	P4,790,909	P -		P863,182,427
Net liquidity gap	P28,074,968	P228,042,277	(P17,262,022)	(235,220,198)	P445,527,342	P173,913		P423,910,218

Interest Rate Risk

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

The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The interest rates on notes payable are fixed with maturity ranging from 6 months to 1 year.

Foreign exchange risk

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

Sensitivity of Net Interest Income

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

7. Segment Information

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

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

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

	2015				
	Rx Cash Line	MC Factors	MC Financing	Others	Total
Loans	P77,834,119	P75,736,750	P1,040,772,261	P20,448,448	1,214,791,578
Results of operation					
Revenues					
Interest income	P21,455,935	P5,403,389	P189,802,656	P3,531,643	P220,193,623
Other income	1,785,593	5,167,238	8,013,224	40,172,568	55,138,623
	23,241,528	10,570,627	197,815,880	43,704,211	275,332,246
Expenses					
Interest expense	3,454,546	2,731,296	43,538,099	847,295	50,571,236
Provision for credit losses	4,074,910	260,540	13,108,119	-	17,443,569
Operating expenses	7,094,236	1,398,226	157,634,099	786,160	166,912,721
	14,623,692	4,390,062	214,280,317	1,633,455	234,927,526
Net operating income	8,617,836	6,180,565	(16,464,437)	42,070,756	40,404,720
Less provision for income tax	2,585,351	1,854,169	(7,284,886)	1,564,905	(1,280,459)

Net income (loss)	P6,032,485	P4,326,396	(P9,179,553)	(40,505,851)	P41,685,179
Statement of financial position					
Total assets	P54,149,192	P55,048,544	P942,066,655	P208,903,928	1,260,168,319
Total liabilities	P36,992,545	P37,606,946	P665,442,330	P140,637,372	P880,679,193
Other segment information					
Capital expenditures	P -	P -	P -	P -	P -
Depreciation and amortization	P6,051	P1,836	P1,252,470	P1,256,787	P2,517,144

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

8. Receivables

Receivables consist of:

	<u>Mar-16</u>	<u>Dec-15</u>	<u>Mar-15</u>
Loans receivable	1,332,426,699	1,350,807,637	1,243,610,082
Others	52,430,737	53,306,057	12,811,570
	<u>1,384,857,437</u>	<u>1,404,113,694</u>	<u>1,256,421,652</u>
Unearned interest income/discount	-355,548,975	-368,598,332	-327,989,049
Client's equity	-32,699,213	-31,818,116	-28,581,198
Allowance for credit losses	-59,009,740	-55,912,524	-39,039,115
	<u>937,599,509</u>	<u>947,784,722</u>	<u>860,812,290</u>

9. Property and Equipment

The movements of property and equipment during the year follow:

	Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost				
Balance, January 1, 2016	10,151,694	1,424,681	4,854,746	16,431,121
Additions	166,942	2,714,572	2,097,656	4,979,170
Disposals	-	-	(312,489)	(312,489)
Balance, Mar 31, 2016	<u>10,318,636</u>	<u>4,149,253</u>	<u>6,639,913</u>	<u>21,097,802</u>
Accumulated Depreciation				
Balance, January 1, 2016	8,908,721	889,099	2,779,560	12,577,380
Depreciation	311,483	49,225	132,762	493,470
Balance, Mar 31, 2016	<u>9,220,204</u>	<u>938,324</u>	<u>2,912,322</u>	<u>13,070,850</u>
Net Book Value				
Mar 31, 2016	<u>1,098,432</u>	<u>3,200,929</u>	<u>3,727,591</u>	<u>8,026,952</u>
Dec. 31, 2015(Audited)	<u>1,242,973</u>	<u>535,582</u>	<u>2,075,186</u>	<u>3,853,741</u>

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

10. Other Assets

This account consists of:

	<u>Mar-16</u>	<u>Dec-15</u>	<u>Mar-15</u>
Software Costs	381,319	467,633	601,418
Prepaid Expenses	4,566,401	3,119,237	1,600,438
Motorcycle Inventories	191,376,406	192,270,005	181,916,441
Miscellaneous	3,144,164	80,000	1,147,539
	<u>199,468,290</u>	<u>195,936,875</u>	<u>185,265,836</u>

Motorcycle inventories pertain to repossessed units from the Company's motorcycle financing business carried at the lower of cost or its net realizable value. These units are intended for immediate resale.

11. Investment in an Associate

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

	2016	Dec.2015
At cost	P75,000,000	P75,000,000
Accumulated equity in net earnings		
Balance at the beginning of the year	48,089,357	79,302,222
Share in net income	8,957,130	40,787,135
Dividends	(18,000,000)	(72,000,000)
Balance at the end of the year	49,198,181	48,198,181
	P114,046,487	P162,409,462

12. Notes Payable

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

13. Stockholders' Equity

On July 30, 2015, the BOD and stockholders approved the declaration of 3.08% stock dividends in the maximum amount of ₱6,252,710 to stockholders of record as of August 27, 2015 with distribution date not later than September 22, 2015. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱6,252,777. Fractional shares related to this declaration were settled in cash amounting to ₱ 67.

On July 25, 2014, the BOD and stockholders approved the declaration of 1.73% stock dividends in the maximum amount of ₱3,465,553 to stockholders of record as of August 28, 2014 with distribution date not later than September 23, 2014. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱3,465,588. Fractional shares related to this declaration were settled in cash amounting to ₱ 36.

On July 25, 2013, the BOD and stockholders approved the declaration of 1.24% stock dividends in the maximum amount of ₱2,445,209 to stockholders of record as of August 22, 2013 with distribution date not later than September 17, 2013. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱2,445,298. Fractional shares related to this declaration were settled in cash amounting to ₱ 89.

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

On June 23, 2011, the BOD and stockholders approved the declaration of 0.96% stock dividends in the amount of ₱1,853,245 to stockholders of record as of July 21, 2011 with distribution date not later than August 15, 2011. On the same date, the BOD also approved the declaration of cash dividends amounting to ₱1,853,331. Fractional shares related to this declaration were settled in cash amounting to ₱43.00.

MAKATI FINANCE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Solvency and Liquidity Ratios		
Current ratio	108.71%	101.03%
Debt to equity ratio	205.84%	229.85%
Quick ratio	63.09%	52.89%
Profitability Ratios		
Return on assets (annualized)	3.17%	2.94%
Return on equity (annualized)	9.65%	9.69%
Net profit margin	20.35%	17.92%
Asset to Equity Ratio	305.84%	329.85%
Interest Rate Coverage Ratio	2.43	2.25
Other Relevant Ratios		
Ratio or percentage of total real estate investments to total assets	0.20%	0.20%
Total receivables to total assets	71.20%	73.87%
Total DOSRI receivables to networth	12.18%	3.29%
Amount of receivables from a single corporation to total receivables:		
Merg Realty and Development Corporation	0.26%	0.22%
Honda Motor World, Inc.	0.25%	0.25%

